



## BUDGET SOLUTION: 2009-2010

### ASSET MANAGEMENT - REVENUES FROM STATE PROPERTIES

#### GETTING MORE OUT OF OUR STATE ASSETS

**“We’re...very happy that in this budget we make government more efficient and...are cutting the waste, fraud and abuse in some of the programs.”** (Gov. Schwarzenegger, 7/20/09)

*California’s real estate is one of its greatest assets, and Governor Schwarzenegger is seeking to capitalize on it in order to save Californians from increased taxes and deeper cuts in state programs and services. Thousands of buildings and land parcels owned by the state throughout California represent billions of dollars of equity that can be used to shore up California’s financial future.*

#### **Rethinking Asset Management:**

**Now is the time for California to look at its real estate as a lucrative asset.** By implementing new approaches to managing the state’s assets, California could generate more than \$1 billion.

- **Governor Schwarzenegger wants to unlock the value of California’s property.** California has traditionally owned its own land and buildings, creating equity that has built up over time.
- **Taking advantage of California’s real estate assets can have real affects on our budget.** While funding from improved management of state properties will not solve the entire crisis, taking action now will help shore up California’s financial future.

#### **The Solutions:**

**To unlock equity in state properties, Governor Schwarzenegger has proposed four different asset management solutions.**

- **Land Lease Partnerships on Underutilized Property:** Granting the Department of General Services (DGS) broad authority to approve and authorize long-term leases on state-owned real estate.
  - *Timeline: 18-24 months*
  - *Potential Revenue: \$1-2 million annually per lease*
- **Accelerated Sale of Surplus Property:** Changing the current statutory annual reporting requirements regarding state land holdings to require each agency and department to describe what land under their purview is fully-utilized, partially utilized, under-utilized and vacant. This will help accelerate the identification and sale of surplus property.
  - *Timeline: 18-24 months*
  - *Potential Revenue: \$125-150 million*
- **Sale/Leaseback of State-Owned Buildings:** Granting DGS the authority to sell buildings and enter into long-term leases for those buildings.
  - *Timeline: 18-24 months*
  - *Potential Revenue: \$600-675 million*
- **Sale of High Value State Properties:** Granting DGS the authority to sell some of the state’s highest-valued real estate and apply the revenues to the General Fund.
  - *Timeline: 24-36 months*
  - *Potential Revenue: \$96-180 million*

#### **Total Revenue Potential:**

- \$822 million to more than \$1 billion, beginning in 2011-12