



Memorandum

TO: Rules Committee

FROM: Gerald A. Silva
City Auditor

SUBJECT: *Recommendation That The Rules Committee Drop "Comparison of the Department of Public Works Real Estate Division And Redevelopment Agency (RDA) Real Estate Acquisition Processes" from the City Auditor's 2005-06 Workplan*

DATE: June 6, 2006

Recommendation

We recommend that the Rules Committee drop "*Comparison of the Department of Public Works Real Estate Division And Redevelopment Agency (RDA) Real Estate Acquisition Processes*" from the City Auditor's 2005-06 Workplan.

Background

In May 2004, we issued an *An Audit of the Department of Public Works' Real Estate Division Real Property Acquisition Process*. We reported that for selected projects the RDA incurred on average a fully-loaded¹ acquisition cost of \$7,249 per acquired parcel, with acquisitions ranging from \$5,728 to \$8,475 per parcel. On the other hand, we found that the average fully-loaded total acquisition cost per parcel for the Real Estate Division (Division) was \$12,352, with acquisitions ranging from \$3,853 to \$26,899 per parcel. However, we noted that Citywide overhead cost allocation payments may have contributed to the RDA's lower acquisition costs. A major reason for the cost differential was that the Department of Public Works allocates its Citywide overhead cost on a per project basis, while the RDA does not. This overhead allocation difference caused most of the cost disparity.

At the June 9, 2004, Making Government Work Better Committee Meeting, the Committee voted to accept the audit report and directed that the City Auditor's Office report back with an in-depth analysis on a comparison of the Division and RDA real property acquisition processes.

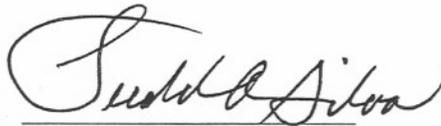
¹ The fully-loaded cost includes the consultant's direct charges and the Agency's oversight cost.

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Current Real Estate Acquisition Practices

When we began our comparison of the Division and RDA real property acquisition processes, we found that both the Division and RDA were using similar processes. According to an RDA Director, it has not relied on outside consultants to directly acquire real estate since 2004-05. The RDA Director indicated that in-house RDA staff provide real estate acquisition services and in some instances the RDA refers acquisitions to Division staff. Both the RDA and Public Works use outside appraisers on an as-needed basis and use similar processes to acquire real property.

In our opinion, the Division and the RDA are now using similar processes. Accordingly, we recommend that the Rules Committee remove an in-depth analysis on a comparison of the Division and the RDA real property acquisition processes from the City Auditor's 2005-06 Audit Workplan.



Gerald A. Silva
City Auditor

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