



Memorandum

TO: COMMUNITY & ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

**SUBJECT: UPDATE ON REAL ESTATE
ACTIVITIES**

DATE: November 12, 2020

Approved

Date

11/13/20

RECOMMENDATION

Accept staff's status report updating the Committee on the Real Estate Services Division's activities related to the sale of City-owned properties, the leasing of facilities, and key Fiscal Year 2020-2021 work plan initiatives.

BACKGROUND

The Real Estate Services Division performs fee and easement property transactions, property leasing, and property management on behalf of the City and represents and assists other departments with Real Estate transactions or management. The Division manages City-owned real estate and serves as the City's first point of contact to identify the correct management entity and approach for City-owned real estate.

In addition to the Division's basic services, Real Estate Services' Fiscal Year (FY) 2020-2021 work plan focuses on three key operational goals. These are increased revenue generation, major project delivery, and modernizing asset management and workflow processes.

Revenue Generation

Real Estate Services has allocated significant staff time to achieving FY 2020-2021 revenue generation targets to benefit the general fund and assist with budget stabilization efforts.

FY 2020-2021 Real Estate revenue targets are:

- \$1,464,840 for facility leasing
- \$1,300,000 for telecommunications leasing

- \$1,000,000 for the sale of surplus properties

Facility lease management is challenging in the current environment. Real Estate Services will honor the City's commercial eviction moratorium, which is currently set to run until March 31, 2020, and will not evict tenants for non-payment of rent during this time. Significant staff time is allocated this fiscal year to work individually with the City's tenants to adapt to the challenges presented by the COVID-19 shutdown and maximize the City's lease revenue in this unprecedented time.

The revenue generation target for telecoms rentals was increased by \$200,000 to \$1,300,000 as part of the FY 2020-2021 budget stabilization adjustments. Real Estate Services will achieve this increased revenue target by establishing a new macro-site telecom master agreement and rate schedule, signing up a minimum of four new telecoms leases, and updating holdover leases with the new rate schedule. A consultant study to support a new market-rate lease structure is currently in the purchasing process to receive bids.

Other major revenue generation efforts include an \$11,500,000 target for the general fund from the internal transfer of City-owned properties to the Housing Department. This revenue source is a key component of the FY 2020-2021 budget stabilization strategy. A first round of transfers is complete, which transferred \$7,655,000, of which \$5,919,000 was deposited into the General Fund.

These transfers exceed Real Estate's \$1,000,000 revenue generation target from the sale of surplus properties. However, we aim to drive additional revenue generation through the sale of the 1590 Las Plumas property on behalf of the Environmental Services Department and by leading a Request for Quote (RFQ) process for the build-out of the Plant Master Plan area off Highway 237. State law governing the sale of surplus property recently changed, which invalidated the City's previous surplus property declarations. Accordingly, we are working with the City Attorney's Office on new policies and procedures to designate properties as surplus.

Major Project Delivery

In addition to revenue generation, Real Estate Services is engaged in high priority, complex projects that require significant staff resources to complete. A non-exhaustive list of these projects for this fiscal year includes:

- Measure T public safety land acquisitions
 - Fire Stations 8, 23, 32, and 36
 - Police academy and training
- Project HomeKey emergency housing motel acquisition
- Sale of Pond A18 and related easements to advance the South San Francisco Bay Shoreline Levee project
- Sharks parking lot Real Estate acquisitions

- Completion of VTA's BART Phase I real estate projects and beginning work on BART Phase II real estate projects
- Five Wounds Trail land acquisition
- City View project facilitation
- Coleman Highline project facilitation
- Relocating Police evidence warehouses
- Acquisition of 71 Vista Montana
- Assistance in identifying, securing, and developing emergency housing sites

Workflow Improvement and Other Initiatives

Real Estate Services is modernizing the Division's asset management and workflow processes to achieve greater efficiency in operation. This work is critical now to support and empower a smaller Division as the team lost one of four Senior Executive Analyst positions during the FY 2020-2021 budget stabilization process. Critical to this efficiency will be the establishment of new property and lease tracking software, which is currently in the purchasing process. Real Estate Services will also consolidate server files and digitize paper-only project files to create a single repository of asset management and real estate files to integrate with the new property tracking software.

/s/

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Director of Real Estate

For general questions, please contact Kevin Ice, Real Estate Services Manager, at (408) 535-8197.