

# Virginia Viewpoint

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## Virginia Needs to Evaluate, Consolidate, and Divest

By Geoffrey F. Segal

### Summary

Rather than prescribing, once again, the annual placebo of more spending and higher taxes, perhaps Virginia's politicians should consider asset divestiture as a means of relieving the bloating and discomfort caused by budgetary pressures.

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***The state ought to establish a process for systematically reviewing the real property it owns and evaluating which assets can be put to more productive or efficient use if sold.***

As we inch closer to another biennial budget in the commonwealth it is becoming more likely that there will once again be a budget brawl. Expenditures for most services are rising, while tax and fee increases remain politically unpopular and unlikely to pass both houses of the General Assembly. Fortunately, Virginia's policymakers at the city, county, and state level are sitting on a virtual gold mine that can bail them out of immediate fiscal troubles, help balance budgets, and prevent tax hikes.

Virginia has millions, even billions of dollars in often overlooked public-use infrastructure assets that—when sold or leased through public-private partnerships—can yield hundreds of millions in revenue. This can be achieved all in a manner that preserves or improves services, while ensuring the assets continue to serve the community. The state ought to establish a process for systematically reviewing the real property it owns and evaluating which assets can be put to more productive or efficient use if sold.

Cities like Seattle, Milwaukee, Indianapolis, and Boston are saving hundreds of millions of dollars this way. States like Florida, Massachusetts, Texas, and even California have used, or are using, asset divestiture and enhanced-use leasing to save money. For instance, in 2001 California sold surplus state real estate in Silicon Valley for \$149 million. Furthermore, Maryland Governor Robert Ehrlich recently ordered the Department of Planning to undertake a survey of state agencies and their asset and property needs. The goal is to identify property that is not needed for state functions and divest that land.

First, Virginia, too, needs to undertake a survey of state agencies and their asset and property needs. The inventory will be analyzed to find property that has the most value to developers—residential, commercial, or industrial. In this paradigm, divesting surplus or underutilized land has few, if any, downsides. Beyond the one-time cash revenues realized from the sale of the property, Virginia also removes assets from its books and creates an ongoing revenue stream as the new owner begins to pay property tax on the now private asset.

Virginia last undertook such an asset review in 1994 when state buildings and land were identified that could reasonably be declared surplus.

The report did not specifically identify consolidation opportunities but rather focused only on excess property. The report noted that the process for disposing of surplus real property often experienced significant delays and that property records frequently included errors and omissions. A new review must be completed chronicling excess assets the commonwealth owns. But it should not stop there; it should also actively seek consolidation opportunities to free up additional assets that could be divested. Furthermore, the report should outline a new procedure that would streamline the process and resolve deficiencies identified in previous efforts.

Money raised from asset divestiture can be used to supplement existing services, reduce maintenance backlogs, or provide new capital funding for transportation projects. Simply put, divestiture of assets and enhanced-use leasing arrangements examine what real property the state owns and determines if it can be put to more productive use when sold outright, or sold and then leased back to the state under an agreement with the new private owner.

Given the likelihood of continued fiscal struggles, policymakers at the city, county, and state level should re-evaluate their property and asset needs. Undoubtedly, opportunities to generate revenue, while staving off the need for tax hikes, are there. Doing so will be yet another step toward relieving current budgetary pressures while maintaining services and service levels the public has grown to expect.

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