

# Audit of City-Owned and Leased Real Property

Report # 2019/20-02 | August, 2019

The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve a Variety of City Goals

The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development

Appropriate Management of City-Owned and Leased Real Property Are Required to Ensure Financial Statements Comply with the Government Accounting Standards Board



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### Background

The City of Sacramento owns nearly 2,000 parcels of land located within the County of Sacramento. Some of the City-owned property is leased to outside parties. In addition, the City leases some private property for City use. The Real Estate Services Section of the Department of Public Works provides specialized asset management expertise for the City's real estate. The section conducts the following services for various City departments: leasing, right of way acquisition, sale and purchase of property, appraisal, relocation assistance, consulting, feasibility analysis, cellular site permits, and special projects. However, the various City departments manage and maintain their own department's real property assets.

### What We Found

#### The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals

- The City could benefit from identifying and tracking surplus property;
- Improvements to the maintenance and management of City-owned property could reduce City liability, utility costs, and maintenance costs; and
- Potential surplus and remnant real property could be leveraged to achieve a variety of City goals such as affordable housing.

#### The City's Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development

- The City would benefit from implementation of the *Lease Centralization Plan*;
- Lease contracts could be improved by adopting consistent contract provisions;
- Leveraging City-owned property instead of leasing non-City property may reduce City costs; and
- The process of property acquisition and disposition is inconsistent and not well-documented.

#### Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board

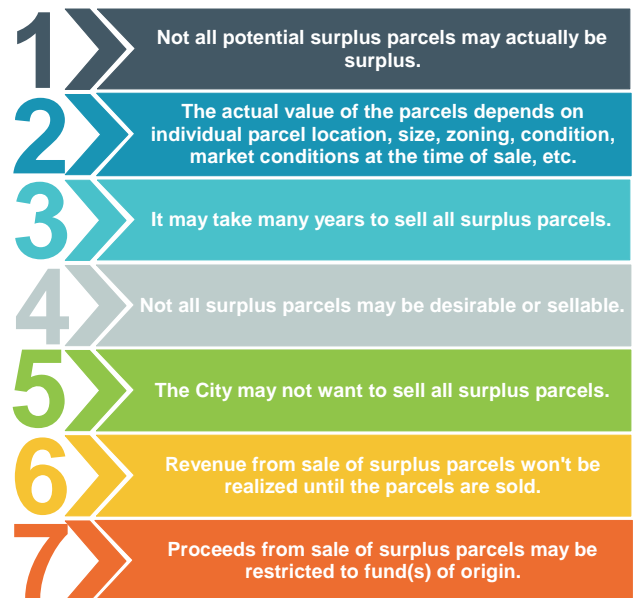
- Poor communication between City departments has compromised the accuracy of reported land assets in the City's financial statements;
- Real property inventory improvements may assist in strategic decision making and financial statement reporting;
- Financial management of City leases are inconsistent among City Departments; and
- Management of City leases needs to improve to ensure compliance with GASB 87 regarding leases.

### The City could benefit from identifying and tracking surplus property

We conducted a high-level review of 550 of the 2,000 City-owned parcels and identified 69 parcels totaling more than 90 acres as potential surplus parcels. Our high-level review and identification of potential surplus parcels requires additional review to ensure the parcels are truly surplus parcels. We estimate the value of the City's potential surplus property to be \$18 million.



The 69 potential surplus parcels we identified during our testing are various sizes, have different zoning, are in different conditions, and are located throughout the City. In addition, as the parcels we identified are potential surplus parcels, it is important to keep in mind certain disclosures about the potential surplus parcels, as noted in the figure below.



### Recommendations

We made 18 recommendations aimed to produce cost savings, improve compliance, and enhance accountability. Recommendations were made to the Real Estate Services Section of the Department of Public Works, City Manager's Office, Finance Department, and Information Technology Department.

## Introduction

In accordance with the City Auditor’s Fiscal Year 2018-19 Audit Plan, we have completed the *Audit of City-Owned and Leased Real Property*. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor’s Office would like to thank the Department of Public Works and the various other City departments for their cooperation during the audit process.

## Background

The City of Sacramento owns nearly 2,000 parcels of land located within the County of Sacramento. Some of the City-owned property is leased to outside parties. In addition, the City leases some private property for City use. The Facilities and Real Property Management Division of the Department of Public Works is responsible for purchasing, building, maintaining, and managing City facilities and real estate. The Real Estate Services Section provides specialized asset management expertise for the City’s real estate. The section conducts the following services for various City departments: leasing, right of way acquisition, sale and purchase of property, appraisal, relocation assistance, consulting, feasibility analysis, cellular site permits, and special projects. However, the various City departments manage and maintain their own department’s real property assets.

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*The City of Sacramento owns nearly 2,000 parcels of land located within the County of Sacramento.*

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## City-Owned Property

The City owns real property both within the City of Sacramento and outside of the City’s limits in the County of Sacramento. The City’s property includes parks, office buildings, parking structures and lots, treatment plants, streetscapes, creeks, drainage canals, fire and police stations, sumps, and trails. Some City-owned properties are vacant and are currently not utilized by the City.

As of June 2018, the City of Sacramento owned nearly 2,000 parcels of real property. The City has acquired these parcels through various means over the years. The City typically acquires properties for project reasons or through

dedications. Sometimes projects get put on hold, or eventually cancelled, and the City is left with the unused property for an extended period. The City may also acquire land in anticipation of a project in the future. Sometimes when a project is completed or constructed, excess land is left over that the City retains in its real property inventory. Figure 1 below identifies the number of City-owned parcels as of June 2018 by type of use.

**Figure 1: City-Owned Property by Type of Use as of June 2018**

City Use Type	Number of Parcels
Park	478
Streetscape	260
Right of Way	160
Creek	133
Sump	121
Drainage Ditch	106
Vacant	105
Trail	96
Drainage Canal	77
Special Use	68
Fire Station	44
Well	44
Levee	37
Open Space	35
Detention Basin	31
Police Station	29
Office	21
Water Tower	20
Golf Course	18
Treatment Plant	16
Parking Garage	14
Community Center	11
Bridge Ramp Support	10
Library	9
Parking Lot	8
Community Garden	6
Corp Yard	5
Bridge Ramp Support/Surplus	5
Landfill	3

Cemetery	1
Dewatering Station	1
<b>Grand Total</b>	<b>1,972</b>

Source: Auditor compiled from data provided by the Information Technology Department.

As indicated in the figure above, nearly a quarter of the City-owned parcels are designated as parks. This does not mean the City has 478 different parks, as multiple parcels can make up one park. For example, the North Natomas Regional Park is made up of four different parcels.

### Redevelopment Agency Successor Agency (RASA) Properties

On February 1, 2012, California’s Redevelopment Agencies were dissolved by operation of law pursuant to California Assembly Bill ABX1 26. At that time, the City elected to become the Redevelopment Agency Successor Agency (RASA) to the Redevelopment Agency of the City of Sacramento (Redevelopment Agency). By doing so, certain real property assets of the Redevelopment Agency were transferred to the City in its capacity as RASA (a separate legal entity from the City). According to the Real Estate Services Section, approximately 127 parcels related to redevelopment projects were transferred to RASA. City staff in the Economic Development Department took the lead in managing the RASA parcels, with support from the Real Estate Services Section and Department of Finance. Expenses related to RASA properties are funded by the California Department of Finance through the Recognized Obligation Payment Schedule.

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*The City elected to become the Redevelopment Agency Successor Agency to the Redevelopment Agency of the City of Sacramento.*

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Of the 127 parcels, 25 were approved by the California Department of Finance for governmental purposes and were transferred from RASA to the City at no cost for governmental purposes. These were typically parcels that functioned as a government use, such as sidewalk parcels, service courts, and parks. The City could purchase any additional RASA properties that it identified as necessary to its operations; this included RASA properties which the City viewed as having a governmental use but were not approved as such by the California Department of Finance. The remaining RASA parcels were to be sold, and the sale proceeds forwarded to the Sacramento County Auditor Controller for distribution to the appropriate taxing agencies. According to the Real Estate Services Section, many of the RASA properties have been sold, and the remaining properties continue to be listed for sale through contracted commercial real estate brokers. Properties that remain legally owned by RASA are not City-owned and were not included in the list of City properties in figure 1 above.



## City-Leased Property

Some City real property is leased to non-City organizations and businesses. For example, the City owns parking structures with first-floor retail spaces that it leases out to businesses such as the Starbucks Corporation. Some of the City's properties are leased to non-profit organizations and community groups at a discounted lease rate. City-owned leases are managed by the City department or division responsible for maintaining the property. For example, the Department of Public Works' Parking Services Division manages parking structure tenants.

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*Some City real property is leased to non-City organizations and businesses.*

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The City also uses non-City real property by leasing it from another organization or business. For example, the City's Police Department leases an airplane hangar and office building in the former McClellan Air Force Base from a private entity. Many leases for non-City property are managed by the department or division using the property. For example, the Police Department manages and makes the monthly lease payments for the airplane hangar and office building.

The Real Estate Services section may help another City department or division to lease out their City-owned property or identify a property to lease from a non-City organization, but it does not track all private property leased by the City of Sacramento or all City-owned leases. Currently, the list of City-owned property maintained by the Real Estate Services section does not identify which of the City-owned property are currently leased to third-party organizations. As part of this audit, we reached out to City departments to attempt to compile a list of City-owned property currently leased out (the City is the lessor) and property the City is currently leasing from other organizations (the City is the lessee).

## Relevant Guidance

The Real Estate Services section does not have policies and procedures to guide its employees in conducting their work. The section currently relies on institutional knowledge to perform its work. The Facilities and Real Property Management Division created a *Lease Centralization Plan* in fiscal year 2016-17 to provide a strategy to centralize City lease management within the Real Estate Services section but it was not officially implemented. There is, however, other guidance that the Real Estate Services section must follow based on the type of work they perform.

Depending on the type and use of the real property, the City may need to follow state and federal laws and regulations. In addition, the Sacramento City Code has specific sections that are related to real estate issues in the City of Sacramento. Some of the key sections of the City Code related to real estate issues are identified below:

- **City Code Section 3.68 – Leases of City-Owned Real Property** – identifies the process for leasing City-owned real property.
- **City Code Section 3.88 – Sale of City-Owned Real Property** – identifies the process for selling City-owned real property.
- **City Code Section 3.76.050 – Telecommunications Facilities Located on City-Owned Property** – identifies the procedures governing revocable permits for telecommunications facilities which are proposed to be located on City-owned property.
- **City Code Section 8.04 – Nuisances Generally** – Provides a comprehensive method for the identification and abatement of certain public nuisances within the City.
- **City Code Section 8.76 – Securing Unimproved or Unoccupied Real Property** – identifies the process for the City to issue a notice and order for any unimproved real property or improved but unoccupied real property within the City that has nuisance activity as defined in City Code Section 8.04 Nuisances Generally.
- **City Code Section 15.52 – Vacant Buildings and Structures** – Identifies the maintenance requirements of vacant and unoccupied structures in the City.

## Objective, Scope, and Methodology

The objective of this audit was to identify all City-owned and leased real property that the City, private parties, and non-profit organizations lease, occupy, or otherwise use, and assess if opportunities for more efficient use and management exist. The scope of this audit included City-owned and leased real property as of June 2018. In order to gain a better understanding of the Real Estate Services Section operations, we also reviewed historical real property acquisitions and dispositions from fiscal year 2015-16 to 2017-18.

In performing our audit, we reconciled City real property inventory with the Sacramento County Assessor’s Office, gathered City lease information from various City departments, and reviewed City-owned property to identify

potential remnant and surplus property. We reviewed the City's financial statements for land asset reporting. We worked with the Sacramento Association of REALTORS to gather and analyze vacant land sales in Sacramento County during calendar year 2018 to estimate the value of the City's potential surplus property. We reviewed industry best practices, interviewed staff, assessed internal controls, conducted site visits of City-owned and leased property, and assessed whether City property was properly maintained and secured.

## Finding 1: The City Has Potential Surplus and Remnant Parcels That Could Be Leveraged to Achieve A Variety of City Goals

The City is responsible for ensuring all City-owned property is maintained and does not constitute visual blight, reduce the aesthetic appearance of neighborhoods, offend the senses, or cause detriment to nearby real property or property values as required by Sacramento City Code. Ensuring City-owned properties are secured and maintained properly requires staff time and maintenance costs. As previously mentioned, the City owns nearly 2,000 parcels of real property. Many of these parcels are currently used by the City as parks, fire stations, office buildings, sumps, drainage ditches, etc. However, the City does not use all the real property it currently owns; this property is considered surplus, as it is currently not needed or used for any City services, there are not approved future plans for its use, and it is underutilized. Some City-owned parcels are very small, of little or no value by themselves, or typically not developable on their own. These remnant parcels are a subset of surplus property. Our review of a sample of the City's real property found:

- The City could benefit from identifying and tracking surplus property;
- Improvements to the maintenance and management of City-owned property could reduce City liability, utility costs, and maintenance costs; and
- Potential surplus and remnant real property could be leveraged to achieve a variety of City goals such as affordable housing.

The City could better utilize its surplus and remnant real property to achieve other City goals by leasing or repurposing City real property. The City could also dispose of surplus and remnant City property to raise one-time revenue; reduce utility, weed abatement, and maintenance costs; and reduce City liability.

### The City Could Benefit from Identifying and Tracking Surplus Property

The City may acquire real property through various means such as purchasing property from private sellers or other government agencies in the open market, through dedications from developers, purchasing property through California Eminent Domain Law, etc. We reviewed the inventory list (known as the Asset Database) of the City's real property maintained by the Real Estate Services Section and judgmentally selected 550 parcels, totaling over 984 acres, owned by the City of Sacramento; many of the notes about the use of these 550

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*The City owns nearly 2,000 parcels of real property.*

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properties were not detailed in the Asset Database.<sup>1</sup> We reviewed the 550 parcels to determine whether any of the parcels could be potential surplus property. We used the Parcel Viewer website from the Sacramento County Assessor’s Office to review each of the parcels selected for testing.<sup>2</sup> We worked with the Real Estate Services Section and identified 69 of the 550 City-owned parcels as potential surplus property totaling over 90 acres (see figure 6 for a map of the location of the 69 potential surplus parcels). Most of these potential surplus parcels were vacant land with no buildings or structures. The City may be legally required to keep certain parcels or parcels may only be used for a specific purpose; therefore, **our high-level review and identification of potential surplus parcels requires additional review to ensure the parcels are truly surplus parcels.**

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*We worked with the Real Estate Services Section and identified 69 City-owned parcels as potential surplus property totaling over 90 acres.*

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The 69 potential surplus parcels we identified during our testing are various sizes, have different zoning, are in different conditions, and are located throughout the City. In addition, as the parcels we identified are *potential* surplus parcels, it is important to keep in mind certain disclosures about the potential surplus parcels, as noted in figure 2 below.

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<sup>1</sup> We reviewed the list of City-owned parcels in the Asset Database and judgmentally selected parcels for further review by looking at the current use of the parcels and any notes made in the Asset Database suggesting they were potential surplus parcels. Additionally, many of the parcels that did not have additional notes about the parcel in the Asset Database were selected for further review.

<sup>2</sup> The Sacramento County Parcel Viewer website allows the City to review parcel information such as the parcel number, size, location, owner, zoning, and ownership history of all parcels in the County of Sacramento.

**Figure 2: Important Disclosures Regarding the Potential Surplus Parcels**



Source: Auditor generated based on review

According to the Real Estate Services Section, because values are unique to a property at a point in time and change with the real estate market, the Asset Database does not include the value of each of the City-owned parcels (see Finding 3 for more information regarding the data elements of the Asset Database). Because conducting an appraisal of each property was cost prohibitive, we calculated an average price-per-acre of vacant land in the Sacramento area to estimate the value of the potential surplus property. We worked with the Sacramento Association of REALTORS to get information on vacant land sales in Sacramento County during calendar year 2018. The average sales price-per-acre in Sacramento County by jurisdiction was more than \$385,000 and ranged from nearly \$5,800 to \$1.2 million per acre in calendar year 2018. To ensure a conservative average price-per-acre, we filtered out all sales transactions with an average selling price-per-acre of \$500,000 or more. We also worked with the Real Estate Services Section to remove sales from some Sacramento County cities and towns that were not comparable to the City of Sacramento.

Based on the Multiple Listing Service (MLS) data received from the Sacramento Association of REALTORS, the average selling price-per-acre in the County of Sacramento, after adjustments, was \$201,155 during calendar year 2018.<sup>3</sup> We rounded the average selling price-per-acre in the County of Sacramento to \$200,000 and used it to conservatively estimate the value of the City’s 69 potential surplus properties we identified. We estimate the value of the City’s potential surplus property to be \$18 million. Figure 3 below illustrates our calculation.

**Figure 3: Value of City Potential Surplus Property Calculation**



\*MLS 2018 average selling price-per-acre of vacant land in Sacramento County, after adjustments, rounded to the nearest ten thousand.

Source: Auditor compiled based on auditor testing and MLS Calendar year 2018 sales of vacant land in Sacramento County.

According to City staff, some of the top largest potential surplus parcels we identified are currently in negotiations to be sold or used to achieve City goals and some are in the process of being sold or will be listed for sale. Figure 4 below identifies the status of the top largest potential surplus parcels according to City staff.

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<sup>3</sup> MLS is a real estate advertising company for real estate firms.

**Figure 4: Status of Largest Potential Surplus Parcels**

Top Potential Surplus: Accessor Parcel Number	Size (In Acres)	Note/Status
225-0170-064-0000	22.81	The City is finalizing negotiations to sell to a buyer.
225-1620-014-0000	7.94	Northern portion may be surplus land. Originally acquired as a dedication for detention basin and park.
035-0010-042-0000	5.18	Old tree nursery site. City currently looking to lease site for urban farming.
053-0010-065-0000	5.09	Acquired from State of California. Building is currently vacant, but communication antennae are in use.
250-0390-036-0000	5.06	City intends on selling parcel as surplus property soon.
053-0010-027-0000	3.94	City currently looking to use parcel as a possible site for a homeless shelter.
047-0013-010-0000	3.51	City interested in selling parcel as surplus property.
225-1730-002-0000	3.5	City intends on selling parcel as surplus property soon.

Source: Auditor compiled with comments from City staff.

As previously mentioned, the more than 90 acres of potential surplus property we identified requires a more detailed review to confirm they are surplus to the City. In addition, the value of the City’s surplus property is affected by the size, location, zoning, condition of each parcel, and market conditions at the time of sale; therefore, the value of the City’s surplus parcels may be more or less than our estimate. In addition, not all of the City’s potential surplus parcels may be desirable or sellable, it may take a long time to sell the surplus property, and the City may not want to sell all of its potential surplus property. Proceeds from the sale of surplus property may also be restricted. For example, according to the Real Estate Services Section, the sales proceeds from the sale of a surplus property the City is currently negotiating to sell is required to go back to the Storm Drainage Fund and bond proceeds used to purchase the property. Any remaining proceeds are unrestricted.

While our analysis estimates a value for the potential surplus parcels, the actual value and proceeds received from the sale of the surplus parcels may differ



from what is estimated in this report. Actual available resources are only created on an incremental basis as surplus parcels are sold and revenue is realized. Therefore, the estimated value of potential surplus parcels should not be used for the City's budget development until revenues are confirmed and realized. Doing so will protect the City Council from changing circumstances and provide them with the ability to respond to opportunities and challenges as they arise.

Identifying and tracking all City-owned surplus property could assist the City in leveraging its City-owned parcels for other goals and initiatives. The Real Estate Services Section should review all City-owned property, including the parcels we identified as potential surplus, and work with the City's asset-managing departments to determine which parcels are surplus property.

## RECOMMENDATION

We recommend the Real Estate Services Section:

1. Review all City-owned property and work with the City's asset-managing departments and divisions to identify and track the City's surplus property.

### Improvements to the Maintenance and Management of City-Owned Property Could Reduce City Liability, Utility Costs, and Maintenance Costs

There are vacant lots within the City that are undeveloped, poorly maintained, and are not appropriately secured and maintained by the owners. These lots create a public nuisance when they are overgrown with weeds, damaged or destroyed by fire, and accumulate junk, debris, and waste. To ensure City-owned parcels do not cause a public nuisance or create potential liability for the City, improvements to the maintenance and management of City-owned parcels are necessary. In addition, improvements to the management of City-owned parcels may save ancillary costs such as utility and maintenance costs. Specifically, our audit found:

- It appears some City property is not properly maintained and managed;
- The City currently incurs \$111,000 to \$177,000 in annual weed abatement and utility expenses for the potential surplus property; and

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*Improvements to the maintenance and management of City-owned property could ensure all City-owned properties are properly maintained and do not create a public nuisance or liability for the City.*

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- The City’s remnant parcels could be sold or disposed of to reduce liability and eventually avoid \$33,000 in annual utility and maintenance costs.

Improvements to the maintenance and management of City-owned property could ensure all City-owned properties are properly maintained and do not create a public nuisance or liability for the City. In addition, when management of City-owned parcels are improved, the City may be able to dispose of surplus and remnant property the City does not need to reduce utility and maintenance costs.

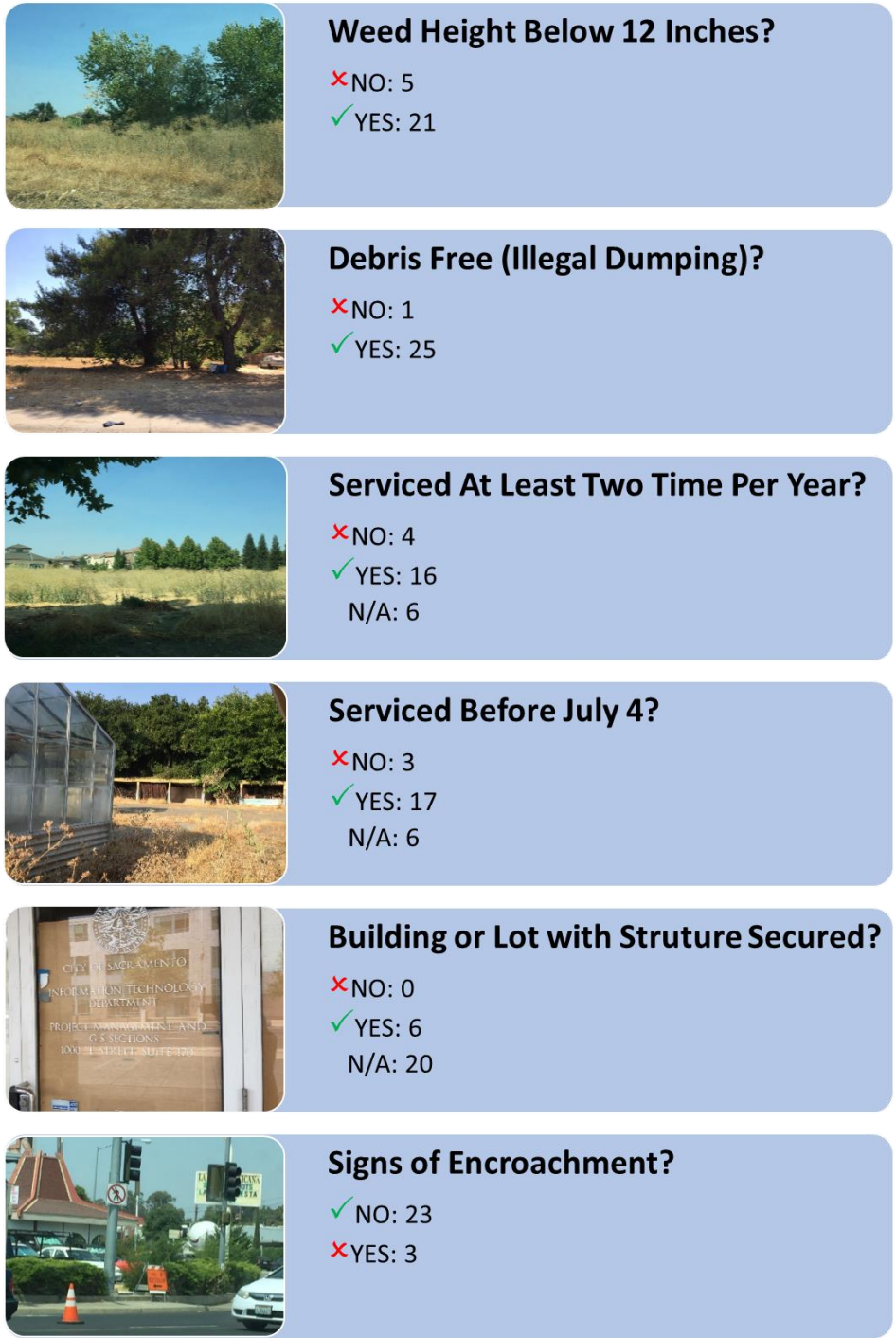
### **It Appears Some City Property Is Not Properly Maintained and Managed**

According to the Community Development Department, “lack of maintenance of vacant lots leads to blight and negatively impacts economic growth and development. Vacant lots that are not properly maintained may become fire hazards and illegal dumping of junk and debris create serious health safety problems.” The City’s Streetscapes Section of the Department of Public Works contracts with vendors to perform weed abatement on vacant City-owned property. Other City Departments also maintain City-owned parcels assigned to them. However, not all of the nearly 2,000 City-owned parcels are actively maintained.

We judgmentally selected a sample of 26 City-owned parcels to determine whether the parcels were properly maintained. We conducted site visits of the parcels to ensure weeds were no higher than 12 inches, which is considered a fire hazard, and had been serviced appropriately—particularly before the Independence Day holiday when there is a greater risk of fire. We also observed whether the properties were free of debris and had not become grounds for illegal dumping, structures were secured, and parcels had not been encroached or trespassed upon.

Our review of the 26 City-owned parcels found nine that did not appear to be properly maintained. Not properly maintaining City-owned parcels increases the City’s liability, as property that is not properly abated could become a fire hazard or become grounds for illegal dumping. Figure 5 below summarizes our testing results.

Figure 5: Result of Auditor Review of 26 City-Owned Parcels



Source: Auditor compiled from sample testing results.

NOTE: We identified nine properties that had at least one exception or instance of non-compliance. Green check marks indicate a desirable outcome while red x's indicate instances in which our testing identified an exception.

We also found that of the 26 parcels we selected for testing, two of the parcels did not appear to be managed for weed abatement by any of the City's departments and appeared to be underutilized or vacant. These parcels were not abated properly and had become fire hazards.

There are currently no policies and procedures in place to provide guidance on how asset-managing departments should ensure all City-owned properties are appropriately secured and maintained. As a result, not all City-owned parcels are being maintained and secured which increases the City's liability. The Real Estate Services Section should develop policies and procedures to provide guidance on proper management of City-owned properties by asset-managing departments.

#### **The City Currently Incurs \$111,000 to \$177,000 in Annual Weed Abatement and Utility Expenses for the Potential Surplus Property**

The City is responsible for the proper maintenance of all its property. Property must be maintained to ensure it is not a fire hazard or does not pose a threat to the community. Failure to properly maintain City property could expose the City to liability. The Streetscapes Section of the Department of Public Works contracts with vendors to perform weed abatement services on some of the City's vacant property. Additionally, other asset-managing departments also maintain their real property either by contracting out the service or utilizing City staff. The City is also responsible for paying utility costs on its property. In our opinion, the City should track utility and maintenance costs associated with retaining surplus property and minimize costs where possible. As discussed in more detail in Finding 3, building a more comprehensive inventory of information related to City-owned property may assist the City in strategic decision-making.

The City's Streetscapes Section contracts with landscaping vendors to perform weed abatement services on vacant real property. Each of the parcels in the contracts have a cost for mowing based on the size of the property and the vendor used to perform the service. Other services such as debris removal are an additional cost. As previously mentioned, our review of City parcels identified 69 potential surplus properties; 40 of the potential surplus parcels were on the contract for weed abatement services. We estimate the Streetscapes Section pays between \$39,000 and \$105,000 to mow these identified potential surplus

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*There are currently no policies and procedures in place to provide guidance on how asset-managing departments should ensure all City-owned properties are appropriately secured and maintained.*

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parcels twice per year (based on fiscal year 2019 contracted rates).<sup>4</sup> According to the Streetscapes Section, many parcels were being mowed three to four times during fiscal year 2019, which could lead to even higher weed abatement expenses for the potential surplus property.

We also worked with the Department of Utilities to identify the utility fees assessed on City-owned property. During fiscal year 2018, the City was billed more than \$4 million in utility costs for its real property.<sup>5</sup> More than \$72,000 of the total utility billings in fiscal year 2018 were for the parcels we identified as potential surplus City-owned property discussed above.

As previously mentioned, the Real Estate Services Section should work to identify all City-owned surplus real property. After the Real Estate Services Section has identified all surplus real property, it should work with City departments and officials to determine if weed abatement and utility costs on the surplus property can be reduced by disposing of or leveraging the properties for City use. We acknowledge that in some cases, the potential future appreciation or use may encourage the City to hold on to some City-owned parcels. Knowing the utility, maintenance, and other costs associated with owning a parcel may allow the City to make more informed decisions on whether to keep, repurpose, or dispose of its surplus parcels.

#### **The City's Remnant Parcels Could Be Sold or Disposed of to Reduce Liability and Eventually Avoid \$33,000 in Annual Utility and Maintenance Costs**

As previously mentioned, the City sometimes has excess small parcels of land left over after completing a project. Some of these City-owned parcels that are left over are very small and are of little or no value by themselves. These properties are a subset of surplus property called *remnant parcels*. We did not include remnant parcels in our analysis of surplus parcels, as remnant parcels are typically not developable on their own and therefore are more difficult to

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*Knowing the utility, maintenance, and other costs associated with owning a parcel may allow the City to make more informed decisions on whether to keep, repurpose, or dispose of its surplus parcels.*

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<sup>4</sup> For fiscal year 2018, vendors performed weed abatement services on 103 City-owned parcels. During fiscal year 2019, the number of parcels was reduced to 92.

<sup>5</sup> The City bills the legal owner(s) of parcels within the City for all utility services including storm drainage, water, sewer, wastewater treatment, lawn and garden collection, street sweeping, recycling, and garbage services. The City also bills for regional sanitation on behalf of the Sacramento Regional County Sanitation District for parcels within the City limits that are also serviced by the City sewer system. The City pays the same utility rates on its City-owned parcels as those parcels owned by private entities or individuals as outlined in Chapter 13 of the City Code.

repurpose. However, as they are City-owned parcels, failure to properly maintain City remnant property could expose the City to liability. According to the Real Estate Services Section, in most cases, the most logical thing would be to sell remnant parcels to the adjacent property owner for a nominal fee. Selling or disposing of City-owned remnant properties could reduce City liability and utility and maintenance costs. Based on our professional judgment and the assistance of the Real Estate Services Section, our review of the nearly 550 City-owned parcels previously mentioned identified 97 parcels of potential remnant property totaling nearly 42 acres. See Appendix A for detailed maps of potential City-owned remnant parcels by City Council District.

As these parcels typically have little or no value by themselves, we did not estimate a total property value as we did with the potential surplus property previously discussed. In addition, as previously mentioned, the City is still required to pay utility costs on property it owns—the City was billed more than \$26,000 in utility fees during fiscal year 2018 for the parcels we identified as potential remnants. In addition, seven of the potential remnant parcels are on the list of vacant parcels managed by the Streetscapes Section. We estimate the Streetscapes Section incurs between \$4,000 and \$7,000 annually to mow the seven parcels we identified as potential remnants twice per year. According to the Streetscapes Section, many parcels were being mowed three to four times during fiscal year 2019, instead of the usual two, which could lead to even higher weed abatement expenses for the potential remnant properties. As mentioned above, the Real Estate Services Section should determine whether any City-owned parcels are remnant parcels the City could sell to adjacent property owners or repurpose for other uses to reduce liability and potential utility and weed abatement costs. Disposing of remnants can be a slow process, therefore savings will be incremental as the City disposes of the properties.

## **RECOMMENDATIONS**

We recommend the Real Estate Services Section:

2. Develop policies and procedures to provide guidance on how asset-managing departments should ensure all City-owned properties are appropriately secured and maintained.
3. Identify City-owned surplus and remnant parcels and consider selling, disposing, or repurposing the parcels to reduce liability and utility and weed abatement costs.

## Potential Surplus and Remnant Real Property Could Be Leveraged to Achieve a Variety of City Goals Such as Affordable Housing

During the January 2018 State of the City Address, Mayor Darrell Steinberg spoke about establishing an equity capital fund. In regard to funding the public portion of an equity capital fund, Mayor Steinberg stated:

“The City could leverage its vacant land to create the capital for more smart investments...the City and its agencies own over 100 vacant parcels totaling over 4.5 million square feet without a strategic plan to maximize its value. San Diego has worked to establish a land trust. There’s another great example of this in Seattle. Both are seeking to utilize vacant land to help finance the cost of more affordable housing. Why can’t we do the same?”

The City could leverage some of the potential surplus and remnant real property to achieve a variety of City goals such as affordable housing.

Currently, proceeds from General Fund and Redevelopment Agency Successor Agency surplus land sales are deposited into the City’s Innovation and Growth Fund, unless otherwise specified. The Innovation and Growth Fund is the main funding mechanism to establish Sacramento as a leading hub of innovation; its goals are to advance innovation, economic growth, and job creation in Sacramento. Whether the City’s surplus and remnant property are leveraged to establish an equity capital fund, create a hub of innovation, or entice developers to create affordable housing, the City should consider ways in which it could leverage its real property assets to achieve City goals.

In July 2018, the City Council passed Resolution 2018-0312 *Policy to Take Comprehensive, Intentional Actions to Increase and Diversify our Economic Growth in an Inclusive and Equitable Manner that Focuses on Neighborhoods and Their Unique Needs*. The resolution states that the City will prioritize investments in place capacity that “increase access to high-quality, affordable homes for middle- and low-income and homeless populations.”<sup>6</sup> During our review of City-owned properties, we attempted to identify parcels that could be potential housing sites to meet the City’s housing development goals. We

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*The City should consider ways in which it could leverage its real property assets to achieve City goals.*

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<sup>6</sup> In 2017 the City launched Project Prosper to identify effective ways to improve the City’s economy and quality of life. The initiative focused on capacities in three key areas – business, people, and place.

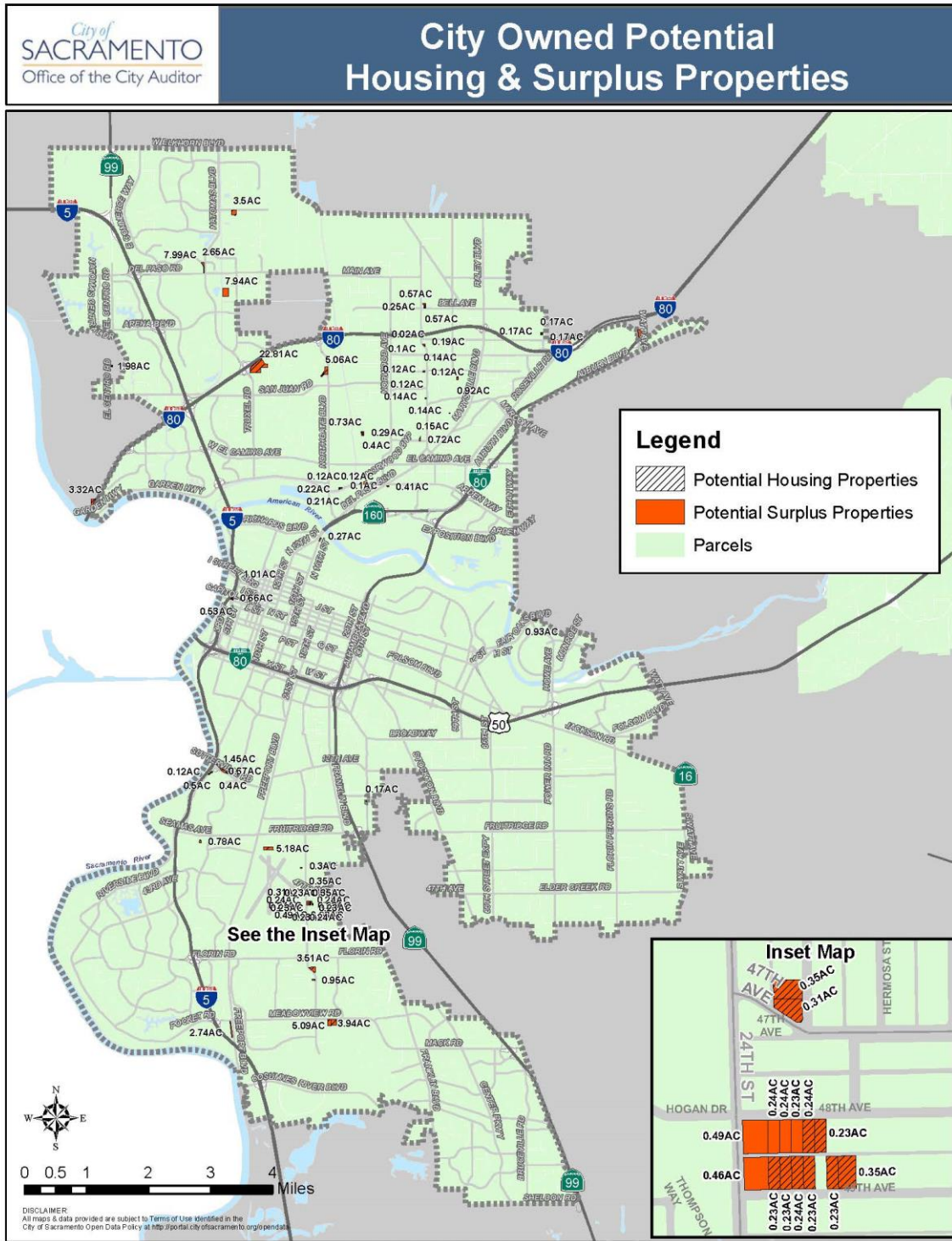
worked with the Real Estate Services Section and identified 43 potential housing sites the City could utilize to encourage housing development.<sup>7</sup> **As previously mentioned, our review was high-level; a more thorough review of City-owned parcels are required to verify the status of the City-owned parcels.** Figure 6 below identifies the location of the potential City-owned surplus property we identified. Parcels with black cross-hatches are potential surplus parcels that could possibly be utilized for housing development. See Appendix A for a more detailed map of the potential surplus property by City Council District.

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<sup>7</sup> We identified 43 of the 69 potential surplus parcels previously discussed in the first section of this finding as potential housing parcels. These 43 potential housing parcels are a subset of the potential surplus parcels we previously discussed.



Figure 6: Location of Potential City-Owned Surplus Property



Source: Created by the Information Technology Department with data provided by the City Auditor's Office.

Office of the City Auditor, August 2019

To identify the parcels that may potentially be used for housing, we further reviewed the 69 potential surplus parcels we identified in the first section of this finding. Specifically, we looked for parcels that were mainly residential zoning, were generally larger than one-fifth of an acre or could be combined with multiple smaller parcels for an area larger than one-fifth of an acre, did not appear to be remnant parcels, and appeared to be good locations for housing development based on our professional judgment. We also provided the list of parcels we identified as potential surplus and housing sites to the Real Estate Services Section for a high-level review and confirmation. A more detailed review of the parcels is necessary to confirm the parcels are truly housing parcels. There may be other City-owned parcels that could also be good locations for housing depending on the type of housing the City is interested in developing. For example, the City may decide to work with developers to build tiny homes on very small parcels of land around the City. Alternatively, the City may be interested in multi-unit development. In that case, some of the parcels we have identified as potential housing sites would not be suitable as they may be too small for multiple units. **Therefore, if the City Council is interested in utilizing City-owned potential surplus property to increase access to high-quality, affordable homes for middle- and low-income and homeless populations, a more thorough and detailed review of City-owned parcels should be conducted to identify potential housing development sites.**

The City could also decide to sell surplus property and generate one-time revenue that it could use for other City goals. Since government agencies are not required to pay property taxes on real property they own, selling its surplus property could also expand the City's tax base and increase property tax revenue. When deciding how to proceed, the City should take into account that listing its surplus property for sale requires time, staff, and resources. According to the Real Estate Services Section, listing and selling surplus property is not currently a priority and is only done when they have time. If the City wants to focus on disposing of its surplus property, an assessment of the Real Estate Services' current responsibilities and staffing levels should be conducted to ensure resources are available to focus on listing and selling surplus property. **It is also important to note that selling the City's surplus property may not be a quick process and may take years to sell all desirable surplus property.** Undesirable or unsellable property should also be reviewed to determine whether the City could put the property to better use or fulfill other City Council priorities.

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*Since government agencies are not required to pay property taxes on real property they own, selling its surplus property could also expand the City's tax base and increase property tax revenue.*

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## **RECOMMENDATIONS**

We recommend the Real Estate Services Section:

4. Work with the City's asset-managing departments to identify alternative uses for the City's undesirable or unsellable surplus property.

We recommend the City Manager's Office:

5. Consider selling some of the City's surplus property to generate one-time revenue to achieve other City goals.
6. Conduct a staffing analysis to determine whether resources need to be added to the Real Estate Services Section to implement the recommendations made in this report.

## Finding 2: The City’s Real Property Management Is Decentralized and Would Benefit from Detailed Policy Development

The Urban Institute Center on International Development and Governance *Guidebook on Real Property Asset Management for Local Governments* recommends local governments “Centralize the management of all real estate in one department or office or at least introduce unified rules for asset-managing departments.”<sup>8</sup> Our Audit found that although the City has a Real Estate Services Section in the Public Works Department, departments sometimes manage City-owned property without the assistance or knowledge of the Real Estate Services Section. In addition, there are no unified policies and procedures in place to provide guidance to asset-managing departments on how to properly and consistently manage City-owned and leased real property. Therefore, asset-managing departments have created internal processes that are different and inconsistent among the various departments. Specifically, our audit found:

- The City would benefit from implementation of the *Lease Centralization Plan*;
- Lease contracts could be improved by adopting consistent contract provisions;
- Leveraging City-owned property instead of leasing non-City property may reduce City costs; and
- The process of property acquisition and disposition is inconsistent and not well-documented.

The decentralized nature of the City’s real property management has led to inconsistency in City lease contract language, inefficiencies in leasing non-City property, and inconsistency in property acquisition and disposition. We believe the City should centralize or at least standardize the management of all real estate.

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*We believe the City should centralize or at least standardize the management of all real estate.*

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<sup>8</sup> According to their website, the Urban Institute is an organization that conducts research and works with local partners to reduce poverty and promote sustainable development through economic growth and improved governance. The Urban Institute is increasingly focused on helping governments harness the power of urbanization by strengthening their asset management and improving their data collection and use.

## The City Would Benefit from Implementation of the *Lease Centralization Plan*

As mentioned in the *Guidebook on Real Property Asset Management for Local Governments*, if real property asset management is not centralized, unified rules for asset-managing departments should be created. However, the City currently does not centralize its real property asset management, nor does it have Citywide policies and procedures to provide guidance to the various City departments engaging in leases. Therefore, City departments and divisions create their own internal processes for signing and negotiating leases that have led to inconsistent contracts, which we explain in more detail in the next section.

During our audit, the Department of Public Works provided us with a draft of the *Lease Centralization Plan* which was prepared by the Facilities and Real Property Management Division of the Department of Public Works in fiscal year 2017 with the intention of centralizing City leases. The *Lease Centralization Plan* states, “The decentralized structure of the City’s leasing leads to inconsistent lease management, revenue collection, and application of City policies.” The *Lease Centralization Plan* proposes the Facilities and Real Property Management Division will provide full leasing services for the City and further states “consolidation of these [lease management] services will provide efficiencies, ensure consistency, and reduce staff labor for areas outside of one’s expertise.” However, it has been over two years since the plan was drafted and it has not yet been implemented. According to the Real Estate Services Section, they have begun centralizing leases in the Department of Public Works but have not yet completed the centralization. The Real Estate Services Section informed us that centralizing Citywide leases in the Real Estate Services Section would require additional resources to provide the added scope of work. In addition, some departments may hesitate in allowing the Real Estate Services Section to take over lease management as lease revenue would most likely be used to cover the Real Estate Services Section’s costs for providing the service. In our opinion, the City should review the *Lease Centralization Plan* and determine whether the City should pursue centralizing leases in the Real Estate Services Section.

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*In our opinion, the City should review the Lease Centralization Plan and determine whether the City should pursue centralizing leases in the Real Estate Services Section.*

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### RECOMMENDATION

We recommend the City Manager’s Office:

7. Review the *Lease Centralization Plan* and determine whether the Real Estate Services Section should manage all real property lease management as outlined in the *Lease Centralization Plan*.

### **Lease Contracts Could Be Improved by Adopting Consistent Contract Provisions**

The City owns real property that it currently does not use; some of these properties are leased to third parties. Leases grant the private use of City-owned properties to outside entities and may be revenue- or non-revenue-generating. The City signs a lease contract with tenants that should include certain provisions such as the length of the lease and the revenue to be collected by the City. However, due to the lack of policies and procedures providing guidance to asset-managing departments, City departments and divisions create their own internal processes for signing and negotiating leases that have led to inconsistent contracts.

In order to gain an understanding of what should be included in a lease contract, we researched best practices for lease management. According to an excerpt of *Commercial Real Estate: Law Practice Manual with Forms, Second Edition* by James P. McAndrews, published on the American Bar Association's website, "A lease delineates the rights and responsibilities of the landlord and the tenant with respect to the leased premises. To accomplish this, a lease must contain certain key provisions..." Figure 7 below details the key provisions identified by McAndrews.

**Figure 7: Key Lease Contract Provisions**



Source: Auditor compiled summary of key contract provisions identified in *Commercial Real Estate: Law Practice Manual with Forms*, Second Edition by James P. McAndrews.

We reviewed a sample of twenty City-owned lease contracts to determine whether they included the best practice key contract provisions mentioned above. We found many of the key contract provisions were missing in the contracts as detailed in figure 8 below.

**Figure 8: Best Practice Provisions in City-Owned Lease Contracts**

Key Contract Provisions	Not Included in Contract	Included in Contract	Not Applicable in Contract	Total
<b>Leased Premises</b>	4	16	0	20
<b>Usable and Rentable Space</b>	1	19	0	20
<b>Term of Lease</b>	2	18	0	20
<b>Commencement Date</b>	4	16	0	20
<b>Duration of Lease</b>	0	20	0	20
<b>Renewal Terms</b>	3	17	0	20
<b>Termination Date</b>	16	4	0	20
<b>Rent Amount</b>	0	20	0	20
<b>Escalator or Pass-through Provisions</b>	1	19	0	20
<b>Step-up Charges</b>	10	8	2	20

Source: Auditor compiled summary of testing results.

As shown in the figure above, most contracts did not have a termination date identified in the contract. In many of these cases, the termination date could be calculated by adding the length of the lease to the commencement date. However, we found four leases that did not include either commencement or termination dates. According to McAndrews, “a lease that has an uncertain termination date may be found unenforceable as a term of years and converted into a tenancy at will. Moreover, ambiguity about the commencement date of a lease can provide a tenant with grounds to delay paying rent.”

Our audit also found four instances in which the leased premises were not identified in the contract. For example, one of the contracts we reviewed between the City of Sacramento and the tenant stated the lease agreement was “with regard to the possession, use, operation and maintenance of the Elmo Slider Clubhouse” with no details about the clubhouse’s location. Unclear identification of the size and location of the leased property may lead to future disagreements between the City and the tenants.

In our opinion, all City-owned lease contracts should contain key contract provisions to ensure contracts are clear and enforceable. This could be done by creating a lease contract template for the various asset-managing departments to use each time they negotiate and sign a lease agreement. For example, the City’s Procurement Division in the Finance Department has implemented similar agreement templates for the City’s professional and non-professional service



agreements. The Procurement Division worked with the City Attorney's Office to ensure consistent contract language is in place for all the City's service agreements. The City could benefit from establishing a similar process for the execution of lease agreements to ensure lease contracts are consistent and contain the necessary contract provisions.

## RECOMMENDATION

We recommend the Real Estate Services Section:

8. Work with the City Attorney's Office to create lease contract templates that include key contract provisions to ensure consistency in City lease contracts.

### Leveraging City-Owned Property Instead of Leasing Non-City Property May Reduce City Costs

The City of Sacramento offers many different types of services throughout the City. In some instances, the City does not have the real property available for services, therefore the City leases property to provide those services. As described in more detail in Finding 3, the City does not currently maintain a comprehensive inventory of all City leases; we attempted to compile a complete list, and found the necessary information was not readily available due to the decentralized nature of City leases. We later noted leases missing from our list as some departments had failed to provide us with all leases they managed. Nevertheless, we reviewed a sample of leases from seven known properties the City is currently leasing to determine whether they appear appropriate or reasonable. Many of the leases we reviewed appeared to be reasonable. For example, the City currently leases an airplane hangar at an airport to store the Police Department's helicopters. However, there may be other leases that warrant further review to determine whether the City could leverage City-owned property instead of leasing.

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*In some instances, the City does not have the real property available for services, therefore the City leases property to provide those services.*

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For example, the Utilities and Public Works Departments share a leased, non-City warehouse for nearly \$4,000 per month to store sandbags and flood gate materials. The City began leasing the warehouse in 1997 and received City Council approval in February 2006 to continue to lease the facility. The Resolution passed by City Council in 2006 states, "The City has a current continuing need for storage space for flood control equipment until suitable space becomes available in a city-owned facility." It has been more than 13

years since the passing of the resolution (and 22 years since the City initially began leasing the facility) and it has yet to locate a City-owned facility to store flood control equipment.

Since 1997, the City has spent nearly \$900,000 in leasing the facility. Leveraging City-owned property instead of leasing non-City property may reduce City costs for property the City anticipates using long-term. During this audit, we worked with the Department of Public Works to identify a City-owned facility to store the flood control equipment. We discussed solutions to utilize City-owned real property to build a structure to store the flood material. For example, the City could use available dock space at the North Area Corporation Yard (NACY) and wall in the area to create a building to store the materials. Figure 9 below shows a portion of the dock at NACY that could be used to create a warehouse structure for the storage of sandbags and flood gates.

**Figure 9: Part of Dock at the City’s North Area Corporation Yard**



Source: Auditor photo taken on April 12, 2019.

According to the Department of Public Works, storing the material at NACY also saves time and other resources because the flood gates that need to be maintained are close to NACY, and the flood material is typically moved from the warehouse to NACY during the rainy season. In addition, in our opinion,

storing the material on the elevated dock at NACY protects the material in case of flooding in the northern area of the City. The Public Works Department estimates it would cost about \$400,000 to wall-in part of the dock and create a storage space for the materials. Alternatively, the City could build a Sprung Structure at NACY at a similar cost.<sup>9</sup> At an annual lease cost of \$47,000, it would take about 9 years to pay for the cost of the structure at NACY. After the 9 years, the City could likely save at least \$47,000 per year by using City-owned property instead of leasing the warehouse property from a private entity. In addition, the City would save staff time and City resources such as vehicle maintenance and fuel costs to drive materials between the site of the current warehouse and NACY.

The City should review all currently leased property to determine whether the leases are necessary and if City-owned property could be leveraged instead of leasing. In making the determination, the City should assess whether the property is necessary long-term, if leasing is cheaper than utilizing City-owned property (for example, the City currently leases a property from the County of Sacramento for \$1 per year), or if special types of property are needed to provide the City services. If City-owned property is not available, the City should determine whether it is in its best interest to lease non-City property or purchase property to add to its inventory. Because the City's real property inventory often changes as property is acquired and disposed, the Real Estate Services Section should also develop a process to regularly work with departments leasing non-City property to review usage and identify potential City-owned property that can be leveraged instead.

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*The City should review all currently leased property to determine whether the leases are necessary and if City-owned property could be leveraged instead of leasing.*

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## RECOMMENDATIONS

We recommend the Real Estate Services Section:

9. Work with departments leasing non-City property to identify whether the departments can leverage City-owned property instead of leasing.
10. Develop a process to regularly review City-leased property to determine whether it is an ongoing need and City-owned property is available to use instead.

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<sup>9</sup> A Sprung Structure is a patented stressed membrane structure that comes with a 50-year pro-rata guarantee on the aluminum substructure and a 15-year architectural membrane pro-rata guarantee for certain colors.

## The Process of Property Acquisition and Disposition Is Inconsistent and Not Well-Documented

The Real Estate Services Section manages most of the acquisition and disposition of City-owned property. The City purchases property if it is identified for a specific project or purpose and disposes of property that could be surplus. We found that the Real Estate Services Section does not have uniform documented policies and procedures for land acquisitions and dispositions, which has led, in some cases, to inconsistent management of land transactions and failure to store important records. Our audit found the following issues related to property acquisition and disposition:

- The Real Estate Services Section would benefit from implementing policies and procedures for real property transactions; and
- Financial records and documents are not easily accessible.

Policies and procedures for real property acquisition and disposition should be developed to ensure processes are consistent and well documented. Financial records and documents regarding City real property should also be easily accessible.

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*Policies and Procedures for real property acquisition and disposition should be developed to ensure processes are consistent and well-documented.*

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## The Real Estate Services Section Would Benefit from Implementing Policies and Procedures for Real Property Transactions

According to the City's *Automated Policy and Procedure System* policy, "The City of Sacramento (City) establishes administrative policies and procedures to align operations, set behavioral expectations, and communicate policy rules and responsibilities over various function areas. A comprehensive set of formal policies and procedures is essential to ensuring an effective system of internal City controls." The *Automated Policy and Procedure System* policy further explains policies are created to support the City's mission and strategic goals, promote consistency, efficiency and effectiveness, mitigate or manage significant organizational risk, or facilitate compliance with federal or state laws, rules or regulations. The City is required to follow federal and state guidelines in some land transactions. For example, the City is required to follow federal guidelines when using federal grants or funding sources to acquire property. However, we found the Real Estate Services Section does not have documented policies and procedures in place for land transactions that are not required to follow federal and state guidelines.

The Real Estate Services Section manages most of the acquisitions and dispositions of City-owned property. City-owned property is acquired for specific purposes and disposed once all departments agree that a parcel is no longer needed. Upon completing transactions, documents such as title reports, grant deeds, seller agreements, contracts, resolutions, invoices, appraisals, and other reports are typically obtained. According to the Real Estate Services Section, they do not have their processes memorialized in policies and procedures manuals. The section's employees have been working in the section for many years and rely on institutional knowledge. In our opinion, relying on institutional knowledge is an organizational risk, as the departure of the employees may result in business continuity issues for the City.

In order to gain an understanding of what types of policies and procedures should be implemented for real property management, we researched available policies and procedures of other government agencies such as City of San Diego, CA; Redwood City, CA; Kalamazoo County, MI; Jonesboro Land Bank Commission, AR; and Mahoning County, OH.<sup>10</sup> Several policies shared similar subsections that covered topics such as:

- Policies Governing the Acquisition of Properties
- Priorities Concerning the Disposition of Properties
- Factors in Determining Consideration Due Upon Transfers
- Side Lot Disposition Program
- Residential Land Transfers
- Commercial Land Transfers
- Approvals of Land Transfers
- Land Assembly Policies
- Maintenance
- Insurance
- Affordable Housing
- Donations

See Appendix B for some of the best practice policies and procedures discussed above. The Real Estate Services Section can use these policies and procedures as

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<sup>10</sup> To capture the different processes that may exist, we reviewed available real property management policies and procedures of organizations that varied in land size, were in various locations in the United States, and varied in population served.

a reference to establish their own standards. We also found guidelines created by the Bureau of Reclamation to help agencies implement land acquisition programs. The Real Estate Services Section can use the guidelines as a starting point to formulate a standard policy and procedure for the City of Sacramento’s real property management. Figure 10 below identifies some topics that could be covered in the Real Estate Services Section’s policies and procedures.

**Figure 10: Potential Topics to Include in Real Property Policies and Procedures**



Source: Auditor compiled summary of potential topics identified by the Bureau of Reclamation.

The Real Estate Services Section would benefit from implementing policies and procedures for real property transactions. Establishing policies and procedures for City-owned land transactions will outline the purpose and process, promote consistency, mitigate risk, and ensure compliance with rules and regulations.

**Financial Records and Information Are Not Easily Accessible**

The City of Sacramento’s *Record Management Policy* and retention schedule directs City staff on when and how to dispose City records after they have exceeded their lifecycle. The policy defines a record as, “any writing made by an employee or official which is necessary or convenient to the discharge of the employee’s or official’s duty and which is created for the purpose of preserving the information for future reference.” Additionally, the policy states “records

should be easily accessible, aid staff in completing work, and not be cumbersome". The policy requires documents obtained from the City's investigation and purchasing of real property must be kept for the life or sale of the building/real property. The retention schedule also requires accounting journals, accounting records, accounts payable records, and revenue records to be kept for five years. Our audit found financial records and information related to acquisition and disposition of City real property were not easily accessible and staff could not provide some financial records we requested.

According to the Real Estate Services Section, the City had 56 real property acquisitions and dispositions between fiscal years 2016 and 2018. Transactions varied from \$0 (properties acquired or disposed of at no cost) to \$2,890,000. Of the 56 City-owned properties, we requested records for nine acquired properties and nine disposed properties. The Real Estate Services Section provided us with documents such as title reports, grant deeds, seller agreements, contracts, resolutions, invoices, and appraisals. The Real Estate Services Section does not typically participate in managing the financial records of land transactions. Once a check is received, the Real Estate Services Section forwards it to staff in the Public Works and Finance Departments. When we contacted both departments to obtain financial information, we learned that the finance sections in the various departments manage financial information for most of their disposed properties, while the City's Finance Department manages financial information for most of the acquired properties. The Real Estate Services Section may work with finance staff in other departments depending on the type of land transaction. Both departments had difficulties providing financial information for some transactions we had requested to review. As stated in the Records Retention Policy, records should be easily accessible, aid staff in completing work, and not be cumbersome.

Depending on the source of revenue used to acquire property, the City may be legally required to deposit proceeds from real property sales in specific funds. However, due to the difficulties in obtaining financial documents for land transactions, we were unable to confirm revenues received from sales of real property were deposited in the appropriate City funds. To ensure City financial records related to real property transactions are easily accessible and not cumbersome to locate, the City should implement procedures to store financial records related to City property in a central location. This would assist the City in easily accessing records for future use and ensure compliance with legal requirements related to revenue from sales of real property.

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*To ensure City financial records related to real property transactions are easily accessible and not cumbersome to locate, the City should implement procedures to store financial records related to City property in a central location.*

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## **RECOMMENDATION**

We recommend the Real Estate Services Division:

11. Work with the Finance Department to establish a uniform policy that provides the process and steps required for acquisition and disposition of City-owned properties. Procedures should include details regarding compliance with Sacramento City Code and California State Law, financial reporting standards between the Real Estate Service Section and the Department of Finance, and the method of storing documents and financial records.



### Finding 3: Appropriate Management of City-Owned and Leased Real Property Is Required to Ensure Financial Statements Comply with the Government Accounting Standards Board

The Financial Statements of the City of Sacramento are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City of Sacramento releases audited financial statements known as the Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on June 30<sup>th</sup>. Our review of the City's CAFR for the fiscal year ending June 2018 (2018 CAFR) found that land assets may not have been appropriately reported. This may be due, in part, to the decentralized and inconsistent management of City-owned property discussed previously in Finding 2.

Our review found that management of City-owned and leased real property needs to improve to ensure the City's financial statements comply with the Government Accounting Standards. Specifically, we found:

- Poor communication between City departments has compromised the accuracy of reported land assets in the City's financial statements;
- Real property inventory improvements may assist in strategic decision making and financial statement reporting;
- Financial management of City leases are inconsistent among City departments; and
- Management of City leases needs to improve to ensure compliance with GASB 87 regarding leases.

To ensure the City has data needed to comply with GASB readily available, the City could centralize and improve the management of the City's owned and leased real property inventory; establish policies and procedures for lease revenue billing, collection, and communication processes; and correct the City's real property schedules used for financial reporting.

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*Our review found that management of City-owned and leased real property needs to improve to ensure the City's financial statements comply with Government Accounting Standards.*

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## Poor Communication Between City Departments Has Compromised the Accuracy of Reported Land Assets in the City's Financial Statements

GASB requires government entities to report capital assets such as land, improvements to land, easements, and buildings in its financial statements and provide detail in the notes to the financial statements about capital assets and long-term liabilities. Capital assets such as lands that are not being depreciated should be disclosed separately from those that are being depreciated. Specifically, the notes to the financial statements should present beginning- and end-of-year balances, capital acquisitions, sales or other dispositions, and depreciated expenses (if applicable) of capital assets. While the City appears to follow the reporting requirements of generally accepted accounting principles and GASB, we found that the City's reporting of land assets may be inaccurate, as all City-owned property does not appear to be reported. This is because there is poor communication between the Finance Department and other City departments to appropriately identify and report land acquisitions and dispositions during a fiscal year. As a result, the Finance Department's schedules used to track City-owned land did not appear to contain all necessary City-owned property, which may have resulted in inaccurately reported land assets in its financial statements.

The Finance Department currently utilizes Excel spreadsheets to track and maintain capital asset schedules for financial reporting; separate schedules are maintained by fund type for land and buildings and improvements. The Department identifies acquisitions and dispositions of land by reviewing City projects, City Council resolutions, and other sources. Although the Finance Department reaches out to City departments at the end of each fiscal year, it currently does not reach out to various asset-managing departments or the Real Estate Services Section to get specific information regarding City-owned real property. The Real Estate Services Section also does not have a process in place to inform the Finance Department of any land acquisitions and dispositions. According to the Real Estate Services Section, information is provided only when the Finance Department requests it. This lack of communication has compromised the accuracy of the City's reporting of land assets in the City's CAFR.

During our audit, we attempted to reconcile the City's real property Asset Database with the land assets reported in the CAFR to ensure City-owned

property was appropriately reported in the financial statements. However, the Finance Department's schedules did not consistently contain the assessor's parcel numbers. Many of the real property in the schedules contained partial parcel numbers in the description of the property but not enough to easily reconcile Finance Department's schedules with the Asset Database. This is because the Finance Department does not report its land assets by parcel number. Instead, the Finance Department's schedules identify land assets by property, which may consist of multiple parcel numbers.

We attempted to determine the number of parcels listed in the schedules by reviewing the partial parcel numbers identified in the description of the property in the schedules to get a sense of the accuracy of the real property reported in the 2018 CAFR. The Finance Department's reported land assets appeared to include less than 450 parcels for fiscal year ending June 2018 while the Asset Database indicated that the City had nearly 2,000 parcels of real property during that time. The CAFR states "it is the policy of the City to capitalize all land, buildings and improvements, equipment, and infrastructure assets, except assets costing less than \$20 [thousand], unless a federal funding source is utilized. All capital assets in excess of \$5 [thousand] financed by a federal funding source are capitalized." Therefore, not all of the City's parcels may need to be reported as a land asset in the financial statements. However, due to the large number of parcels that did not appear to be included in the Finance Department's schedules, we reviewed the City's real property acquisitions and dispositions during fiscal years 2017 and 2018 to determine whether they were appropriately reported in the CAFR.

Our review of the City's 2018 CAFR found the City had reported nearly \$206 million in land assets for Governmental Activities and \$50 million for Business-Type activities<sup>11</sup>. The Finance Department reported one land acquisition and no land dispositions during fiscal year 2018. Figure 11 below outlines the financial statement activities for the City's land assets in the 2018 CAFR.

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<sup>11</sup> Most of the City's basic services such as police, fire, public works, community development, parks and recreation, and general government are considered Governmental Activities in the Financial Statements. Certain services provided by the City that are funded by customer fees are considered Business-type activities. Among these are the City's utility services, convention center, and off-street parking facilities.

**Figure 11: City of Sacramento Fiscal Year 2018 Land Activities as Reported in the CAFR**

	Governmental Activities		Business-Type Activities	
<b>Beginning Balance</b>	\$	204,014,000	\$	50,314,000
<b>Increases (Acquisitions)</b>	\$	1,842,000	\$	-
<b>Decreases (Dispositions)</b>	\$	-	\$	-
<b>Ending Balance</b>	\$	205,856,000	\$	50,314,000

Source: City of Sacramento CAFR for the fiscal year ended June 30, 2018.

According to the Real Estate Services Section, the City had 11 acquisitions and 10 dispositions during fiscal year 2017 and 10 acquisitions and 18 dispositions during fiscal year 2018. We reviewed the acquisitions and dispositions for fiscal years 2017 and 2018 and identified several acquisitions and dispositions that were not recorded in the Finance Department’s schedules. For example, the City acquired a property for \$161,000 in fiscal year 2018 that was not reported in the financial statements. In addition, we also found parcels that the City had disposed of in fiscal year 2017 that were still included in the schedules used for the 2018 CAFR.

According to the City’s external auditors, inaccuracies in the land assets could have potential impacts on the financial statements if adjustments made to correct the land assets are material. According to the Finance Department, the estimated materiality for the 2018 CAFR was about \$8.7 million for governmental activities and \$5.8 million for business-type activities. However, to determine whether City property that should be recorded in the financial statements meet the materiality threshold, the acquisition costs or values of real property will have to be researched, as the Real Estate Services Section’s Asset Database does not have information regarding the price paid by the City to acquire City real property.

A full reconciliation of the Asset Database and the Finance Department’s schedules is required to ensure all appropriate City-owned real property parcels are reported in the CAFR. This is not a simple undertaking, as the Finance Department’s schedules do not have the Assessor’s Parcel Numbers easily identified to compare with the parcels in the Asset Database. In addition, once the parcels missing from the schedules are identified, the value/acquisition costs of the missing parcels need to be determined to ensure those meeting the City’s policy are added to the schedules. Once the value of the missing parcels is

calculated, the Finance Department will have to work with the City's external auditors to determine whether a restatement to the financial statements is required.

## RECOMMENDATIONS

We recommend the Real Estate Services Section:

12. Work with the City's Finance Department to develop policies and procedures to ensure changes to City-owned real property are communicated to the Finance Department to ensure land assets are appropriately reported in financial statements.

We recommend the Finance Department:

13. Work with the Real Estate Services Section to reconcile the Asset Database with its schedules to ensure all appropriate City-owned real property are captured in the schedules and determine the acquisition cost or value (if originally donated) of real property missing from the schedules.
14. Work with the City's external auditors to determine whether a restatement of the financial statements is required after updating schedules to include all appropriate City-owned real property.

### Real Property Inventory Improvements May Assist in Strategic Decision Making and Financial Statement Reporting

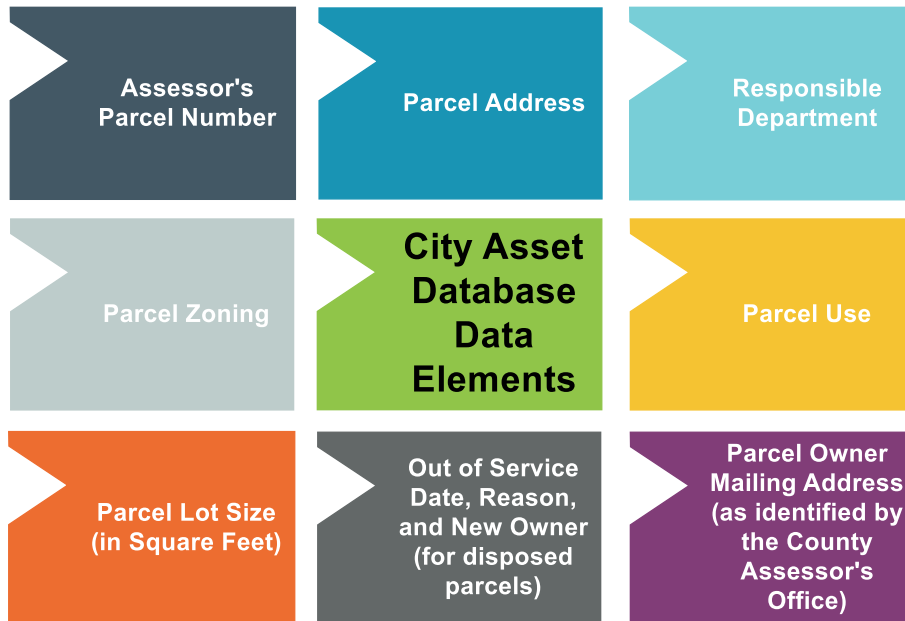
According to the United States Government Accountability Office's (GAO) *Federal Real Property: Better Governmentwide Data Needed for Strategic Decisionmaking*, "Having quality information is essential to making sound and economical real property decisions."<sup>12</sup> The report further explains that for real property inventory to be useful for decisionmakers, it should contain certain key data on what real property assets the government owns; their value; whether the assets are being used efficiently; and what overall costs are involved in preserving, protecting, and investing in them. Although the Real Estate Services Section currently maintains an inventory of City-owned parcels (known as the Asset Database) that contains minimal information such as the Assessor's Parcel Number, address, size, and use, capturing additional key data in the real

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<sup>12</sup> In 2004, GAO's legal name changed from the General Accounting Office to the Government Accountability Office.

property inventory improves its usefulness and may assist City staff in strategic decision making and financial statement reporting. Figure 12 below identifies the Real Estate Services Section’s current data elements in the real property Asset Database.

**Figure 12: Real Estate Services Section’s Asset Database Data Elements**

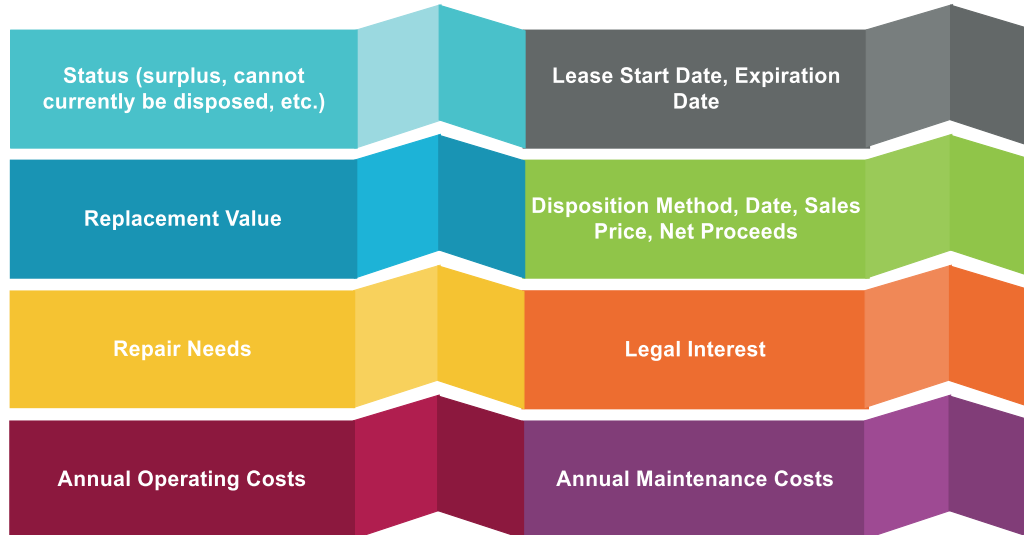


Source: Auditor compiled from review of Real Estate Services Section’s Asset Database.

The U.S. General Services Administration (GSA) maintains a worldwide inventory of federally owned and leased real property and is the nation’s largest public real estate organization. The GSA’s *Guidance for Real Property Inventory Reporting* (FRPP Data Dictionary) provides the federal real property reporting requirements for federal agencies to ensure a comprehensive database with complete and consistent information. The FRPP Data Dictionary identifies the data elements that must be reported in the government’s centralized real property database, known as the Federal Real Property Profile Management System (FRPP MS), by the federal agencies responsible for managing the various properties. Updated lists of federally owned and leased property for civilian agencies are publicly available on the GSA website. The 2018 guidance identified 43 data elements such as annual costs, lease information, and disposition information that all agencies are required to report on its real property assets. Figure 13 below identifies some of the data elements captured by the GSA that the City could benefit from including but currently does not include in its Asset

Database. A complete list of the GSA’s required data elements can be found in Appendix C of this report.

**Figure 13: Federal General Services Administration’s FRPP Data Dictionary Data Elements**



Source: Auditor compiled from review of GSA Federal Real Property Council’s *2018 Guidance for Real Property Inventory Reporting*.

The City’s Asset Database could benefit from expanding on the data elements captured in its real property inventory and including some of the elements required by the GSA. For example, knowing the annual maintenance and operating costs of each City-owned property could assist City decisionmakers in deciding whether to keep or dispose of a property. In addition, the Asset Database could contain data on the purchase date, price or value of acquisitions, and lease information to ensure proper reporting in the City’s financial statements (discussed in more detail below). Like the Federal Government, the City could house its real property inventory in a centralized database that is available to other City departments to use in conducting their work. We recommend the Real Estate Services Section and Information Technology Department work with other City departments to identify data elements that may be helpful or necessary in decision making or reporting purposes and develop a process to collect and document the new data elements in a centralized real property inventory. In addition, the Information Technology Department should work with the City’s departments to utilize a Citywide software program or develop another platform to centralize the management of the City’s real property inventory.

## RECOMMENDATIONS

We recommend the Real Estate Services Section:

15. Work with other City departments to identify data elements that may be helpful or necessary in decision making or reporting purposes and develop a process to collect and document the new data elements in the Asset Database.

We recommend the Information Technology Department:

16. Work with other City departments to identify real property tracking needs and utilize a Citywide software program or develop another platform to centralize the management of the City's real property.

### Management of City Leases Needs to Improve to Ensure Compliance with GASB 87 Regarding Leases

A new GASB pronouncement, effective for reporting periods beginning after December 15, 2019, requires governmental entities to report out on leases of nonfinancial assets such as buildings, land, vehicles, and equipment. According to Statement 87 *Leases*,

“This Statement will increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements.”

While the Real Estate Services Section uses the County of Sacramento’s property records to maintain a list of City-owned real property in its Asset Database, the section does not maintain a comprehensive inventory of City-owned leases or City leases of property owned by third parties, nor is this information in the Asset Database. Without maintaining an inventory of City leases, it is difficult to identify which City-owned properties are leased by third parties, non-City properties currently leased by the City, City revenue collected



for leasing City-owned real property, and City costs for leasing non-City real property to ensure compliance with GASB 87 requirements.

City leases are managed by the City department or division responsible for maintaining the City-owned property or leasing the non-City real property. Because City leasing is not centralized and the Real Estate Services Section acknowledged that they do not maintain an inventory of City leases, we attempted to compile an inventory of City-owned leases and properties leased by the City by reaching out to the various City departments that manage or lease real property. We found that each department maintains varying lists of City leases and track different lease details, which hindered our ability to compile a complete list. We also noted that the list we compiled of City leases was not complete as the Real Estate Services Section identified additional leases after reviewing the list. We encountered a similar situation when we attempted to inventory real property leased by the City. Leases for non-City property are managed by the department or division using the property and each division maintains their lease details in a different manner.

The City does not currently maintain a comprehensive list of its leases and our attempt to compile a comprehensive list still appeared to be incomplete as some departments did not appear to provide a complete list of leases. The City's Real Estate Services Section could play a similar role as the GSA and assist in creating and maintaining a comprehensive inventory database for the City. A thorough database will help ensure compliance with the upcoming GASB 87 standard and allow the City to monitor and analyze real property assets and portfolios and to develop and implement a strategic plan for managing the various types of assets. In addition, a comprehensive and centralized list of leases will allow the City to identify its City-owned properties available for lease.

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*The City does not currently maintain a comprehensive list of its leases and our attempt to compile a comprehensive list still appeared to be incomplete as each department did not appear to provide a complete list of leases.*

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## **RECOMMENDATION**

We recommend the Real Estate Services Section:

17. Centralize City lease inventory and document clear processes for all City departments to follow to standardize maintenance of City lease inventory, including utilizing the Asset Database or new platform used for real property inventory to ensure consistent tracking and consolidation of Citywide lease inventory.

## Financial Management of City Leases Are Inconsistent Among City Departments

The Urban Institute Center on International Development and Governance's *Guidebook on Real Property Asset Management for Local Governments* recommends a central department "organize the tracking of all information that is needed for prudent asset management, including financial information about properties and portfolios." Our review found the City currently does not know how much revenue it receives for leasing its property to other organizations, as the leasing of City-owned property is not centralized in the Real Estate Services Section and the lease revenue collection process is not standardized among the various asset-managing departments. This has led to an inconsistent lease revenue collection process among the various City departments, increased risk of missing scheduled lease increases, and inability to calculate total lease revenue collected by the City.

Some asset-managing departments use the City's financial and human resources enterprise software, known as the Electronic Citywide Accounting and Personnel System (eCAPS), to invoice tenants and manage revenue collection. Using eCAPS to invoice and manage tenant revenue collection ensures customer and invoice data is maintained in a central database. However, our discussions with the City's Convention & Cultural Services Department (CCS) found that they do not use eCAPS to manage their leases.

CCS staff currently create invoices manually and track revenue collection in an internal spreadsheet. In addition, many of their City-owned leases are not invoiced at all because the tenants automatically send their payments to the department. Because eCAPS is not used to invoice tenants, payments received by CCS are sent to the Finance Department's Revenue Division where they are entered into eCAPS as a direct journal payment (payments for which accounts receivables are not set up in eCAPS). These types of payment entries are not tied to any specific customer account or lease agreement, which makes it difficult to track payments by tenants. The "line description" of the payments are the only reference to what the payments are for, other than the information on the hard copy of the paperwork submitted to the Revenue Division. Because direct journal payments are manually entered, the payment description is determined by the employee, resulting in inconsistent payment information. This revenue collection process has led to incomplete reporting data in eCAPS

and makes it difficult to track the financial information relating to City-owned leases.

We also found that the various City departments use different fund and account lines to account for their lease revenue. Because calculating the amount of annual revenue the City receives in leasing its real property would be a time-consuming endeavor, we did not undergo this exercise as part of this audit. However, the Finance Department will be required to include this information when the GASB 87 pronouncement mentioned above is implemented. Without a proper policy and procedure in place to ensure lease revenue information is easily tracked for all City-owned leases, it will be difficult to comply with the new pronouncement.

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*We found that the various City departments use different fund and account lines to account for their lease revenue.*

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The decentralized nature and lack of standardized policies and procedures for the City's lease management may also lead to an increased risk of missing scheduled lease increases. For example, the Real Estate Services Section informed us of an instance in which miscommunication between the City's Finance and Public Works Departments resulted in three missed scheduled lease increases for a tenant over a twelve-year span. By the time the missed increases were discovered, the tenant was underpaying their monthly rent by more than \$4,500, which had accumulated to a total of more than \$400,000. The City Council eventually approved a settlement with the tenant for a much lower back-rent amount, losing hundreds of thousands of dollars in lease revenue.

Centralizing the City's lease management and standardizing lease revenue collection processes will require asset-managing departments to follow standard processes and procedures in managing its leases and create consistency among the City's departments. The Real Estate Services section should work with the City's Finance Department to develop policies and procedures to provide guidance to departments on lease revenue billing and collection processes that will ensure compliance with GASB 87.

## **RECOMMENDATION**

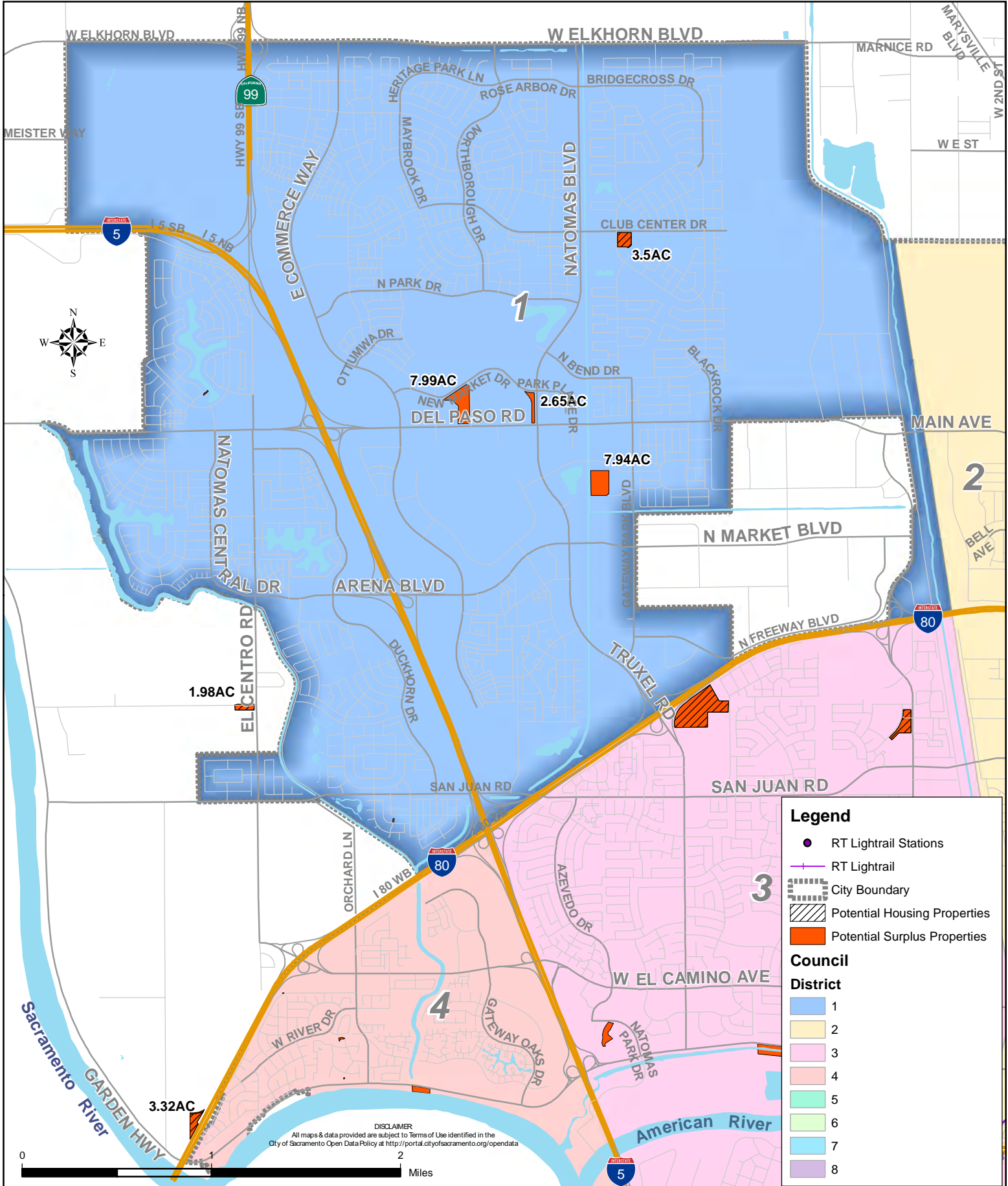
We recommend the Real Estate Services Section:

18. Work with the City's Finance Department to develop policies and procedures on lease revenue billing and collection processes.

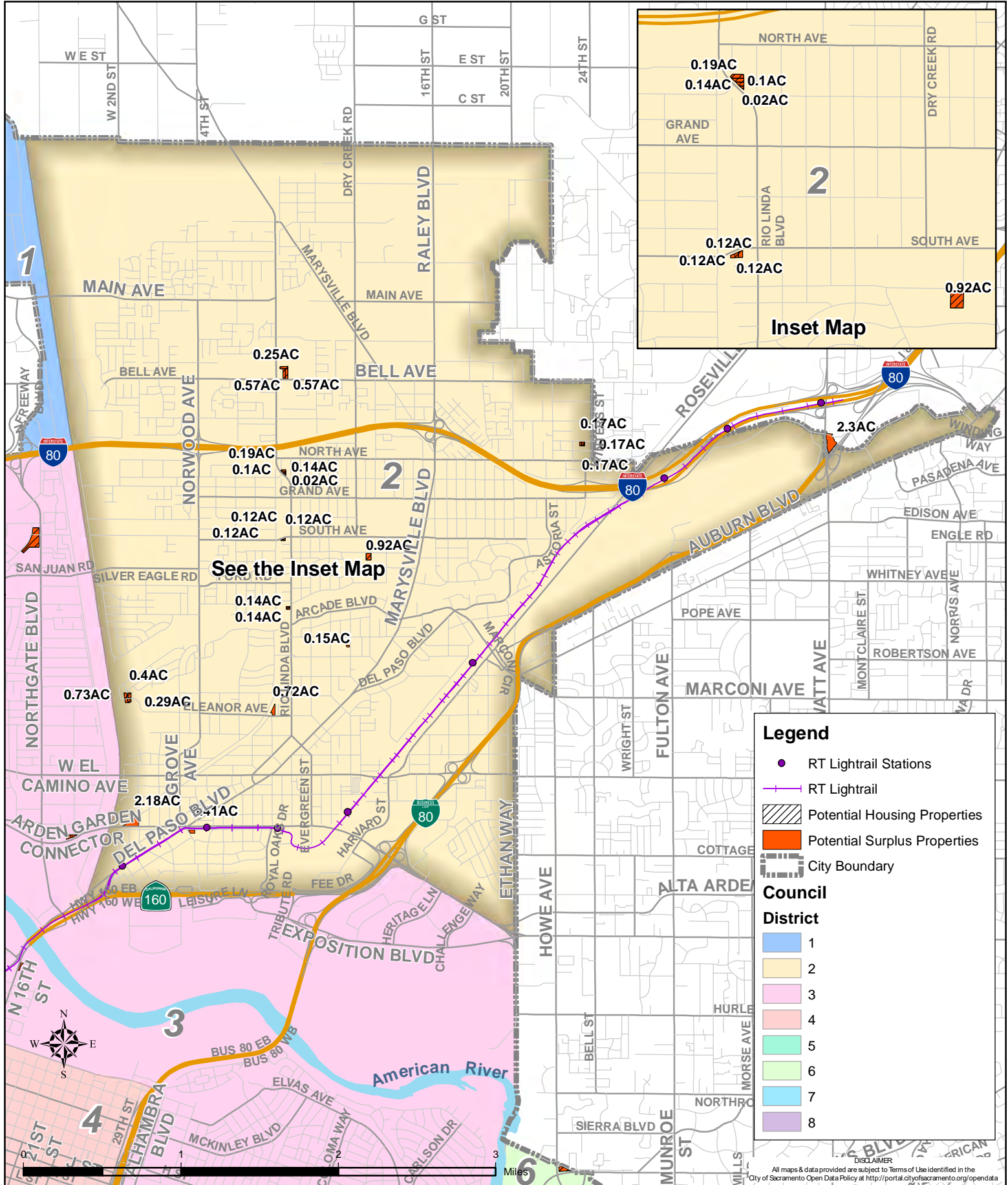
Appendix A: Location and Size of Potential Surplus and Remnant City-Owned  
Parcels by City Council District



# City Owned Potential Housing & Surplus Parcels- CD-1



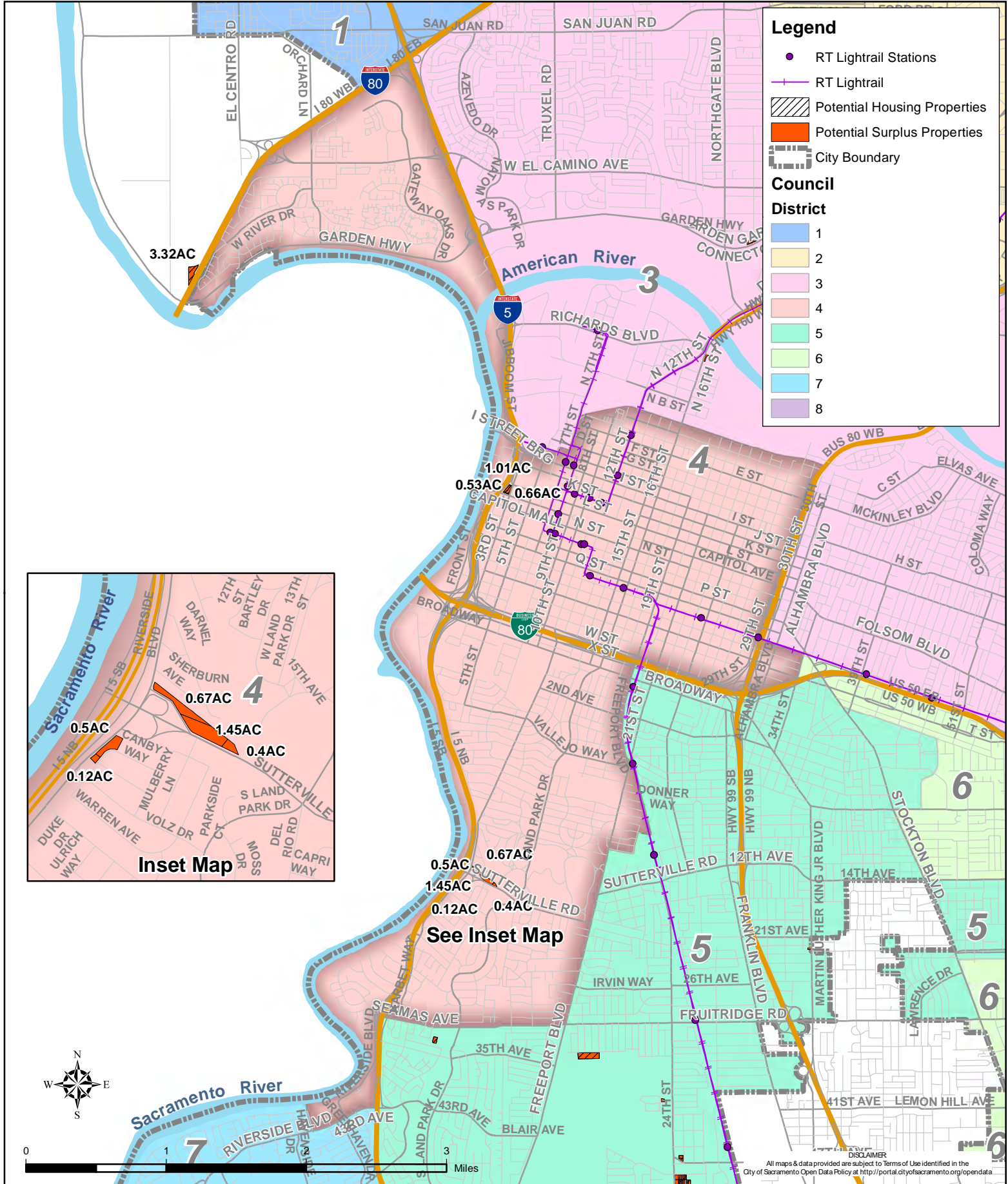
# City Owned Potential Housing & Surplus Parcels- CD-2







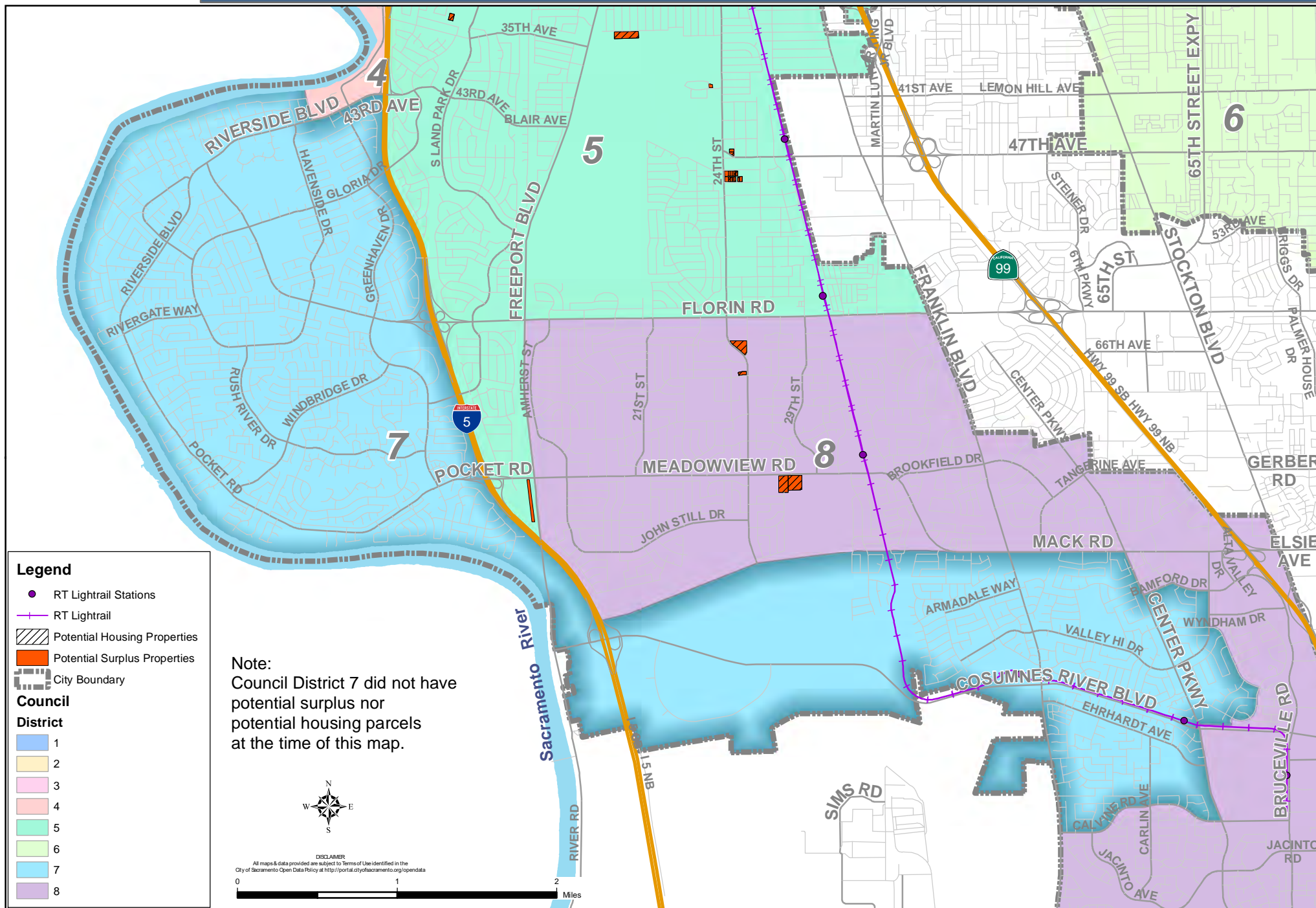
# City Owned Potential Housing & Surplus Parcels- CD-4







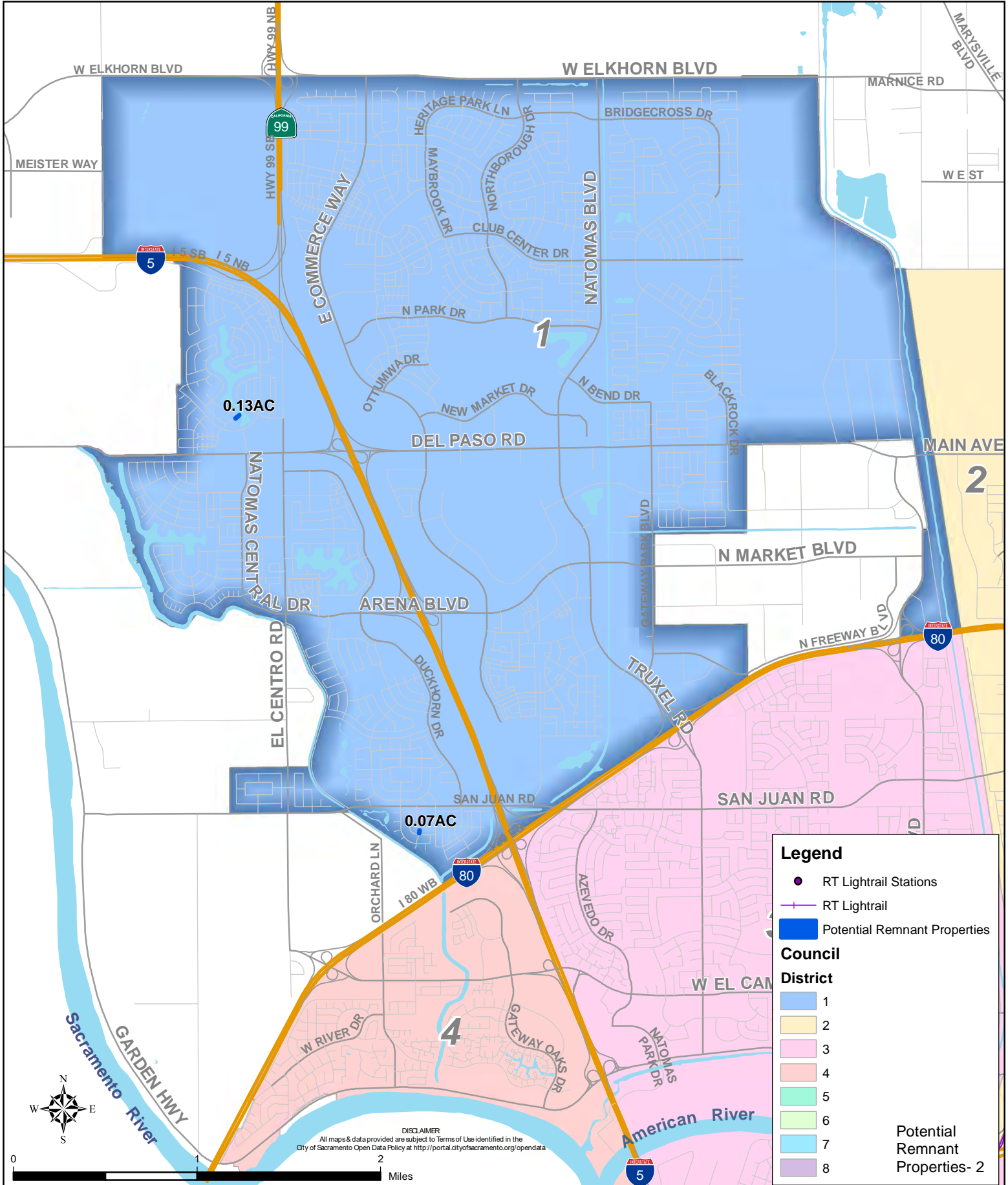
# City Owned Potential Housing & Surplus Parcels- CD-7



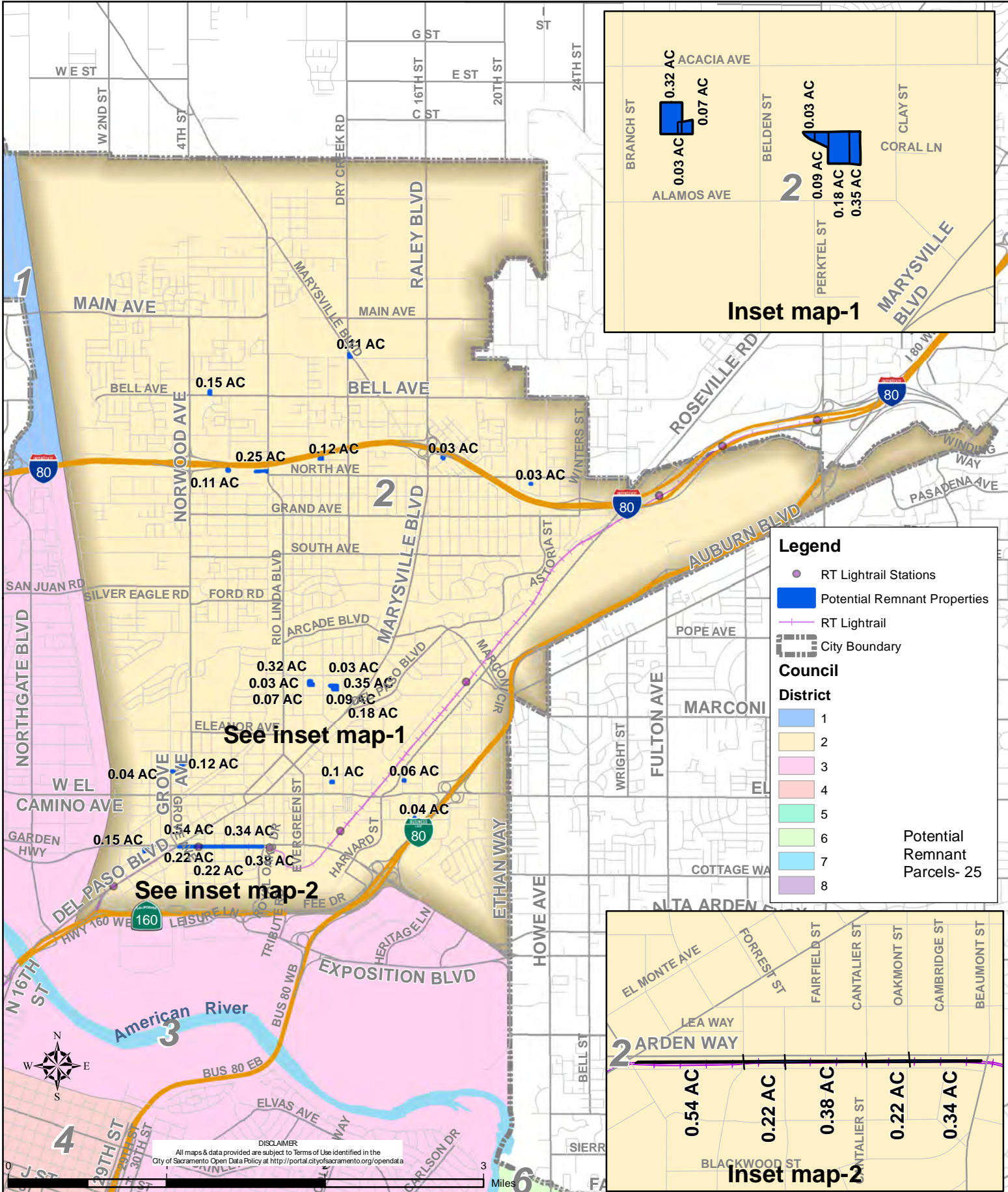




# City Owned Potential Remnant Parcels- CD-1



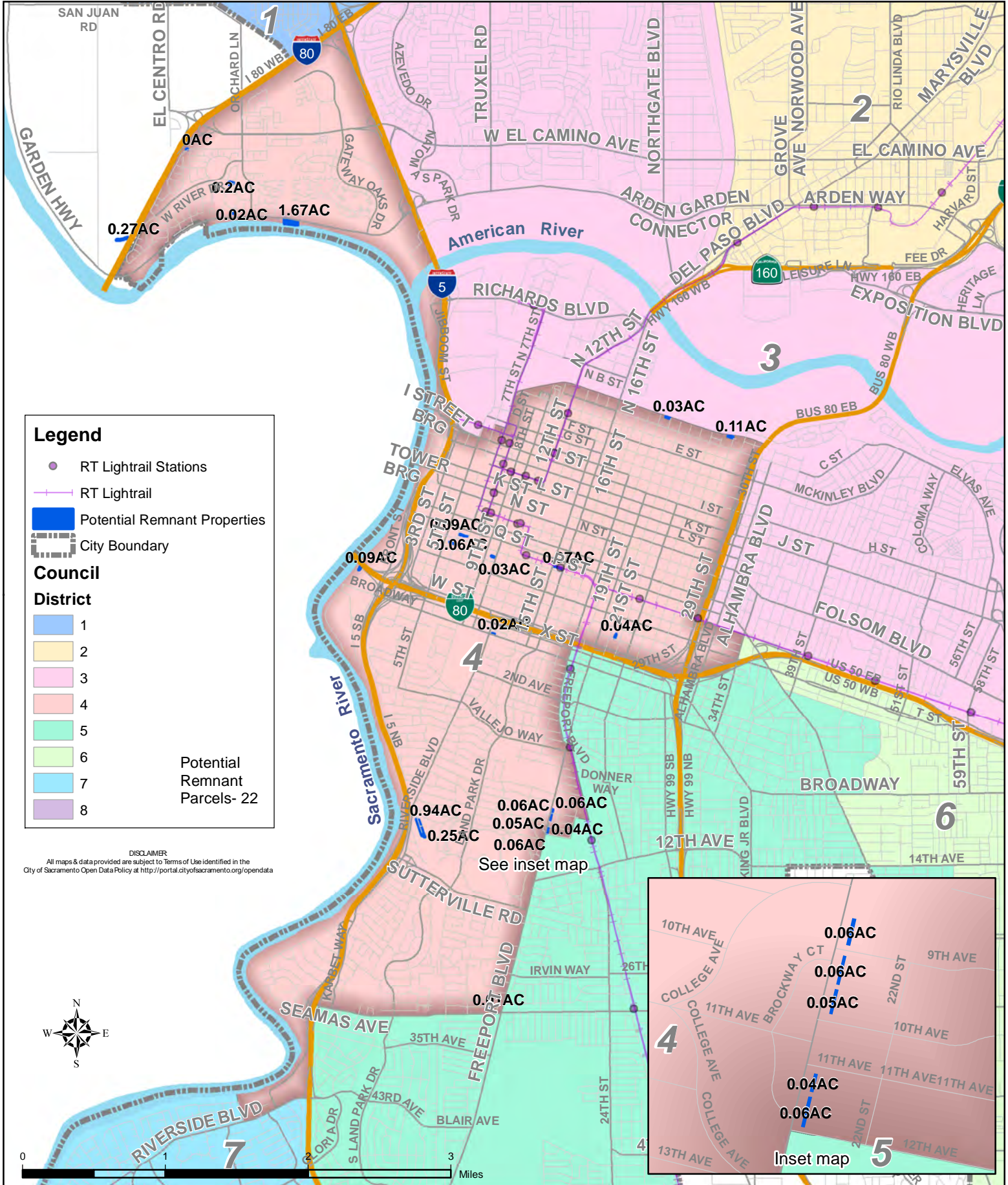
# City Owned Potential Remnant Parcels- CD-2







# City Owned Potential Remnant Parcels- CD-4

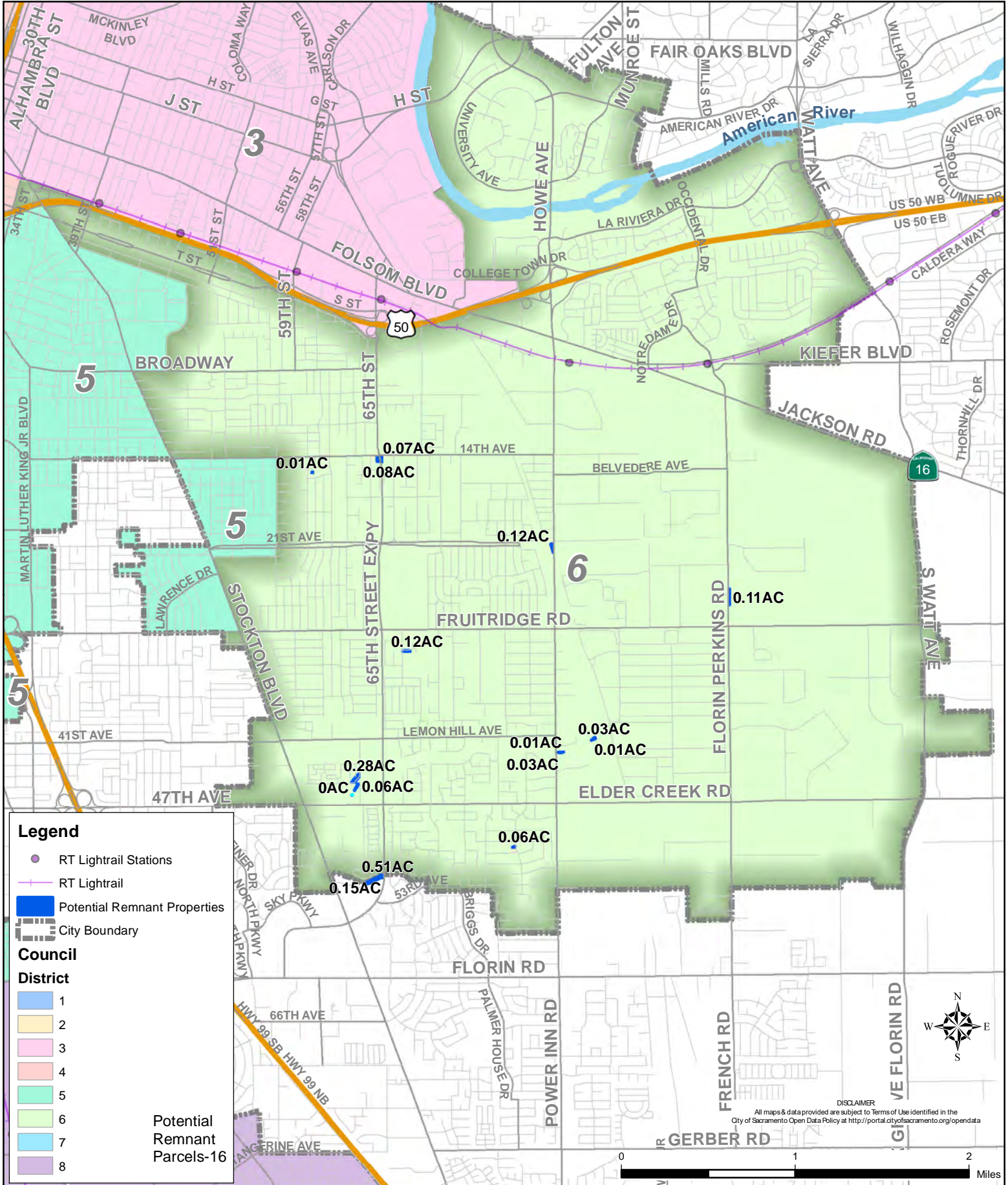


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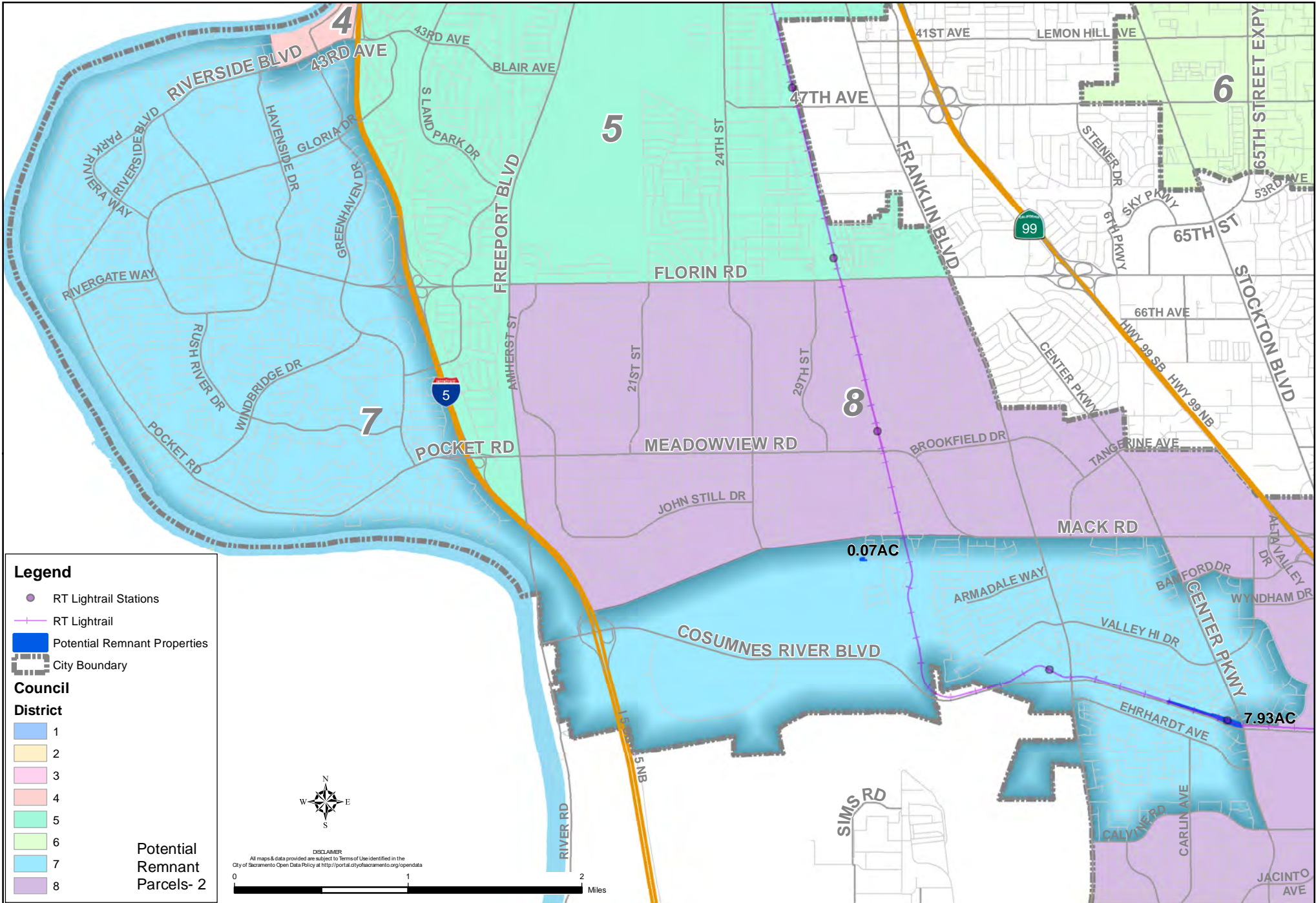




# City Owned Potential Remnant Parcels- CD-6



# City Owned Potential Remnant Parcels- CD-7



**Legend**

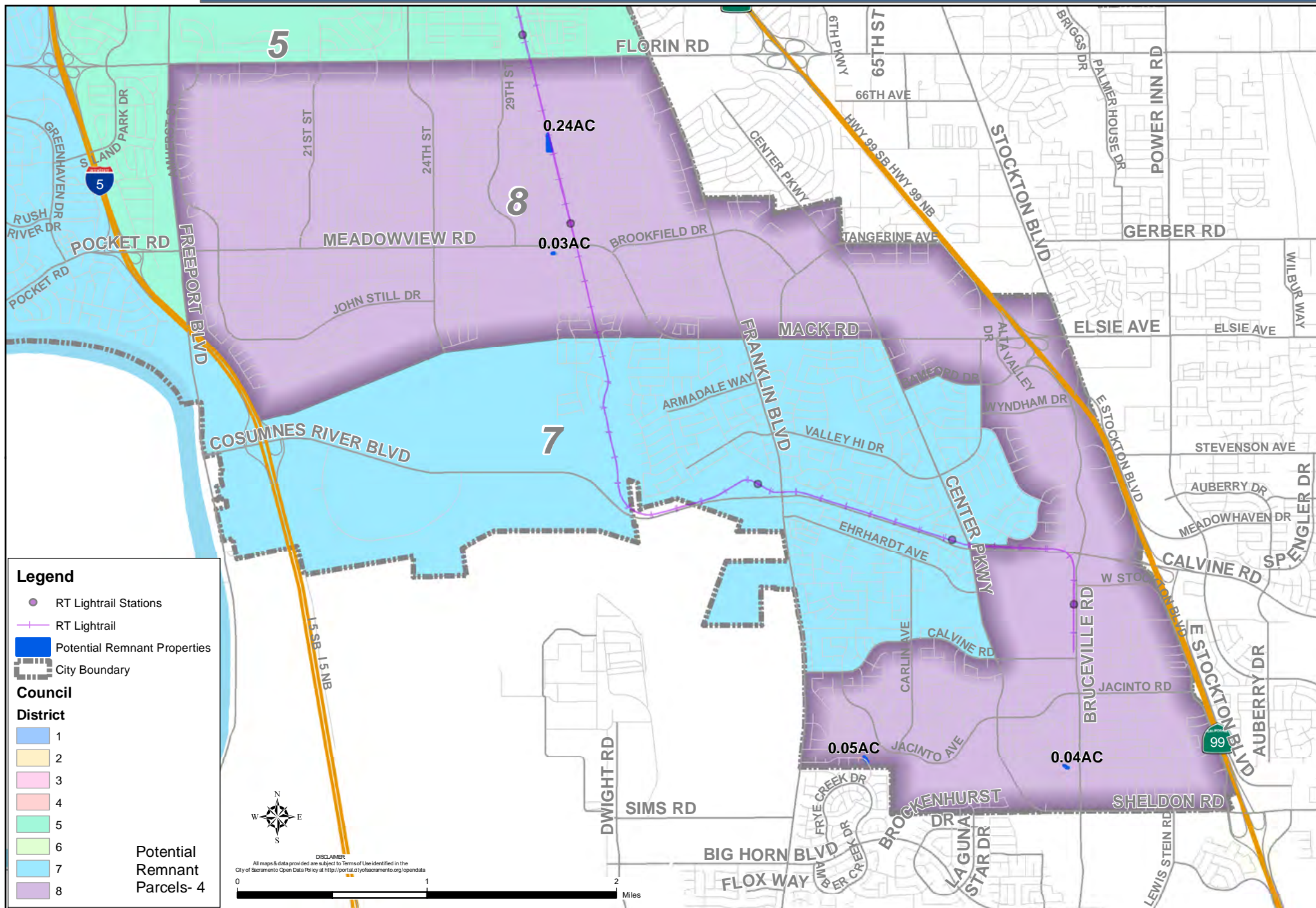
- RT Lightrail Stations
- RT Lightrail
- Potential Remnant Properties
- ⬢ City Boundary

**Council District**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8

Potential Remnant Parcels- 2

# City Owned Potential Remnant Parcels- CD-8



**Legend**

- RT Lightrail Stations
- RT Lightrail
- Potential Remnant Properties
- - - City Boundary

**Council District**

- 1 (Light Blue)
- 2 (Yellow)
- 3 (Pink)
- 4 (Light Orange)
- 5 (Light Green)
- 6 (Light Green)
- 7 (Light Blue)
- 8 (Purple)

Potential Remnant Parcels- 4

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Appendix B: Best Practice Policies and Procedures

# KALAMAZOO COUNTY LAND BANK AUTHORITY

## PROPERTY ACQUISITION AND DISPOSITION PRIORITIES AND POLICIES

As approved by the Board of Directors on December 3, 2009

Amended June 13, 2012

Amended December 12, 2012

Amended December 11, 2014

Amended February 12, 2015

Amended February 9, 2017

Amended August 2017

Amended Oct. 12 2017



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Quiet Title Policies.....	14
Donation Policies.....	15

## 1. Policies Governing the Acquisition of Properties

The acquisition and disposition of properties acquired by the Treasurer of Kalamazoo County through tax foreclosure procedures in accordance with 1893 P.A. 206, as amended by 1999 P.A. 123, MCL 211.1 et. Seq., and properties that are owned or otherwise acquired by the Kalamazoo County Land Bank Fast Track Authority (the "LBA"), shall be governed by the following basic priorities and policies.

The acquisition, use, and disposition of such properties shall at all times be consistent with the authority granted by the Constitution of Michigan, the laws of the state of Michigan, the Land Bank Agreement by and between Kalamazoo County, Michigan and the State of Michigan dated September 2, 2009, the articles of incorporation and bylaws of the Kalamazoo County LBA, and the public purposes set forth therein.

In determining which, if any, properties shall be acquired by donation, purchase or by bundling that become available for acquisition by the LBA shall give consideration to the following factors:

1. Proposals and requests by non-profit corporations that identify specific properties for ultimate acquisition and redevelopment.
2. Proposals and requests by governmental entities that identify specific properties for ultimate use and redevelopment.
3. Residential properties that are occupied or are available for immediate occupancy without need for substantial rehabilitation.
4. Improved properties that are the subject of an existing order for demolition of the improvements and properties that meet the criteria for demolition of improvements.
5. Vacant properties that could be placed into the Side Lot Disposition Program.
6. Properties that would be in support of strategic neighborhood stabilization and revitalization plans.
7. Properties that would form a part of a land assemblage development plan by the LBA and/or its partners.
8. Properties that will generate operating resources for the functions of the LBA.

The County Treasurer may combine properties from one or more of the foregoing categories in structuring the terms and conditions of the statutorily required auctions of the tax foreclosure properties, and may acquire any such properties prior to auctions, at such auctions, or subsequent to auctions as authorized by law. In determining the nature and extent of the properties to be acquired the Treasurer shall also give consideration to underlying values of the subject properties, the financial resources available for the acquisitions, the operational capacity of the LBA, and the projected length of time for transfer of such properties to the ultimate transferees.

## 2. Priorities Concerning the Disposition of Properties

The disposition of properties shall be based upon a combination of three different factors. The first factor involves the intended or planned use of the property. The second factor considers the nature and identity of the transferee of the property. The third factor addresses the impact of the property transfer on the short and long term neighborhood and community development plans. Within each factor is a ranking of priorities. The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize the aggregate policies and priorities. The Board and Staff of the LBA shall at all times retain flexibility in evaluating the appropriate balancing of the priorities for the use of the property, priorities as to the nature of the transferee of properties, and priorities concerning neighborhood and community development.

### Priorities for Use of Property

1. Return of the property to productive taxpaying status
2. Homeownership
3. Affordable housing
4. Neighborhood revitalization plan
5. Commercial, Industrial, recreational
6. Land assembly for economic development
7. Resources to the LBA-Provision of financial resources for operating functions
8. Long term land banking of properties for future strategic uses
9. Green space & community facilities

### Priorities as to the Nature of the Transferee

1. Private developers
2. Business owner
3. Individual/homeowner
4. Non-profit development
5. Investor/landlord
6. Tax exempt entity
7. Side lot candidates
8. Local units of government

Individuals and entities that were the prior owners of property at the time of the tax foreclosure which transferred title to the Treasurer shall be ineligible to be the transferee of such property from the Treasurer.

## Priorities Concerning Neighborhood and Community Development

1. The preservation of existing stable and viable neighborhoods.
2. Neighborhoods in which a proposed disposition will assist in halting a slowly occurring decline or deterioration.
3. Neighborhoods which have recently experienced or are continuing to experience a rapid decline or deterioration.
4. Geographic areas which are predominantly non-viable for purposes of residential or commercial development.
5. Within and among each of the first four priorities shall be a concurrent priority for targeted geographic areas for which a qualified strategic development plan has been approved.

### **3. Factors in Determining Consideration Due Upon Transfers**

The following factors shall constitute general guidelines for determination of the consideration to be received by the LBA for the transfer of properties. In each and every transfer of real property the LBA shall require good and valuable consideration in an amount determined by the LBA in its sole discretion. The LBA will consider both the fair market value of the property and the Property Costs in its determination of consideration for each property. "Property Costs" shall mean the aggregate costs and expenses of the LBA attributable to the specific property in question, including costs of acquisition, maintenance, repair, demolition, marketing of the property and indirect costs of the operations of the LBA allocable to the property.

The consideration to be provided by the transferee to the LBA may take the form of cash, deferred financing, performance of contractual obligations, imposition of restrictive covenants, or other obligations and responsibilities of the transferee, or any combination thereof.

#### Transfers to Non-profit Entities for Affordable Housing with Structure

1. Transfers of property to non-profit entities for the development, operation or maintenance of affordable housing shall require consideration not less than the Property Costs.
2. Property transferred to non-profit entities will be sold for 50% of market value or property costs incurred by the LB, whichever is greater. Value shall be determined by an appraisal performed by a certified appraiser, a CMA performed by a professional real estate agent, or through utilization of the SEV.
3. Properties which are rehabbed subsequent to foreclosure shall not be offered as a part of this program. These properties shall only be offered at FMV.
4. Properties shall be transferred via quit claim deed. All closing costs shall be paid by the non-profit purchaser.

#### Transfers to Non-profit Entities for Affordable Housing without a Structure

1. The LBA shall transfer unimproved parcels of land to non-profits for 50% of the land value. The value shall be determined through use of an appraisal performed by a certified appraiser, a CMA performed by a professional real estate agent, or through utilization of the SEV. Parcels shall be transferred via quit claim deed. All costs associated with closing and title shall be paid by the non-profit buyer.

### Transfers to Governmental Entities

1. The consideration for the transfer shall be determined at the discretion of the LBA. One factor in this determination shall be deed restrictions upon the use of the property.
2. To the extent that transfers of property to governmental entities are anticipated as conduit transfers by such governmental entities to third parties, the consideration shall consist of not less than Property Costs, to be paid in cash. The difference between the Property Costs/Project Costs and the fair market value may be included in consideration depending upon the relationship between the anticipated uses and the governing priorities of the LBA.
3. Transfers shall be made via quit claim deed. All closing costs shall be paid by the governmental entity.

### Side Lot Disposition Policies

1. The pricing policies applicable to the Side Lot Disposition Program shall be as set forth in the policies and procedures applicable to the Side Lot Disposition Policies.

### Transfers of Property at Open Market Conditions

1. Property that is transferred on the open real estate market, whether through auction or negotiated transfers, without restrictions as to future use shall be based upon consideration equal to the fair market value as determined by a CMA performed by a professional real estate agent or by an appraisal performed by a certified appraiser. If the LBA has advertised the property for 30 days on its website and/or via a licensed realtor and has not received a full price offer, staff may evaluate offers in an amount less than full fair market value and execute a negotiated transfer. Such consideration shall be paid in full at the time of the transfer, or in certain circumstances, other arrangements may be made at the discretion of the Executive Director and Board Chair.

#### 4. Side Lot Disposition Policies

Individual parcels of property may be acquired by the LBA, and transferred to individuals in accordance with the following policies. The transfer of any given parcel of property in the Side Lot Disposition Program is subject to override by higher priorities as established by the LBA.

##### Qualified Properties

Parcels of property eligible for inclusion in the Side Lot Disposition Program shall meet the following minimum criteria:

1. The property shall be vacant unimproved real property.
2. The property shall be physically contiguous to adjacent owner-occupied residential property, with not less than a 75% common boundary line at the side. Rental Properties will be considered as described below in Section 2 (a).
3. Priority shall be given to the disposition of properties when the lot is of insufficient size to permit independent development, and the side lot will increase the homeowner's lot to an average size within the existing neighborhood, addressing a lack of lawn and or driveway.
4. No more than one lot may be transferred per contiguous lot.
5. Back lot transfers with I normally not be considered except under compelling circumstances and must be approved by the Board of Directors at the recommendation of staff.

##### Transferees

1. All transferees must own and occupy the contiguous property as their primary residence.. Applicants will be required to describe a planned use for the side-lot and demonstrate capacity to maintain the property in good condition – supporting the overall plans for stabilization of the property and surrounding properties. Preference will be given to applications which demonstrate planned improvements to the parcel through plantings and beautification.
2. The transferee must not own any real property (including both the contiguous lot and all other property in Kalamazoo County) that is subject to any un-remediated citation of violation of the state and local codes and ordinances.
3. The transferee must not own any real property (including both the contiguous lot and all other property in Kalamazoo County) that is tax delinquent.
4. The transferee must not have been the prior owner of any real property in Kalamazoo County that was transferred to the Treasurer or to a local government as a result of tax foreclosure proceedings unless the LBA approves the anticipated disposition prior to the effective date of completion of such tax foreclosure proceedings.

### Pricing

1. Properties sold as a side lot to an adjacent owner shall be priced at \$50 plus any applicable fees.
2. Property outside of the City of Kalamazoo will be priced at 50% of land value, according to the most recent assessment as reflected in BS&A. This value shall be the SEV.
3. Whenever practicable, the total 5/50 collection shall be estimated using the property tax estimator and collected from the purchaser at the time of a side lot sale.
4. Upon collection of the 5/50 payment in conformance with this policy, the Executive Director shall have authority to issue a waiver of 5/50 collection in conformance with this policy.

### Additional Policies

1. In the event that multiple adjacent property owners desire to acquire the same side lot, the LBA will seek to determine the best use of the property and encourage the parties to agree regarding the disposition of the parcel. The lot may be transferred to the highest bidder for the property, divided and transferred among the interested contiguous property owners, or if the LBA determines that disposition of the property will cause conflict amongst neighbors, the property will be held until an agreed upon resolution can be reached. Any costs of division including surveys will be paid by buyers.
2. In the event that a contiguous property needs land for a driveway or other local code compliance issues this subsection will rule.
3. In the event that the Buyer hereafter desires to sell a side lot within 5 years of time of sale, the LBA shall have a right of first refusal. The Buyer shall first present to the LBA the written offer submitted to the Buyer by the third party. The LBA shall then have 45 days to purchase the parcel under the same terms and conditions as that offered by the third party. If the LBA exercises the right of first refusal, then the parcel shall be sold to the LBA by the Buyer under those terms and conditions. The right of first refusal shall not, however, in any way obligate the LBA to hereafter purchase the property. This right of first refusal shall be cited as a recordable condition on the quit claim deed from the LBA to the Buyer.



## 5. Land Transfer Policies

These policies pertain to transfers of real property which may be commercial or residential and may be vacant or improved.

### Transferees

1. The transferee must not own any real property that has any un-remediated citation of violation of the state and local codes and ordinances.
2. The transferee must not own any real property that is tax delinquent.
3. The subject property must not have been used by the transferee or an immediate family member of the transferee for a commercial purpose or as his or her personal residence at any time during the twelve (12) months immediately preceding the submission of application (except in rental cases).
4. The transferee must not have been the prior owner of any real property within 3 years in Kalamazoo County that was transferred to the Treasurer or to a local government, as a result of tax foreclosure proceedings unless the LBA approves the anticipated disposition prior to the effective date of completion of such tax foreclosure proceedings.
5. The transferee must not own any real property that has a history of being a site for criminal activity during transferee's ownership.
6. The transferee must reside in Michigan or designate a local agent authorized to accept notice on behalf of the purchaser if they are a non-Michigan resident.

### Additional Policies

1. The use of transferred property must give consideration to the Community or Neighborhood Plan, if one is in place.
2. Transactions may be structured in a manner that permits the LBA to enforce recorded covenants or conditions upon title pertaining to development and use of the property for a specified period of time. Such restrictions may be enforced, in certain cases, through reliance on subordinate financing held by the LBA.
3. The transferee must agree to pay future property taxes from time of transfer.
4. If code or ordinance violations exist with respect to the property at the time of the transfer, the transfer agreements may specify a maximum period of time for elimination or correction of such violations, with the period of time be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.
5. The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.
6. Where part or all of the consideration for the transfer is the prospective affordability of housing units, affordability requirements may be set forth in the transfer agreement and enforceable through recorded covenants, conditions or limitations upon title.

7. Where rehabilitation of a property by the transferee is a condition of the transfer, the requirement for such rehabilitation shall be in accordance with rehabilitation standards as established by the LBA and adequate completion of such rehabilitation shall be a condition to the release of restrictions or lien securing such performance.
8. The LBA may require the owner to complete renovations to the structure within a time frame negotiated by the LBA.
9. The LBA may enter into an option with a potential buyer for the purchase of commercial or residential property. It is within the discretion of the LBA to negotiate fair consideration for the option. Factors which will be considered are the length of the option, the value of the property and the benefit to the community and/or LBA goals.

## 6. Land Banking Policies

The LBA has the authority to hold both commercial and residential properties to assemble property or await proper economic conditions for redevelopment.

The LBA is willing to receive title to properties from community development corporations and other entities, and hold title to such properties pending future use by the LBA, by the transferor of the property, or by other third parties. The receipt by the LBA of any and all conveyances of real property shall at all times be solely within the discretion of the LBA, and nothing in this policy shall be deemed to require the LBA to take title to any properties nor to limit the discretion of the LBA in negotiating the terms of its acquisition of any property, whether as donated transfers or otherwise.

### Land Banking Services for Other Entities

#### A. Requirements for Conveyances to the LBA in its Land Banking Capacity

1. Property that is intended to be conveyed to the LBA and to be held by the LBA in its land banking capacity shall be clearly designated as such in the proposal for the transfer, and in the records of the LBA.
2. No property shall be transferred to the LBA pursuant to this land banking policy unless the transferor is either a private non-profit entity or a governmental entity.
3. The subject property must not be occupied by any party or parties as of the date of transfer to the LBA.
4. The subject property must be located in Kalamazoo County, Michigan.
5. The subject property must, as of the date of the transfer to the LBA, be free of any and all liens for ad valorem taxes, special assessments, and other liens or encumbrances in favor of local, state or federal government entities.
6. The subject property must, as of the date of the transfer to the LBA, be free of all outstanding mortgages and security instruments.
7. The LBA shall not receive and hold, at any given time, in excess of ten (10) separate parcels of property from any given transferor.
8. Improved properties will only be accepted by the LBA for demolition of the existing structure.
9. The LBA shall not provide land banking services to other entities for assemblage of improved parcels
10. The LBA shall maintain, repair, demolish, clean, and grade the subject property and perform any and all other tasks and services with respect to the subject property as the LBA may deem necessary and appropriate in its sole discretion.
11. The LBA shall charge an application and holding fee for each parcel held pursuant to this policy. The application fee shall be \$500 for each parcel. The holding fee shall be \$500 per year in the 2nd and 3rd years. The three year

period shall begin to accrue on the date of execution of this agreement and yearly holding payments shall be due on the first day of the subsequent year.

12. The LBA has the authority to negotiate a land banking agreement.

B. Requirements for Repurchase of Land Banked Property by the Transferor

1. The transferor may repurchase the subject property from the LBA at any time within a period of three (3) years from the date of transfer for use in their planned redevelopment project by giving written notice of the intent to repurchase with a commencement date for said project, and payment of all outstanding fees due to the LBA.
2. Properties shall be retransferred with a conditional deed requiring compliance with the planned use.
2. The LBA may retain title to properties when planned redevelopments do not proceed
3. The LBA shall have the right, at any time within the three year period following the date of the original transfer, to require the transferor to exercise its right of repurchase by giving written notice to the transferor of the requirement that it exercise its right of repurchase. The transferor must exercise its right of repurchase, and close the reconveyance of the property within sixty (60) days of receipt of such notice. Failure of the transferor to exercise and close upon its right of repurchase within such period of time shall result in a termination of all rights of repurchase with respect to the subject property.

## 7. Quiet Title Policies

Pursuant to the Land Bank Act, the LBA can utilize expedited quiet title to clear title for properties owned by the LBA and can provide quiet title services for other entities.

### Quiet Title Services for Other Entities

1. The LBA shall charge an initial application fee of \$250 for this service.
2. The service charge for quiet title shall be 1% of the property value determined by multiplying the SEV by 2.
3. Further, the transferor shall be responsible for all legal fees and recording costs associated with this service.
4. The LBA shall have authority to negotiate the terms of the quiet title agreement.

## 8. Donation Policies

### Donated Property Policies

1. The LBA shall only accept donated properties which further the agency's mission.
2. Properties with adverse environmental conditions will not be accepted without a satisfactory plan and funding in place for remediation, as determined by the LBA.
3. The LBA may accept properties in lieu of foreclosure if the donor conveys clear and marketable title to the property.
4. The LBA may accept donated properties for demolition which are accompanied by appropriate funding or for which a funding source has been identified.
5. Properties with immediate maintenance requirements will not be accepted without a funding source secured for such maintenance as determined by the LBA.
6. The LBA will make every effort to require that donated properties be conveyed with clear and marketable title where practical.
7. Properties that are occupied shall not be accepted as donations.
8. The LBA will not determine donation value for the purpose of tax benefits, but will provide a letter accurately documenting the donation.

*J. D. Damm*

10/12/2017

# Mahoning County Land Reutilization Corp.

## Land Acquisition Policies & Procedures



*Adopted by the Board of Directors Oct. 24, 2011  
REVISED Sept. 25, 2012*

## **MISSION STATEMENT**

The Mahoning County Land Reutilization Corp. will strategically acquire distressed properties and return them to productive, tax-paying use. The Mahoning County Land Reutilization Corp. (the “Land Bank”) will: reduce blight; stabilize neighborhoods and property values; promote neighborhood reinvestment and economic development opportunities; and improve the quality of life in Mahoning County.

## **LAND BANK PURPOSE**

- Facilitate the **strategic** acquisition of abandoned, tax-delinquent, unmarketable or other distressed properties and reclaim underutilized properties that can be razed to remove blight, rehabilitated or transferred to increase residential ownership.
- Temporarily hold and manage certain types of properties designated for reuse.
- Work in partnership with Mahoning County communities to assemble properties and consolidate ownership of properties in transitional areas.
- Promote healthy, sustainable neighborhoods across Mahoning County.

## **PRIORITIES & POLICIES**

The **strategic** acquisition and disposition of properties of the Land Bank, shall be governed by the following basic priorities and policies. The acquisition, use, and disposition of such properties shall at all times be consistent with the authority granted by the Land Bank Bill (SB188/HB313), the articles of incorporation and bylaws of the Land Bank, and the public purposes set forth in the foregoing.

### **1. Policies Governing the Acquisition of Properties**

In determining which, if any, properties shall be acquired, the Land Bank shall give consideration to the following factors:

- a. Proposals and requests by nonprofit corporations that identify specific properties for ultimate acquisition and redevelopment.
- b. Proposals and requests by governmental entities that identify specific properties for ultimate use and redevelopment.
- c. Residential properties that are occupied or are available for immediate occupancy without need for substantial rehabilitation.
- d. Improved properties that are the subject of an existing order for demolition of the improvements and properties that meet the criteria for demolition of improvements.
- e. Vacant properties that could be placed into the Side Lot Disposition Program.
- f. Properties that would be in support of strategic neighborhood stabilization and revitalization plans.
- g. Properties that would form a part of a land assemblage development plan.
- h. Properties that will generate operating resources for the functions of the Land Bank.

In determining the nature and extent of the properties to be acquired the Land Bank shall also give consideration to the location, property condition, the underlying



values of the subject properties, the lien status, the ability to convey quit claim deeds, the financial resources available for acquisitions, the operational capacity of the Land Bank, and the projected length of time for transfer of such properties to the ultimate transferees.

## **2. Priorities Concerning the Disposition of Properties**

The Land Bank will at all times attempt to identify an end user at the start of the acquisition process, thereby identifying a disposition strategy before a parcel is acquired. Not all properties that are desirable for land banking will immediately have an end user. Cost for the Land Bank to hold such properties after acquisition will be projected and factored into the acquisition decision.

The disposition of properties shall be based upon a combination of three different factors. The first factor involves the intended or planned use of the property. The second factor considers the nature and identity of the transferee of the property. The third factor addresses the impact of the property transfer on the short and long term neighborhood and community development plans. Within each factor is a ranking of priorities. The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize the aggregate policies and priorities. The Board and Staff of the Land Bank shall at all times retain flexibility in evaluating the appropriate balancing of the priorities for the use of property, priorities as to the nature of the transferee of properties, and priorities concerning neighborhood and community development.

### Priorities for Use of Property

1. Neighborhood revitalization.
2. Return of the property to productive, tax-paying status.
3. Land assemblage for economic development.
4. Long term “banking” of properties for future strategic uses.
5. Provision of financial resources for operating functions of the Land Bank.

### Priorities as to the Nature of the Transferee

1. Governmental entities, as per Ohio Revised Code (eg. Municipal right of first refusal).
2. Nonprofit institutions including, but not limited to, academic and religious institutions, not-for-profit housing agencies and community development corporations.
3. Individuals who own and occupy residential property for purposes of the Side Lot Disposition Program.
4. Entities that are a partnership, limited liability corporation, or joint venture comprised of a private nonprofit corporation and a private profit entity.

Individuals and entities that were the prior owners of property at the time of a tax foreclosure shall be ineligible to be the transferee of such property from the Land Bank.

### Priorities Concerning Neighborhood and Community Development

1. The preservation of existing stable, viable neighborhoods and community gateways.
2. Neighborhoods and community gateways in which a proposed disposition will assist in halting a slowly occurring decline or deterioration.
3. Neighborhoods and community gateways which have recently experienced or are continuing to experience a rapid decline or deterioration.
4. Geographic areas which are predominantly non-viable for purposes of residential or commercial development.
5. Within and among each of the first four priorities shall be a concurrent priority for targeted geographic areas for which a qualified strategic development plan has been approved.

### **3. Factors in Determining Consideration Due Upon Transfers**

The following factors shall constitute general guidelines for determination of the consideration to be received by the Land Bank for the transfer of properties. In each and every transfer of real property the Land Bank shall require good and valuable consideration in an amount to be specified below.

For the purpose of this document, “Property Costs” shall mean: the aggregate costs and expenses of the Land Bank attributable to the specific property in question, including costs of acquisition, maintenance, repair, demolition, marketing of the property and indirect costs of the operations of the Land Bank allocable to the property.

For the purpose of this document, “Fair Market Value” shall mean the Total Market Value set by the Mahoning County Auditor or the value set by an appraisal as performed by a duly-certified appraiser.

The amount of consideration shall be determined by the Land Bank in its sole discretion. The consideration to be provided by the transferee to the Land Bank may take the form of cash or certified funds, deferred financing, performance of contractual obligations, imposition of restrictive covenants, or other obligations and responsibilities of the transferee, or any combination thereof.

#### 1. Transfers to Nonprofit entities for affordable housing.

(a) Transfers of property to nonprofit entities for the development, operation or maintenance of affordable housing shall require consideration in an amount equal to property cost or fair market value, or a combination of both, to be determined exclusively by the Land Bank

#### 2. Transfers to Governmental Entities.

(a) To the extent that transfers of property to governmental entities are designed to be held by such governmental entities in perpetuity for governmental purposes, the aggregate consideration for the transfer shall be based upon deed restrictions upon the use of the property.

(b) To the extent that transfers of property to governmental entities are anticipated as conduit transfers by such governmental entities to third parties, the consideration shall consist of not less than then Property Costs, to be paid in cash or certified funds. The difference between the Property Costs and the fair market value may be included in consideration depending upon the relationship between the anticipated uses and the governing priorities of the Land Bank.

### 3. Side Lot Disposition Program.

The pricing policies applicable to the Side Lot Disposition Program shall be as set for in the policies and procedures applicable to the Side Lot Disposition Program.

### 4. Transfers of Property at Open Market Conditions.

(a) Property that is transferred on the open real estate market, whether through auction or negotiated transfers, without restrictions as to future use shall be based upon consideration determined by the Land Bank in its sole discretion. Such consideration shall be paid in full at the time of the transfer.

## **4. Side Lot Disposition Program**

Individual parcels of property may be acquired by the Land Bank and transferred to individuals in accordance with the following policies. The transfer of any given parcel of property in the Side Lot Disposition Program is subject to override by higher priorities as established by the Land Bank.

These policies pertain to an individual, partnership and its partners, limited liability company (LLC) and its member(s), society, association, joint stock company, corporation and its shareholders, estate, receiver, trustee, assignee, referee or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, any combination of individuals, and any other form of unincorporated enterprise owned or conducted by two or more persons.

### **A. Side Lot Disposition Policies**

1. Qualified Properties. Parcels of property eligible for inclusion in the Side Lot Disposition Program shall meet the following minimum criteria:

- (a) The property shall be vacant, unimproved real property.
- (b) The property shall be physically contiguous to adjacent owner-occupied residential property, with not less than a 75% common boundary line at the side.
- (c) Initial priority shall be given to the disposition of properties of insufficient size to permit independent development.

### 2. Transferees.

- (a) All transferees must own the contiguous property, and priority is given to Transferees who personally occupy the contiguous property.
- (b) The transferee must not own any real property (including both the contiguous lot and all other property in Mahoning County) that violates any local codes and ordinances.

(c) The transferee must not own any real property (including both the contiguous lot and all other property in Mahoning County) that is tax delinquent or has a history of sold property tax liens.

(d) The transferee must not have been the prior owner of any real property in Mahoning County that was transferred as a result of tax foreclosure proceedings.

### 3. Pricing

The amount of consideration shall be determined by the Land Bank in its sole discretion.

### 4. Additional Requirements

(a) In the event that multiple adjacent property owners desire to acquire the same side lot, the first applicant to the Land Bank will receive priority.

## **5. Residential Land Transfers**

### **A. Residential Land Transfer Policies**

These policies pertain to transfers whose future use is residential. At time of transfer the property may be vacant, improved or ready to occupy.

These policies pertain to an individual, partnership and its partners, limited liability company (LLC) and its member(s), society, association, joint stock company, corporation and its shareholders, estate, receiver, trustee, assignee, referee or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, any combination of individuals, and any other form of unincorporated enterprise owned or conducted by two or more persons.

1. The transferee must not own any real property that violates any local codes or ordinances.
2. The transferee must not own any real property that is tax delinquent or has a history of sold property tax liens.
3. The subject property must not have been used by the transferee or a family member of the transferee as his or her personal residence at any time during the twelve (12) months immediately preceding the submission of application (except in tenant/owner relationships).
4. The transferee must not have been the prior owner of any real property in Mahoning County that was transferred as a result of tax foreclosure proceedings.
5. The use of transferred property must give consideration to any Community/Neighborhood Plan (if one is in place) and a letter of comment must be received from the appropriate planning groups.
6. The amount of consideration shall be determined by the Land Bank in its sole discretion.
7. All development projects must be started and completed within a time frame negotiated with Land Bank.
8. Options are available for 10% of the parcel price for up to a 12-month period. This fee will be credited to the parcel price at closing. If closing does not occur, the fee is

forfeited. All option agreements are subject to all policies and procedures of the Land Bank pertaining to property transfers.

9. A precise narrative description of future use of the property is required.
10. Transactions shall be structured in a manner that permits the Land Bank to enforce recorded covenants or conditions upon title pertaining to development and use of the property for a specified period of time. Such restrictions may be enforced, in certain cases, through reliance on subordinate financing held by the Land Bank.
11. The transferee must agree to pay future property taxes from time of transfer.
12. If code or ordinance violations exist with respect to the property at the time of the transfer, the transfer agreements shall specify a maximum period of time for elimination or correction of such violations, with the period of time to be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.
13. The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.
14. Where rehabilitation of a property by the transferee is a condition of the transfer, the requirement for such rehabilitation shall be in accordance with rehabilitation standards as established by the Land Bank and adequate completion of such rehabilitation shall be a condition to the release of restrictions or lien securing such performance.

The following additional policies shall apply to properties to be transferred to individual transferees as part of a homeownership program:

15. The owner-occupant must complete renovations and move into the structure within a time frame negotiated by the Land Bank.

### **B. Residential Land Transfer Procedures – Owner occupied**

The prospective transferee must submit the following documents to the Land Bank Transaction Specialist:

- (1) Property address being requested
- (2) Rehabilitation / Improvement Specifications
- (3) Time Line for Rehabilitation / Improvement Completion (if applicable)
- (4) Project Financing (Pre-Qualification Letter for Lender)
- (5) Development Budget (if applicable)
- (6) Most Recent Tax Return or alternative income documentation
- (7) A Picture Identification
- (8) Proof of Social Security Number

### **C. Residential Land Transfer Procedures – Non-owner occupied**

1. Required Application Documentation. The prospective buyer must submit the following documents to the Land Bank Transaction Specialist:

- (1) List of property address(es)
- (2) Project Description
- (3) Development Team Description, including complete information on the following parties:

- (a) Developer:
- (b) Co-developer/Partner:
- (c) Owner:
- (d) General Contractor:
- (e) Consultants:
- (f) Architect:
- (g) Project Manager (during construction):
- (h) Lead Construction Lender:
- (i) Marketing Agent:
- (j) Project Management (post-construction):
- (4) Market Information / Plan
- (5) Project Financing
- (6) Development Budget
- (7) All Rental Transactions Must Attach an Operating Budget
- (8) Income documentation
- (9) Evidence of compliance with all applicable Land Bank policies

## **6. Commercial Land Transfers**

### **A. Commercial Land Transfer Policies**

These policies pertain to transfers of real property for which the intended future use is non-residential. At time of transfer the property may be vacant, improved or ready to occupy. These policies pertain to an individual, partnership and its partners, limited liability company (LLC) and its member(s), society, association, joint stock company, corporation and its shareholders, estate, receiver, trustee, assignee, referee or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, any combination of individuals, and any other form of unincorporated enterprise owned or conducted by two or more persons.

1. The transferee must not own any real property that violates any local codes or ordinances.
2. The transferee must not own any real property that is tax delinquent or has a history of sold property tax liens.
3. The subject property must not have been used by the transferee or a family member of the transferee as his or her personal residence at any time during the twelve (12) months immediately preceding the submission of application (except in rental cases).
4. The transferee must not have been the prior owner of any real property in Mahoning County that was transferred as a result of tax foreclosure proceedings.
5. The use of transferred property must give consideration to any Community/Neighborhood Plan (if one is in place) and a letter of comment must be received from the appropriate planning groups.
6. The amount of consideration shall be determined by the Land Bank in its sole discretion.
7. All development projects should be started and completed within a time frame negotiated with the Land Bank.

8. Options are available for 10% of the parcel price for up to a 12-month period. This fee will be credited to the parcel price at closing. If closing does not occur, the fee is forfeited. All option agreements are subject to all policies and procedures of the Land Bank pertaining to property transfers.

9. A precise narrative description of future use of the property is required.

10. Transactions shall be structured in a manner that permits the Land Bank to enforce recorded covenants or conditions upon title pertaining to development and use of the property for a specified period of time. Such restrictions may be enforced, in certain cases, through reliance on subordinate financing held by the Land Bank.

11. The transferee must agree to pay future property taxes from time of transfer.

12. If code or ordinance violations exist with respect to the property at the time of the transfer, the transfer agreements shall specify a maximum period of time for elimination or correction of such violations, with the period of time be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.

13. The proposed use must be consistent with current zoning requirements, or a waiver for non-conforming use is a condition precedent to the transfer.

## **B. Commercial Land Transfer Procedures**

1. Required Application Documentation. The prospective buyer must submit the following documents to the Land Bank Transaction Specialist.

(1) List of property address(es)

(2) Project Description

(3) Development Team Description, including complete information on the following parties:

(a) Developer:

(b) Co-developer/Partner:

(c) Owner:

(d) General Contractor:

(e) Consultants:

(f) Architect:

(g) Project Manager (during construction):

(h) Lead Construction Lender:

(i) Marketing Agent:

(j) Project Management (post-construction):

(4) Market Information / Plan

(5) Project Financing

(6) Development Budget

(7) Operating Budget

(8) Income documentation

(9) List of Potential Tenants and pre-lease agreements

(10) Evidence of compliance with all applicable Land Bank policies

## 7. Disposition Procedures for Foreclosed Parcels

- Accept expressions of interest or applications from municipalities, general public, institutions, nonprofits, etc.
- Conduct due diligence: Identify the need for acquisition, cost-benefit analysis, conduct site visit, review zoning and land use regulations, identify end user/disposition strategy.
  - \$20 property inspection fee covers hard costs of review (mileage, postage, etc.); fee waived for municipalities and nonprofit organizations.
- Mahoning County Land Reutilization Corporation executive director consults with the Land Bank board chairman on decision to accept or reject request. All decisions are final.
  - Municipality notified of application and five (5) business days provided to register objections.
- Applicants notified of decision.
- Applicant and Land Bank agree upon purchase price; applicant makes *non-refundable* down payment of 10 percent of the purchase price.
- Approved applications move to Prosecutor's Office for land bank foreclosure.
  - Title work ordered.
  - Research done.
  - Court documents prepared.
  - Assistant County Prosecutor reviews and revises court documents.
- Assistant County Prosecutor files land bank foreclosure.
- Prosecutor's staff monitors court dates.
- Assistant County Prosecutor invokes use of alternative redemption period at judgment hearing.
- Notification to owner of 45-day redemption period, as per Ohio Revised Code.
- Prosecutor's staff monitors redemption.
  - If redemption, CLRC pursues its portion of redemption from Clerk of Courts/Treasurer/Auditor.
  - If no redemption, notice of forfeiture and deed transfer to Land Bank.
- Land Bank Board of Directors approves deed transfer to end user. All decisions are final.
- If an end user has been identified, end user notified and deed transferred to new owner.
- If end user fails to complete transaction, municipality notified about taking ownership.
- If no end user has been identified, Land Bank evaluates actions needed to stabilize property.
  - Land Bank stabilizes property.

## 8. Approvals of Land Transfers

The executive director of Mahoning County Land Reutilization Corporation will consult with the Land Bank board chairman on decisions to recommend acceptance or



rejection of deed transfer requests. Municipalities will be notified of all approved transfers and provided five (5) business days to register any objections. Applicants will be notified of acceptance or rejection. The Land Bank board of directors shall approve all deed transfers. All decisions are final.

## **9. Land Assembly Policies**

The Land Bank is willing to receive title to properties from community development corporations and other entities, and hold title to such properties pending future use by the Land Bank, by the transferor of the property, or by other third parties. The receipt by the Land Bank of any and all conveyances of real property shall at all times be solely within the discretion of the Land Bank, and nothing in this policy shall be deemed to require the Land Bank to take title to any properties nor to limit the discretion of the Land Bank in negotiating the terms of its acquisition of any property, whether donated or otherwise.

All conveyances received by the Land Bank in its land banking capacity must comply with the requirements set forth below in Part A, and will be reviewed and considered by the Land Bank in accordance with the procedures set forth in Part B. If the transfer is approved by the Land Bank, the Land Bank shall hold the subject property, and may use or convey the subject property or any interest in the subject project, subject only to the right of repurchase set forth in Part C.

Following the transfer of any properties to the Land Bank in accordance with this policy, the Land Bank shall have the right, but not the obligation, to maintain, repair, demolish, clean, and grade the subject property and perform any and all other tasks and services with respect to the subject property as the Land Bank may deem necessary and appropriate in its sole discretion.

### **A. Requirements for Conveyances to the Land Bank in its Land Banking Capacity**

1. Property that is intended to be conveyed to the Land Bank and to be held by the Land Bank in its land banking capacity shall be clearly designated as such in the proposal for the transfer, and in the records of the Land Bank.
2. No property shall be transferred to the Land Bank pursuant to this land banking policy unless the transferor is either a private nonprofit entity or a governmental entity.
3. The subject property must be located in Mahoning County, Ohio.
4. The subject property must not be occupied by any party or parties as of the date of transfer to the Land Bank.
5. The subject property must, as of the date of the transfer to the Land Bank, be free of any and all liens for ad valorem taxes, special assessments, and other liens or encumbrances in favor of local, state or federal government entities.
6. The subject property must, as of the date of the transfer to the Land Bank, be free of all outstanding mortgages and security instruments.

## **B. Procedures for Conveyances to the Land Bank in its Land Banking Capacity**

1. The transferor of any proposed conveyance to the Land Bank in its land banking capacity shall prepare a written proposal containing the following information:
  - (a) A current legal description of the property.
  - (b) A current title report, or other similar evidence, indicating that the property is free of all liens and encumbrances specified in Part A.
  - (c) A description of the transferor's intended uses of the property and the time frame for use and development of the property by the transferor.
2. Following receipt of the proposal, the Land Bank shall review the proposal and notify of the transferor of its approval or disapproval, and of any changes or additions that may be necessary as determined by the Land Bank in its sole discretion.

## **C. Right of Repurchase by the Transferor**

1. The transferor shall have a right to repurchase the subject property from the Land Bank at any time within a period of three (3) years from the date of transfer to the Land Bank by giving notice to the Land Bank.
2. The right of repurchase may be exercised by the transferor upon payment to the Land Bank of the Purchase Price. The Purchase Price shall be an amount equal to (i) all expenditures of the Land Bank (whether made directly by the Land Bank or through payments to a third party contractor) in connection with the subject property incurred subsequent to the date of conveyance to the Land Bank, and (ii) an amount determined by the Land Bank as its average indirect costs, on a per parcel basis, of holding its portfolio of properties.
3. The Land Bank shall have the right, at any time within the three year period following the date of the original transfer, to require the transferor to exercise its right of repurchase by giving written notice to the transferor of the requirement that it exercise its right of repurchase and the amount of the Purchase Price. The transferor must exercise its right of repurchase, and close the reconveyance of the property within sixty (60) days of receipt of such notice. Failure of the transferor to exercise and close upon its right of repurchase within such period of time shall result in a termination of all rights of repurchase with respect to the subject property.

## **10. Transfer of Rehabilitated Properties**

These policies apply to the disposition by the Land Bank of improved real property which is rehabilitated by or on behalf of the Land Bank prior to its disposition to a transferee.

### **A. Rehabilitation and Marketing**

1. The Land Bank shall undertake, in its sole discretion, rehabilitation of properties prior to the transfer to third parties. The nature and extent of any such rehabilitation shall be determined by the Land Bank in its sole discretion.

2. At the commencement of rehabilitation a sign may be placed on the property indicating that the property is owned by the Land Bank.

3. A real estate agent, or Realtor, may be selected in accordance with Land Bank guidelines to assist in the marketing of the property. A listing agreement will normally be signed with such agent approximately two months prior to completion of the rehabilitation. Marketing of the property will normally commence at this point. The Land Bank will make available information on the property and on the procedures to be followed by parties interested in the possible acquisition of the property.

## **B. Sale of Rehabilitated Properties**

1. A nonrefundable escrow deposit shall be required for all contracts for the disposition of property rehabilitated by the Land Bank. Such deposit shall be in an amount established by the Land Bank, but shall not be less than \$500 for a purchase price less than \$30,000, and \$1,000 for a purchase price greater than \$30,000.

2. A sales contract shall be submitted to the Land Bank for review, and must comply with all policies and procedures of the Land Bank. The sales contract shall not be binding upon the Land Bank until approved by the Director.

## **11. Blight Elimination**

Because the Land Bank will generally be on the receiving end of the most challenged and damaged property in Mahoning County, the best use for many of the properties the Land Bank acquires will be blight elimination. As a result, many of these properties will be demolished.

Demolition may occur in conjunction with a transfer to a qualified end-user. Demolition may also occur while the Land Bank works to identify a side-lot end-user or users who will take title to the future unimproved land, or in coordination with land assembly for future use.

Every Land Bank demolition will be done to the standards required by the city of Youngstown, or to other higher standards as required by the municipality where the demolition takes place.

## **12. Maintenance**

As a general policy, the Land Bank will work with qualified end-users, community-minded neighbors, and others to return a property to productive, private ownership as soon as possible. However, the Land Bank will acquire parcels that may require periodic maintenance while an end-user is solicited.

The Land Bank's resources are best used to identify an end-user who will take title to the property and return it to productive use. With this in mind, the Land Bank will attempt to achieve an appropriate balance between necessary maintenance and the efficient use of its resources.

### **Maintenance Properties**

When an inspection determines that a lot or structure has marketable potential and recommends against demolition, the parcel shall be considered a Maintenance Property.

To use resources most efficiently, the Land Bank will prioritize maintenance partnerships with public-sector or non-profit partners whenever possible. The Land Bank will seek qualified vendors as needed for all necessary maintenance on properties.

The Land Bank recognizes that the appropriate level of maintenance may vary property-to-property. Maintenance resources will be coordinated in such a way to most efficiently return the property to a productive use. When partnering with the public sector, the Land Bank will coordinate its maintenance with the existing maintenance schedule of the municipality.

Any residents, businesses, neighbors, block watches or other organizations interested in caring for vacant Land Bank properties are eligible to adopt a lot. The Adopt-a-Lot program will be offered at no cost.

### **13. Insurance**

All properties that the Land Bank acquires will be covered by general liability insurance for the duration of the Land Bank's ownership. The Land Bank may secure property insurance for those parcels with structures present that are not scheduled for blight elimination.

Factors to consider regarding the purchase of property insurance include the proposed length of Land Bank ownership and the present fair market value of the property.

## Appendix C: Excerpt from Federal General Services Administration 2018 Guidance for Real Property Inventory Reporting

For a complete copy of the most recent Guidance, visit the following website:

<https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-council-frpc/frpc-guidance-library>



**FEDERAL REAL PROPERTY COUNCIL**

**2018 GUIDANCE FOR REAL PROPERTY  
INVENTORY REPORTING**

**VERSION 2**

**ISSUE DATE: AUGUST 27, 2018**

## B. FRPP INVENTORY DATA ELEMENTS AND DESCRIPTION

The FRPC has identified and defined data elements for assets that are to be captured and reported by all executive agencies, as listed in **Table 1: 2018 FRPP Data Elements** below. These data elements are (1) to be reported at the constructed asset level for buildings and structures and at the parcel level for land, and (2) applicable for all property types (land, building, structure). Shaded rows indicate data elements that have subelements. Yellow highlight indicates a data element change or addition.

**Table 1: 2018 FRPP Data Elements**

Data Element #	Data Element Name	Data Element Note
1	Real Property Type	
2	Real Property Use	
3	Field Office	Only reported for office buildings
4	Field Office Collocation	Only reported for field office buildings
5	Reduce the Footprint	Automatically populated data element, not reported by agencies
6	Legal Interest	
6A	Legal Interest Indicator	
6B	Lease Authority Indicator	
7	Status	
7A	Status Indicator	
7B	Report of Excess Submitted Date	
7C	Report of Excess Accepted Date	
7D	Determination to Dispose Date	
7E	Cannot Currently be Disposed Date	Only reported if the status is Cannot Currently be Disposed
7F	Surplus Declaration Date	
7G	Outgrant Indicator	
7H	Reason Cannot Currently be Disposed	
8	Historical Status	
9	Reporting Agency	
10	Using Organization	
11	Size	

Data Element #	Data Element Name	Data Element Note
11A	Acres (Land)	
11B	Square Feet (Buildings)	
11C	Square Feet Unit of Measure	
11D	Structural Unit (Structures)	
11E	Unit of Measure (Structures)	
12	Utilization	
13	Year Asset Reported Underutilized	Only reported if the status is Unutilized or Underutilized
14	Replacement Value	Revised definition per the December 1, 2016 memorandum from GSA, <i>Improving Consistency and Quality of Federal Real Property Profile (FRPP) Data to Support Efficient Resource Allocation</i> .
15	Repair Needs	Revised definition per the December 1, 2016 memorandum from GSA, <i>Improving Consistency and Quality of Federal Real Property Profile (FRPP) Data to Support Efficient Resource Allocation</i> .
16	Historical Capital Expenditures	Only reported for owned buildings and structures
17	Estimated Future Capital Expenditures	Only reported for owned buildings and structures
18	Condition Index	<b>Automatically calculated data element, not reported by agencies</b>
19	Annual Operations Costs	Revised definition per the December 1, 2016 memorandum from GSA, <i>Improving Consistency and Quality of Federal Real Property Profile (FRPP) Data to Support Efficient Resource Allocation</i> .
19A	Owned and Otherwise Managed Annual Operations Costs	Only reported for owned and otherwise managed assets
19B	Lease Annual Operations Costs	Only reported for leased assets
20	Annual Maintenance Costs	Revised definition per the December 1, 2016 memorandum from GSA, <i>Improving Consistency and Quality of Federal Real Property Profile (FRPP) Data to Support Efficient Resource Allocation</i> .
20A	Owned and Otherwise Managed Annual Maintenance Costs	Only reported for owned and otherwise managed assets
20B	Lease Annual Maintenance Costs	Only reported for leased assets
21	Lease Annual Rent to Lessor	
22	Main Location	
22A	Street Address	
22B	Latitude	
22C	Longitude	
23	Real Property Unique Identifier	
24	City	



Data Element #	Data Element Name	Data Element Note
25	State	
26	Country	
27	County	
28	Congressional District	
29	ZIP Code	
30	Installation/Sub-Installation Identifier	
30A	Installation Identifier	
30B	Sub-Installation Identifier	
30C	Installation Name	
31	Disposition	
31A	Disposition Method	
31B	Disposition Date	
31C	Actual Sales Price	Only reported for Sale ( includes negotiated and public sale subcategories)
31D	Net Proceeds	Only reported for Sale ( includes negotiated sale and public sale subcategories)
32	Sustainability	Required for buildings greater than 5,000 gross square feet
33	Lease Start Date	Only reported for leased assets
34	Lease Expiration Date	
35	Lease Occupancy Date	Optional data element for leased assets
36	Is Asset Excluded	
37	Reason for Exclusion	Only reported for "Is Asset Excluded" = YES
38	Year of Asset Construction	Only reported for owned buildings and structures
39	Can the Number of Federal Employees be Determined	Only reported for buildings
40	Number of Federal Employees	Only reported if the data element Can the Number of Federal Employees be Determined = YES
41	Can the Number of Federal Contractors be Determined	Only reported for buildings
42	Number of Federal Contractors	Only reported if the data element Can the Number of Federal Contractors be Determined = YES
43	Freedom of Information Act (FOIA) Exemptions	

Data Element #	Data Element Name	Data Element Note
43A	Statutory Citation	Only report if FOIA Exemption category is Statutory

Refer to [Appendix B: Quick Guides – Data Dictionary](#) for a summarized listing of the data elements, valid codes, pick-lists and other technical notes.

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**M E M O R A N D U M**

**TO:** JORGE OSEGUERA, CITY AUDITOR

**FROM:** DANIEL SANCHEZ, SPECIAL PROJECTS MANAGER

**DATE:** August 13, 2019

**RE:** AUDIT OF CITY-OWNED AND LEASED REAL PROPERTY

This communication is in response to the City Auditor's *Audit of City-Owned and Leased Real Property*.

1. The City Manager's Office acknowledges receipt and concurs with the findings and recommendations from the City Auditor's report.
2. Corrective actions are being taken. The Real Estate Services Section is reviewing City-owned property and has flagged potential surplus property that needs further investigation. These actions are taking place to ensure that all recommendations by the City Auditor's Office are met.
3. I would like to take this opportunity to thank the City Auditor and staff for their recommendations and for their efforts in identifying areas for improvement.
4. Below please find the City Manager's Office, Finance Department, Public Works Department and Information Technology Department responses to the 18 audit recommendations identified in the report.

Audit of City-Owned and Leased Real Property

Recommendation Number	Responsible Department/Section	Recommendation	Responsible Department/Section Response
1	Real Estate Services Section	Review all City-owned property and work with the City's asset-managing departments and divisions to identify and track the City's surplus property.	The Real Estate Services Section has previously reviewed all City-owned property and flagged approximately 141 as potential surplus properties requiring further investigation. The Department of Utilities has recently notified the Real Estate Services Section of 28 well sites which will be assessed for possible closure and eventual surplus. The Real Estate Services Section will continue work with the other City departments and divisions to identify which properties are surplus to the City's needs.
2	Real Estate Services Section	Develop policies and procedures to provide guidance on how asset-managing departments should ensure all City-owned properties are appropriately secured and maintained.	The Real Estate Services Section will review City Code and develop written procedures to assist asset-managing departments in securing and maintaining City-owned property in compliance with the City Code requirements.
3	Real Estate Services Section	Identify City-owned surplus and remnant parcels and consider selling, disposing, or repurposing the parcels to reduce liability and utility and weed abatement costs.	As part of the efforts taken to comply with Recommendation #1, the Real Estate Services Section will identify specific properties identified as surplus or remnant which can be sold or repurposed in order to reduce liability and costs.
4	Real Estate Services Section	Work with the City's asset-managing departments to identify alternative uses for the City's undesirable or unsellable surplus property.	As part of the efforts taken to comply with Recommendations #1 and #2, the Real Estate Services Section will work with other City departments to identify possible alternative uses to surplus or remnant parcels which may be undesirable or unsellable to the private community.
5	City Manager's Office	Consider selling some of the City's surplus property to generate one-time revenue to achieve other City goals.	The City Manager's Office along with the Real Estate Services Section in Public Works will continue to assess surplus property which can be sold to achieve one-time revenue, this is as part of the efforts to comply with Recommendation #1 and #2.
6	City Manager's Office	Conduct a staffing analysis to determine whether resources need to be added to the Real Estate Services Section to implement the recommendations made in this report.	The City Manager's Office along with Public Works will assess whether Real Estate Services is adequately staffed to meet the needs of the recommendations of this report.
7	City Manager's Office	Review the <i>Lease Centralization Plan</i> and determine whether the Real Estate Services Section should manage all real property lease management as outlined in the <i>Lease Centralization Plan</i> .	The Department of Public Works, Real Estate Division and the City Manager's Office will review the Lease Centralization Plan and assess where real property lease management should exist in the organization.
8	Real Estate Services Section	Work with the City Attorney's Office to create lease contract templates that include key contract provisions to ensure consistency in City lease contracts.	Generally speaking, no two lease contracts are exactly alike. Leases are specific to the leased space, the tenant, and the proposed use. However, the Real Estate Services Section recognizes that there are typically sections within a lease contract which are standard (i.e. insurance requirements) and can become the basis for lease contract templates. The Real Estate Services Section will work with the City Attorney's Office to review contract language and create appropriate templates.
9	Real Estate Services Section	Work with departments leasing non-City property to identify whether the departments can leverage City-owned property instead of leasing.	The Real Estate Services Section will develop a list of non-City owned leased property and conduct a study with the responsible departments to determine whether the use of City-owned property will be more appropriate.
10	Real Estate Services Section	Develop a process to regularly review City-leased property to determine whether it is an ongoing need and City-owned property is available to use instead.	As part of the efforts taken to comply with Recommendation #9 above, the Real Estate Services Section will regularly review City leased property to determine if it is in the best interest of the City to continue the lease or if City-owned property can be used instead.
11	Real Estate Services Section	Work with the Finance Department to establish a uniform policy that provides the process and steps required for acquisition and disposition of City-owned properties. Procedures should include details regarding compliance with Sacramento City Code and California State Law, financial reporting standards between the Real Estate Service Section and the Department of Finance, and the method of storing documents and financial records.	The Real Estate Services Section will establish written steps and procedures to be taken when acquiring or disposing of property. In addition, the Real Estate Services Section will work with the Finance Department to develop procedures to ensure that financial records related to property acquisition or disposition are properly stored and accessible.
12	Real Estate Services Section	Work with the City's Finance Department to develop policies and procedures to ensure changes to City-owned real property are communicated to the Finance Department to ensure land assets are appropriately reported in financial statements.	The Real Estate Services Section will work with staff in the Finance Department to determine what information the Finance Department requires with regards to City-owned real property, and the best method for providing this information.
13	Finance Department	Work with the Real Estate Services Section to reconcile the Asset Database with its schedules to ensure all appropriate City-owned real property are captured in the schedules and determine the acquisition cost or value (if originally donated) of real property missing from the schedules.	The Finance Department has been communicating with the Real Estate Services Section to ensure all sales and acquisitions that occurred in FY19 are captured in the schedule. Additionally, the Finance Department will review capital asset schedules and determine if activity prior to FY19 are properly recorded.
14	Finance Department	Work with the City's external auditors to determine whether a restatement of the financial statements is required after updating schedules to include all appropriate City-owned real property.	After reconciling the asset database with the Real Estate Services Section, the Finance Department will work with the City's external auditors to determine if a restatement on the CAFR is required.
15	Real Estate Services Section	Work with other City departments to identify data elements that may be helpful or necessary in decision making or reporting purposes and develop a process to collect and document the new data elements in the Asset Database.	The Real Estate Services Section will work with other City departments to determine what data elements should be added to the Asset Database, and the methods to collect and include such data.
16	Information Technology Department	Work with other City departments to identify real property tracking needs and utilize a Citywide software program or develop another platform to centralize the management of the City's real property.	IT will coordinate with the City Manager's Office and departmental stakeholders to identify appropriate resources to conduct a needs assessment to centrally manage a citywide real property asset management system. The assessment will evaluate existing software applications, long term staffing resources, and possible software implementation costs required to support this effort.
17	Real Estate Services Section	Centralize City lease inventory and document clear processes for all City departments to follow to standardize maintenance of City lease inventory, including utilizing the Asset Database or new platform used for real property inventory to ensure consistent tracking and consolidation of Citywide lease inventory.	The Real Estate Services Section will work with all City departments to compile a centralized inventory of existing leases of City real property. In addition, the Real Estate Services Section will provide written processes to assist all City departments to maintain the centralized lease inventory via an existing or new database platform.

18	Real Estate Services Section	Work with the City's Finance Department to develop policies and procedures on lease revenue billing and collection processes.	The Real Estate Services Section will work with the Finance Department to establish policies and procedures for accurately billing and collecting lease revenues.
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