



**APPROVED**

## **Use of Surplus Property Proceeds to Fund Facility Replacement Projects**

The 2013-15 Transportation Budget (ESSB 5024, Section 204(5)) directs the Joint Transportation Committee to “study and review the use of surplus property proceeds to fund facility replacement projects, and the possibility of using the north central region as a pilot.” The JTC is to “consult with the Department of Transportation and the Office of Financial Management regarding the department’s current process for prioritizing and funding facility improvement and replacement projects.”

### **Background**

The Washington State Department of Transportation (WSDOT) owns a significant amount of real property, including real estate, highway rights-of-way, and other land holdings. It manages over 3.8 million square feet of building space, of which 3.2 million square feet is WSDOT owned. The facilities include about 1,400 buildings at 500 separate sites. Facilities range from office space in Olympia and the six WSDOT regions, to traffic management facilities, radio towers, airports, vehicle repair shops, and state ferry facilities, which are either state owned or leased.

Generally, WSDOT's owned and leased facilities are managed by staff from the WSDOT Facilities Program (D) and the Program Delivery Management and Support Program (H). On occasion, facilities are purchased and managed under the construction program, as buildings may be part of right-of-way acquisitions, or otherwise closely tied to a highway construction project. In 2011, WSDOT created a Facilities and Lease Board to develop a corporate decision-making process related to agency building space, including future facility needs.

Overall, the WSDOT owns about 5,600 parcels of property totaling over 25,000 acres. They range from improved properties with buildings, to right-of-way corridor purchases for future facilities, to excess holdings from past projects, including staging areas. Currently, over 350 of these properties are identified as surplus property.

Funds to maintain, upgrade and replace certain facilities are appropriated in the capital portion of the WSDOT, while lease costs and the process of surplusing properties are funded through the WSDOT operating portion of the budget. The 2011-13 budget directed WSDOT to develop a plan to improve oversight of real estate and procurement practices within the agency (ESHB 1175, Section 604). The 2013-15 Transportation Budget (Section 605) continues the 2011-13 proviso to improve the oversight of real estate procurement and property management with a plan to be submitted to the OFM and legislative transportation committees by December 31, 2013. The proviso also directs WSDOT to provide a land inventory and the intended use/disposition for each parcel.

### **Overall Study Approach**

Staff from the legislative transportation committees, WSDOT and OFM will review past studies on WSDOT facility management, examine facility inventory efforts now underway, and evaluate WSDOT's financing and prioritization processes for facility maintenance and development.

### **Study Outline**

Initially, the staff will review materials, including past studies, regarding surplus property inventories, facilities plan and facility management. Staff will interview WSDOT program staff to better understand

WSDOT facility and surplus property and to learn more about the management practices for and funding available for those functions. Staff will also meet with OFM staff to identify OFM's oversight of WSDOT programs.

Staff will then examine in more detail, activities related to surplus property holdings, management and sales. Staff will explore options for divestiture of these holdings and allocation of sales proceeds, balancing incentives to prudently divest properties and invest proceeds of such sales. Staff will incorporate the results of current efforts to identify inventories of properties, which are estimated to be completed in December 2013.

Staff will identify alternative approaches to utilize the proceeds of surplus property sales. These approaches will take into consideration the scale of holdings, alternative uses of the sale proceeds, and prioritization of facilities across the state and within WSDOT regions.

Specific topics that will be reviewed include:

- The use of Equal Value Exchanges, both past and proposed;
- Funding available from existing surplus property sales compared to known funding need; and
- Options for incentivizing the sale of surplus property.

### **Proposed Time Line**

**July-September.** Review materials including past studies regarding surplus property inventories and facility management. Examine WSDOT facility and surplus property management practices and OFM oversight.

**October.** Continue review and evaluation of WSDOT practices with regard to surplus property, facility management and facility need prioritization. Update JTC on study progress.

**November.** Identify alternative approaches to surplus property management and divestiture.

**December.** Present alternatives to JTC.

**January.** Incorporate results from WSDOT facility inventory and present summary of findings and options to JTC.

### **Staff Participants**

Gene Baxstrom, Project Manager, and Mary Fleckenstein	Joint Transportation Committee
Hayley Gamble	Senate Transportation Committee
Jerry Long	House Transportation Committee
Robin Rettew	Office of Financial Management

JTC Project Manager/Back-up: Gene Baxstrom, Mary Fleckenstein

Appropriation: Within existing funds

Reporting date: Not specified—estimated, January, 2014