Kansas
Historical Society

Response to Kansas Statewide Efficiency Report (Alvarez and Marsal, February 16, 2016)
February 17, 2016

The issue referenced in this memo is under Real Estate and Lease Management, recommendation #3. Under "Surplus Property Overview" (page 97) the Kansas Historical Society headquarters at 6425 SW 6th Avenue, Topeka, is listed as surplus property. The Kansas Historical Society would like to comment on several statements made in regards to this property.

- In the report this property is listed as belonging to the Department of Labor.
  - The 1973 Legislature allotted $193,000 to purchase the historic Potawatomi Indian Mission and the surrounding 81 acres. The owners were selling the property on the condition that the mission be restored and a new museum be built.
  - The 1988 Legislature appropriated money to move the State Archives and other departments of the Kansas Historical Society out of the Memorial Building, so that it could become the home of the Attorney General and Secretary of State. With this move 6425 SW 6th Avenue became the Historical Society headquarters.
- The report states on page 98 "while redevelopment attempts have been made for this land, indicating a state interest in the disposition of the property, there has been limited success."
  - The Kansas Historical Society has not initiated any redevelopment attempts, nor is it aware of any.
  - The Historical Society uses all 81 acres to fulfill its mission. The state's critical records are housed here along with a back-up data center, as well as the Kansas Museum of History. The acreage is heavily used for educational purposes as the property includes three historic structures, two of which are in the National Register of Historic Places. A route of the historic Oregon-California Trail runs through the property.
- The report states on page 97 that 10 percent of the property is valued at $1,235,096.
  - In a conversation with Alvarez and Marsal on January 29, 2016, the agency requested information on how this value was determined and if the comparable properties are within a flood plain. We have not, to date, received any information.
  - The agency questions this number as most of the property is on a FEMA flood plain. Property for sale east of 6425 SW 6th Avenue, also in the flood plain, has remained unsold for years.
- The report states on page 97 that "the land parcels recommended to be part of the land disposition program have been reviewed with the DOA [but] have not received the approval of the individual state agencies, which currently control them." The

Historical Society agrees with this statement as this issue was not discussed with the agency before it was published in the draft report.

- o With the release of the draft, the agency contacted legislative staff for clarification of this issue. This resulted in the January 29, 2016, phone conversation between the agency and staff from Alvarez and Marsal. The factual corrections discussed during this conversation were not taken into account in the final report.
- o During the conversation Alvarez and Marsal stated that one of their considerations was that 6th Avenue went through our property and connected to Urish Road. The agency verbally corrected this assumption conveying that 6th Avenue ends at the eastern property line and that there is no intersection of 6th and Urish.

The Kansas Historical Society requests the opportunity to be part of any discussion surrounding the property at 6425 SW 6th Avenue in Topeka. From the agency point of view the loss of eight acres would have impact on the Historical Society's budget and its ability to carry out its mission.

- To gain eight connected acres that could be leased or sold without affecting the agency's programs would be difficult. The back section of the property (along Urish) contains two historic structures and a warehouse that would cost the state money to relocate. There is also limited infrastructure present in this part of the property.
- Popular educational programs for Kansas school children would need to be altered if the acreage is reduced. The cost of this would depend on the land selected.
- The loss of 10 percent of the acreage will hinder future growth as more room will be needed to safely house the state's records and collections. The agency's long range plan includes another storage facility.
- A great many private donors and Kansas businesses have contributed to the property at 6425 SW 6th Avenue as an investment in the state's past, present, and future. The selling of any of the land may hinder the agency's ability to continue to raise private and business donations if they think the land will be sold.

The Historical Society pledges to work with the Legislature and the Governor's office to do what is best for the people of Kansas but to do so we ask to be part of the discussion.

Thank you,

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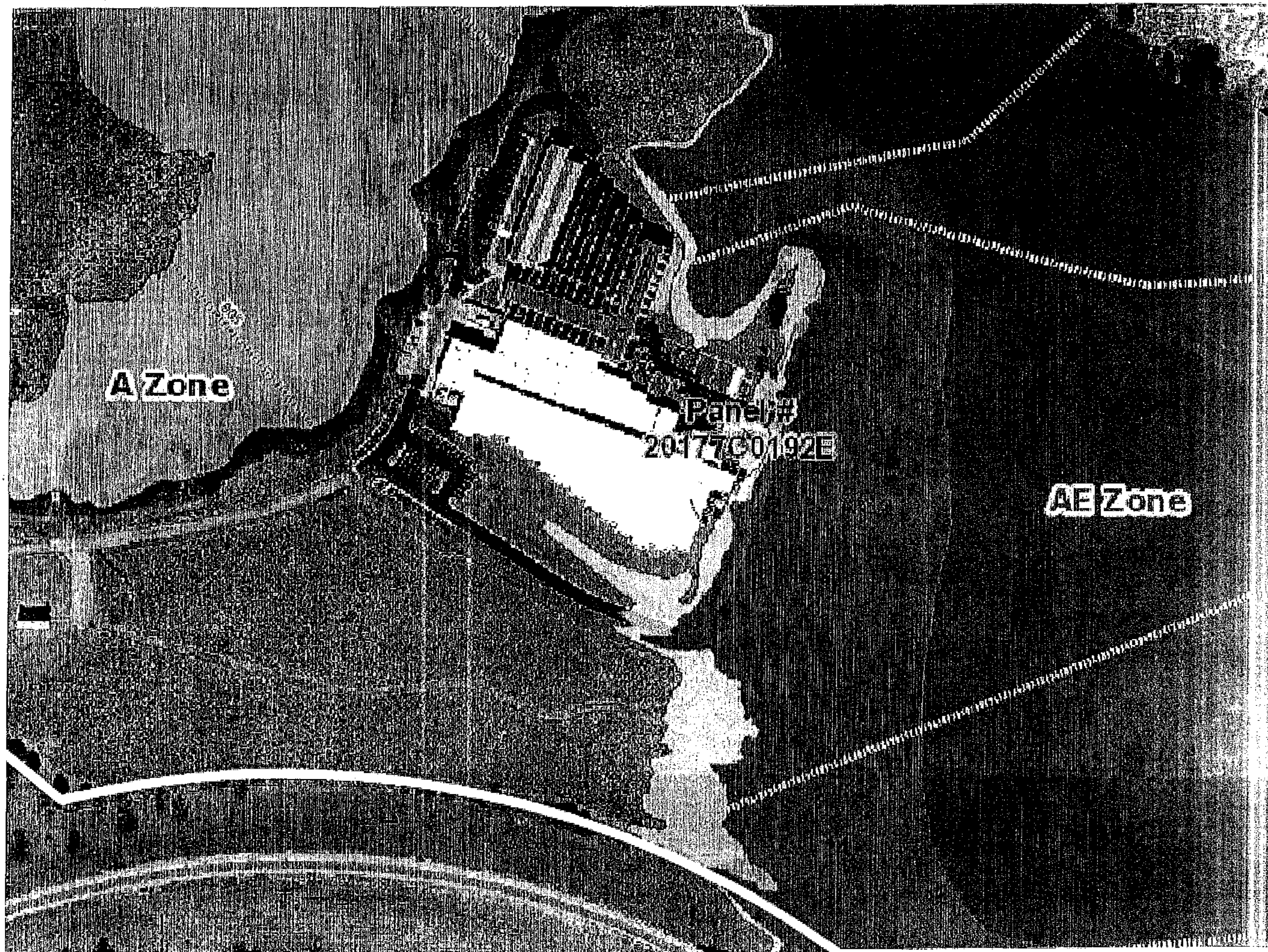
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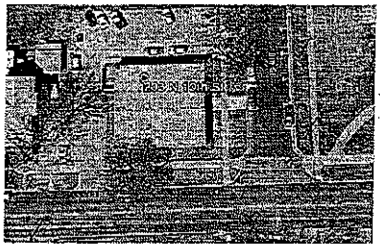
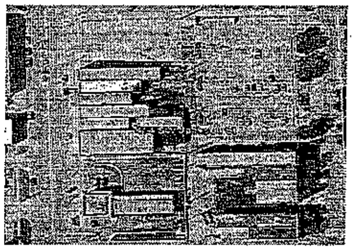
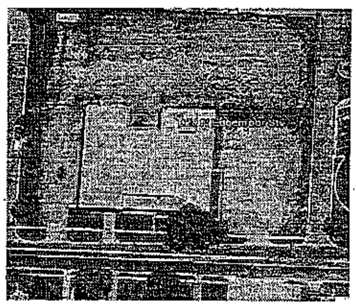


203 N10TH ST., SALINA, KS	
Estimated Value	$80,640 - $125,000



414 & 420 SW JACKSON ST, TOPEKA, KS	
Estimated Value	$72,912

Estimated Total Value	$3,427,151 - $3,674,666
Estimated State Tax Revenue	$47,980



620 N Edgemore, Wichita, KS	
Estimated Value	$831,122

Surplus Property Overview

- In addition to the surplus properties identified by the state, A&M analyzed additional state owned properties with high potential to yield excess or unused land.
- While the land parcels recommended to be part of the land disposition program have been reviewed with the DOA, they have not received the approval of the individual state agencies, which currently control them. Additional due diligence would be necessary to determine how each state agency would play a role in the disposition program.
- This particular land surplussing opportunity also represents a chance to align agencies and land, to provide a bulk land sale/lease program.
- During its due diligence of this potential land surplus program, A&M discovered several critical pieces of data:
  - » The Department of Corrections (DOC) has already made attempts to sell surplus land.
  - » In the past, state legislature required an inventory of all state land and the sale of any land determined to be surplus. Land was sold at WCF (Winfield) and the Department of Corrections attempted to sell land at LCF (Lansing) and KJCC (Topeka) but had no bidders.

State Owned Surplus Land			
Agency	Address	Size	Value
El Dorado Correctional Facility	1737 SE Highway 54, El Dorado, KS	615 Acres	$300,000
Dept. of Labor	6425 SW 6th Ave, Topeka, KS	82 Acres	$1,235,096
Kansas Neurological Institute	3107 W 21st St, Topeka, KS	221 Acres	$3,730,566
Dept. of Veterans Affairs	5181Wildcat Creek Road, Manhattan, KS	90 Acres	$163,212
	Estimated Sales Total:		$5,428,874
	Estimated State Tax Revenue:		$74,004

  - » The DOC currently leases land to farmers at NCF (Norton) and LCMHF (Larned). KCI farms land at LCF and HCF (wild horse program).
  - » Similar inquires have been made with regard to the status of excess land owned by the Adjutant General; however, due to the complexity of funding allocations and mission goals, the Adjutant General demonstrated limited interest in selling any of the identified properties.
- The chart below estimates potential revenue from the sale or lease of 10 percent of the land

listed (> 80 Acres).

Findings

- El Dorado Correctional Facility – 1737 SE Highway 54, El Dorado, KS: The Department of Corrections (DOC) has indicated that it has taken portions of its owned portfolio to market in the past with mixed levels of success. Given that the sale process would be streamlined through creation of a single PMO dedicated solely to property dispositions, and considering the large amount of land, there would be a higher potential for a successful sale if this property were to be taken to market. Additionally, given the fact that there have been previous attempts to sell portions of Lansing Correctional Facility, and Topeka Correctional Facility, which were unsuccessful, A&M anticipates a high probability of a successful solicitation.

- Department of Labor - 6425 SW 6th Ave, Topeka, KS: While redevelopment attempts have been made for this land, indicating a state interest in the disposition of the property, there has been limited success. Under a joint solicitation through a single PMO structure, there is a much greater probability of a successful sale.

- Kansas Neurological Institute - 3107 W 21st St, Topeka, KS: Development attempts have been made on this parcel, indicating a state interest in its potential sale. Several market factors such as the properties proximity to a VA hospital and the KNI would need to be considered for the solicitation of this land.

- Department of Veterans Affairs – 5181 Wildcat Creek Road, Manhattan, KS: The real estate market in Manhattan has grown considerably over the past decade with increased population of Kansas state, indicating a high potential for sale. A portion of the property is being utilized as a VA graveyard, so additional due diligence will be necessary to verify the viability of the sale.

Critical Steps to Implement

- Attaining the buy-in and cooperation of respective state agencies will be crucial to the disposition process. A&M recommends that the state institute a one-year moratorium on the law requiring 80 percent of net proceeds from state land dispositions to go to KPERS. This moratorium is also critical for implementing Recommendation #4.

- Additionally, the state would need to grant a temporary credence such that once properties have been identified as surplus, property value can be confirmed in-house (within the DOA) eliminating the necessity of a third party appraiser. This will greatly increase the speed of transaction execution.

Recommendation #3 - (dollars in 000's)				
FY17	FY18	FY19	FY20	FY21
$3,817	$3,817	$122	$122	$1,834

- Speed to market will also be a critical component of to the successful disposition of state owned surplus properties. A&M recommends that the state form an external Project Management Office (PMO) to auction or lease identified excess land beginning in February 2016, ending November 2016.

- With regard to excess land parcel in high value areas, the state should finalize which parcels are indeed surplus and move to group and sell/lease these properties.

Recommendation #4 – Enter into a long-term ground lease agreement for Lot #4—a state-owned piece of property adjacent to the State Judicial Complex in Topeka

Background & Strategy

- In 2013, the state issued an RFP for the sale of Lot #2—a 60,000 sq. ft. parcel currently being used as a parking lot, immediately south of the Docking Building.

- The state received a winning bid of $2,500,000; however, concerns about the sale of the property given its adjacency to the State Capitol Building were raised and the solicitation was terminated.

- Lot #4, slightly smaller at around 50,000 sq. ft. is south of Lot #2. While it is adjacent to a parking