



Real Estate Services: Better Tools and Coordination Can Improve Asset Management and Service Delivery

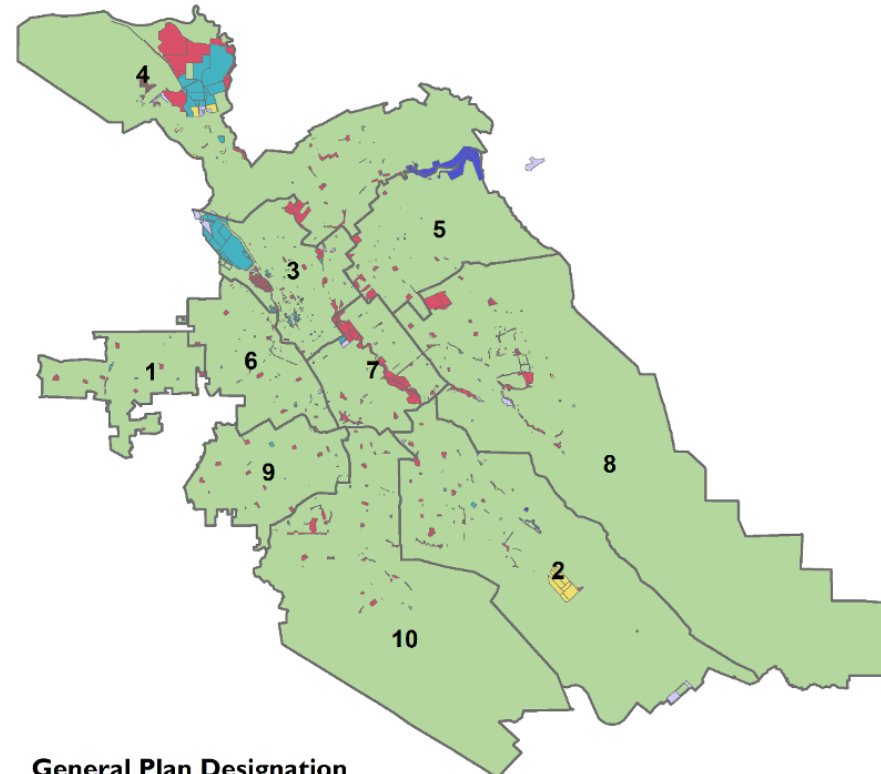
A Report from the City Auditor
Issued May 2021

<http://www.sanjoseca.gov/auditor>

Background

- The City owns more than 1,250 parcels of land, including:
 - Municipal facilities, such as City Hall, fire stations, and libraries
 - Parks and open space
 - Revenue-generating enterprises, such as the Airport or the Convention Center
 - Facilities leased to outside organizations
- The Real Estate division within Office of Economic Development provides a range of real estate services and activities.

Map of City's Property by General Plan Designation by Council Districts



General Plan Designation

- Industrial Park
- Public/Quasi-Public
- Open Hillside
- Open Space, Parklands and Habitat
- Other/Unknown

Finding I: Better Tools Would Improve Coordination for Real Estate Asset Management

Real Estate helps facilitate property-related transactions to support City projects and generate revenue.

We found:

- The City does not have a consolidated inventory of its real estate assets.
- Real Estate uses a third-party database to track City real estate, but it is incomplete and has inaccuracies.
- Other departments have their own databases that are not connected to each other and do not have a standard approach to track information.

To better manage the City's real estate assets, Real Estate should:

- Work with City departments to compile a comprehensive list of real estate assets
- Implement a database platform that includes information about lease management, property ownership and other information.

Finding 2: Having an Up-to-Date Inventory and Better Coordination Can Help the City Maintain Its Vacant Properties

Among the City's real estate holdings are vacant lands or buildings. However, the City does not have a current list of such properties.

We found:

- In 2015, the City last revised its vacant lands inventory as part of the RHNA process; however, this list has not been kept up to date.
- Having a complete listing of vacant properties can help the City identify potential opportunities to meet other Citywide goals.
- Maintenance of vacant properties is spread across departments. Better coordination can ensure repairs are addressed timely and appropriately.

To better manage the City's vacant properties, Real Estate should:

- Work with other departments to identify all vacant City properties and report on them annually.
- Work with other departments to coordinate maintenance on vacant properties and ensure that data collection is standardized.

Finding 3: Real Estate Services Manages Various Property and Telecommunications Leases

Real Estate manages 32 property leases where the City is a landlord and 23 telecommunication property use agreements. Tenants include commercial enterprises, community-based organizations, government entities, and telecom companies.

We found:

- Property and telecom leases generated roughly \$3 million in revenues in FY 2019-20.
- Real Estate manages six below-market leases to community-based organizations that provide services that benefit residents.
- Real Estate is working on a market-rental rate analysis to determine a new macrocell fee structure, with the aim of incentivizing telecom development.

To incentivize telecom development and improve residents' access to cellular networks, Real Estate should:

→ Bring a new macrocell telecom fee schedule to Council for approval upon completion of its market-rental rate analysis.

Finding 4: The City Should Update the Municipal Code and Policies Around Surplus Land

The California Surplus Land Act imposes restrictions on how the City disposes of (or transfers) City-owned surplus land, which is land that the City Council has determined is not necessary for the City's current or future use.

We found:

- The Municipal Code and City Council Policy 7-13 (*Policy for the Sale of Surplus Property with Provisions Related to Affordable Housing*) provide guidance in the City around the identification and disposal of surplus land.
- To ensure the Municipal Code and Policy 7-13 comply with changes to the Surplus Land Act, the City needs to update both related to transferring or disposing of surplus land.

To ensure compliance with California's Surplus Land Act, the Administration should:

- Bring updates to the Municipal Code and Council Policy 7-13 to the City Council for approval

Conclusion

Our audit report includes a total of six recommendations to improve Real Estate Services' processes for tracking and maintaining City properties.

We would like to thank the Office of Economic Development, the City Attorney's Office, and the other departments that helped in this audit for their time and insight during the audit process.

The audit report is available at: www.sanjoseca.gov/auditor