



Memorandum

TO: Making Government Work Better
Committee

FROM: Jose Obregon

**SUBJECT: Procedures and Policies Regarding
City-owned Land**

DATE: February 4, 2004

Approved

Date

RECOMMENDATION

Accept this information report on procedures and policies regarding City-owned land.

BACKGROUND

The January – June 2004 Making Government Work Better (MGWB) Committee Workplan calls for a “Discussion of the Procedures and Policies Regarding City-owned Land”. The General Services Department (GSD) and Department of Public Works (DPW) are the City’s primary administrators of land acquisition, maintenance and disposition. GSD and DPW consult and partner with other City departments to facilitate land acquisition, maintenance and disposition. Additionally, there is a Property Acquisition and Disposition Committee that meets monthly and provides oversight of the City’s property acquisition and disposition activities. GSD and the Department of Transportation (DOT) are the primary maintenance providers of City-owned land, with the exception of facilities that the City leases to other individuals and entities.

ANALYSIS

Procedures related to City-owned property impact several aspects of the City’s real property interest including acquisition, ownership and disposition. The contents of this report will discuss procedures related to each of the above mentioned areas. Additionally, this report will address the use of appraisal and title companies as related to City-owned property.

Acquisition

In the acquisition phase, the City acquires property in order to facilitate the delivery of new projects including facility construction (i.e. libraries, community centers, fire stations), affordable housing developments, street widening and recreational spaces. The acquisition process is defined from the time real estate services are requested by City departments to the time that site delivery is accepted. The interim steps include reviewing the preliminary title report, determining whether reviews for toxics contamination may be needed, obtaining appraisal services, reviewing the appraisal report, presenting an offer to the current property owner, negotiating the purchase and requesting deed approval and acceptance from Council. The cycle time for the acquisition process is 155 business days on average. Upon site delivery, construction and/or occupancy is initiated.

Ownership

As a result of land the land acquisition process, the City owns numerous properties, some of which are occupied by City departments, some of which are leased to and occupied by individuals, business owners and non-profit organizations, and others that are vacant and/or surplus to the City's programmatic needs. The operation and maintenance of City-owned property varies according the property use scenario. Properties occupied by City departments are operated and maintained by the City. Property where the City's role is that of landlord are operated and maintained in accordance with each lease agreement, which in most cases requires that the property be operated and maintained by the tenant. Finally, City-owned properties that are vacant are operated and maintained by the City. The operation and maintenance of vacant property is minimal and not programmed, as it is addressed on an as needed basis which varies from parcel to parcel. These type of instances include weed abatement, graffiti removal, board ups and fencing. Operation and maintenance associated with vacant properties is not tracked by parcel, as expenses are low. Additionally there are instances where vacant City-owned property may be declared surplus to the City's program needs and disposed of.

Disposition

When a City-owned property is declared surplus to the City's program needs, it is prepared for sale. The sales process is conducted according to Municipal Code Chapter 4.20, "Procedure for Selling City-owned Property". This chapter allows for the sale of City-owned property by public auction and private sale for economic benefit and development. The sales process includes public notification via a general circulation publication, obtaining a preliminary title report, requesting an appraisal, negotiating the sale, and presenting the proposed sales agreement to Council for approval and authority to execute. The disposition of City-owned property is a revenue generator for the City, as well as a tool to ensure economic development and affordable housing opportunities. Flexibility in the procedures used to achieve these goals is key and are continuously reviewed for streamlining opportunities.

Appraisal and Title Companies

The selection of appraisal companies and title companies is based on the City's desire to provide all interested parties the opportunity to do business with the City. Appraisal companies are selected through a bid process, whereby each bidder must meet certain criteria in order to be

considered. The criterion requires the bidder to be a certified appraiser, a member of a national appraiser organization and proven experience performing appraisals for government entities. Agreements are then entered into with the successful bidder(s) that allow for the City to request appraisal services when needed. The City's business relationship with title companies is predicated upon an advertising campaign that was initiated by City's Department of Public Works several years ago when the City noticed that it was becoming increasingly difficult to secure the services of title companies. The advertising campaign incorporated outreach such as public notification in the Mercury Newspaper and direct correspondence with all title companies listed in the local telephone directory. The primary requirements that the City has of title companies are that they belong to the Title Plant and that they are able to insure their title reports. There were very few respondents to the City's advertising campaign, and upon further research the City learned that title companies are reluctant to work with the City because the cost benefit is limited. The City tends to request very specialized title reports that are labor intensive, and there are very few instances when the City purchases title insurance. These occurrences tend to be prohibitive to title companies. The City currently maintains a list of title companies that are called upon when title reports are needed, and as other opportunities to build the title company database occur the City takes advantage of them.

COORDINATION

This item has been coordinated with the Office of the City Manager, City Attorney's Office and the Department of Public Works.

JOSE OBREGON
Director of General Services