

# City of Alameda



## Interdepartmental Memorandum

Date: August 3, 2010

To: Mayor and City Council  
Executive Management Team

From: Ann Marie Gallant  
Interim City Manager *mgallant*

RE: ASSET MANAGEMENT POLICY - Distribution and Implementation

Attached, please find the final Asset Management Policy, approved by the City Council on July 27, 2010.


This policy should be distributed to appropriate department division managers for administration and implementation. As appropriate, departments should also share the document with various community stakeholders who may have an interest.

It will also be placed on the website for public information and access.

Should any questions arise, please contact me directly.

AMG:cb

Attachment: City Council Policy 100.001

	<b>CITY COUNCIL POLICY</b>		ISSUED	RECOMMENDED BY
			8/11/10	Ann Marie Gallant Interim City Manager
SUBJECT		NUMBER	DATE	APPROVED
Real Estate Asset Management Policy		100.001	07/19/10	7/27/10

**I PURPOSE**

The purpose of this policy is to establish criteria and standards for the management, administration and leasing of City real estate assets (land and buildings).

**II SCOPE**

The Real Estate Asset Management Policy applies to all real estate assets owned and/or controlled by the City of Alameda, its component units, Alameda Reuse and Redevelopment Authority (ARRA), and the Community Improvement Commission (CIC), including but not limited to: City owned and occupied structures; owned properties licensed or leased to third parties; properties leased by the City from third parties; State Lands Trust Properties and multi-party joint ventures.

**III POLICY OBJECTIVES**

The objectives of this policy are to: (1) define use categories for classifying public assets; (2) outline asset management strategies; (3) establish asset management and leasing criteria; (4) strategically apply asset management techniques to the City's assets using well described use categories, utilization levels and cost benefit criteria; and (5) measure and evaluate asset use and its performance.

**IV DEFINITIONS**

**A. Use Categories**

Real estate owned, managed or acquired by the City can be classified into the following general use categories:

- 1) **Operational:** Land and buildings used to provide core municipal services; includes facilities such as city hall; corporation yard; fire and police stations; sewer and water treatment plants; wells; utilities and substations; streets; sewers; storm drains etc.
- 2) **Community:** Land and buildings used to enhance the quality of life for the community such as parks; trails; open space; recreational centers;

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shorelines and beaches; community gardens; cultural and educational institutions; museums; libraries etc.

- 3) **Development:** Land and buildings used to provide affordable housing, or to facilitate economic development and redevelopment through sale or conversion of public assets to private use.
- 4) **Restricted:** Land and buildings with limited access, deed or other legal restrictions such as State Tidelands leases; cell tower sites; fee parking lots; small land/building rentals; property with environmental limitations; public easements etc.
- 5) **Excess:** Land and buildings with no current or future real property need for the aforementioned City uses, and determined to be surplus by action of one or more of the City's legislative bodies.

#### B. Utilization Categories

Upon classification of the asset as described above, a determination of the intensity of utilization or potential utilization of each asset will be categorized as follows:

- 1) **Fully Utilized Property** – fulfills a perpetual municipal or community use for the life of the asset.
- 2) **Underutilized Property** – fulfills a municipal or community use with potential for expanded or perpetual use for the life of the asset.
- 3) **Interim Use Property** – fulfills a short-term, non-municipal use for a property which has a planned future municipal, community or development use.
- 4) **Unused Property** – fulfills no current use, but may have future municipal use, or some restricted municipal use in some form.
- 5) **Surplus Property** – fulfills no municipal, community or development use now or in the future.

#### V ASSET MANAGEMENT STRATEGIES

Once categorized into use/utilization categories, the following asset management strategies shall be applied:

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- 1) Maximize efficiency/reliability and provide optimum subsidy. This strategy is most applicable to operational assets utilized to provide specific, recurrent core municipal services.
- 2) Maximize value/benefit and provide optimum to moderate subsidy. This strategy is applicable to community assets that are utilized to provide a broad, general benefit that enhances or improves the quality of life for residents.
- 3) Maximize value/benefit, minimize subsidy and optimize return. This strategy applies to development assets that can be used to promote private or quasi-private uses.
- 4) Optimize return and enhance contributions to industry cluster or community identity. This strategy is applicable to development or restricted assets and not critical to the provision of core operational or community services.
- 5) Inefficient to manage, operate or lease. This strategy applies to assets categorized as excess and defined as surplus by the appropriate legislative body.

**VI PERFORMANCE MEASUREMENTS**

- 1) Operational – Allocates expenses to maximum number of departmental uses; contains operational costs; reduces space needs; provides ongoing maintenance or enhancements to the City's physical plant or infrastructure.
- 2) Community – Increases acreage per capita without significant increase in maintenance cost; adds value; balances cost with benefits added.
- 3) Development – Generates tax revenues; provides market return; creates jobs; contributes value added to operational or community assets.
- 4) Restricted – Generates tax revenues; provides market return; creates jobs; reduces City maintenance and operational costs.
- 5) Excess – Creates new and recurrent tax revenues; eliminates City maintenance costs; facilitates private development.

## VII ASSET LEASING AND LIQUIDATION CRITERIA

The following criteria, in priority order, should be used in applying the real estate asset management policy to the lease or sale of municipal real estate.

- 1) Supports the mission of the City, as defined by legislative bodies.
- 2) Generates revenues to construct and provide for the on-going maintenance of *new* infrastructure; supports generation of revenues to provide for the on-going maintenance of *existing* infrastructure.
- 3) Contributes to the City's tax base or other property improvements.
- 4) Mitigates on-going operational expenses to the City whenever possible.
- 5) Generates sustainable, recurrent revenue.
- 6) Creates/retains jobs or businesses.
- 7) Develops or leverages a desired industry cluster.
- 8) Proposes/guarantees through lease terms a significant type/amount of private capital investment in the public asset including the implementation of City policy goals for sustainable "green" industry.
- 9) Serves as a catalyst for other lease opportunities or adjacent private development uses.
- 10) Enhances a specific social service, historical legacy or affordable housing need of the community.

## VIII LEASE TERM CRITERIA

Negotiations for the lease of real property assets should consider the following as to term:

- 1) Term offered should be based upon use and utilization categories.
- 2) Term may vary from month to month, to the City maximum of 55 years, to Redevelopment Agency maximum of 99 years, and to State Tidelands maximum of 66 years.
- 3) Term, upon its expiration, must include bilateral agreement to extend or renew lease term, based upon cost-benefit analysis to lessor and

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lessee, as well as a priority commitment to reinvest in public asset by lessee.

- 4) Term may be balanced by lessor's need for capital investment in public asset and lessee's need for amortization of debt or financing required.
- 5) Term may consider maintenance, both preventive and on-going, required by lessor and committed by lessee, including City policy goals for sustainable "green" industry.

**IX LEASE RATE CRITERIA**

Negotiations for the lease of real property assets should consider the following as to rate:

- 1) Rate negotiated should be driven by public stewardship of the property (market), but balanced by use and utilization categories.
- 2) Rate should consider lessee's commitment to provide on-going facility support and maintenance of land and buildings.
- 3) Consideration may be given for lessee's ability to deter vandalism, reducing lessor's preventive maintenance at the site, if rate is flexible.
- 4) Numerous and varied formulas may be used in determining rate including market rate as determined by City; market rate but offset by sliding scale; market rate with CPI; variable rate structure such as "flat for five" with inclusion of CPI in later years; rate structure offset by maintenance commitment of lessee.
- 5) Cost – benefit analysis, applicable to both lessor and lessee in meeting public policy goals such as public access to shorelines, living wage, open space, job creation, industry cluster, maintenance and capital commitments of lessee including sustainable "green" industry etc. may also be considered in calculating a rate formula.

**X ORGANIZATIONAL RESPONSIBILITIES**

The following functional responsibilities are assigned within the City organization in order to administer the City's asset management policy.

1. *City Manager's Office:* The City Manager's office is the ultimate decision maker with respect to administrative interpretation of this City Council policy. All transactions under this policy must be authorized by this office before recommendation to the City Council for legislative approval.

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2. *City Attorney's Office*: The City Attorney's Office shall provide support in the interpretation of this asset management policy and in all matters affecting the legislative authority of the City's governing bodies, including City Charter, municipal ordinance and risk management requirements. The Risk Management Division of the City Attorney's Office shall be included in the review of all transactions affecting the properties, tenants, operations or the construction or demolition of improvements. Liability and property insurance shall be maintained by the City or through tenant leases, and the City must be indemnified and named as additionally insured in all cases.
3. *Community Development (Planning & Building)*: All projects on City-owned controlled or leased property shall conform to the City's General Plan, planning guidelines, zoning regulations and building and fire code requirements, as determined by this department.
4. *Housing*: The Housing Department shall be consulted in the disposition of surplus property to ensure affordable housing development opportunities are available, should the surplus site be appropriate for such development.
5. *Public Works*: The Public Works Department shall provide facility support and maintenance services for operational assets, both land and buildings, within the City's real estate portfolio, i.e., janitorial, landscaping, heating, ventilation and air conditioning, plumbing, electrical maintenance, fire alarm, security, grounds, electrical, roof and structure repair including the oversight and administration of such work if completed by contract.
6. *Park & Recreation*: All open space and recreational space, both land and buildings, shall be administered by this department.
7. *Finance*: The Finance Division of Administrative Services shall ensure that account methodology and processes shall be sufficient to support and account for the City's real estate assets, e.g. budget tracking, account receivable/payables aging report, asset inventory system, fixed asset accounting, surplus property inventory, financial policies and guidelines.

**XI APPROVAL AND AUTHORITY**

All purchase and sale of real estate including the execution of all lease agreements shall be governed by the City Charter of the City of Alameda, its Municipal Code, Community Improvement Commission (CIC) Bylaws, and Alameda Reuse and Reinvestment Authority (ARRA) requirements outlined in the Lease In Furtherance of Conveyance (LIFOC) restrictions. The City Manager,

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or designee, shall have the authority to approve, subject to the City Attorney's review and approval as to form, the following real estate transactions:

- 1) Licenses or sub-leases of less than one year with no automatic option to extend the term.
- 2) Termination of lease or sub-lease based upon original term and conditions.
- 3) Initiate unlawful detainer actions, foreclosures, and requests for reconveyance (when promissory notes are paid in full) and other administrative management of a minor nature.
- 4) Lease assignments to qualified third parties, name changes (lessee entity), approval of sale of business to a new operator (subject to City licensing, planning and permitting processes).
- 5) Tenant improvements affecting less than twenty percent (20%) of the usable space subject to City licensing, planning and permitting processes.
- 6) Emergency actions that are required to repair, replace or necessary to reduce life threatening situations (public safety), structure(s) or City infrastructure pursuant to Alameda Municipal Code requirements.
- 7) Commission rates and schedules for brokers or consultants in the participation of sales and purchase agreements and leasing activities subject to City Manager contract signatory authority.

**XII ASSET MANAGEMENT POLICY MATRIX**

The following matrix is included to facilitate administration of this policy.

USE CATEGORY	UTILIZATION CATEGORY	ASSET MANAGEMENT STRATEGIES	PERFORMANCE MEASUREMENTS
<b>Operational</b> Land and buildings used to provide core municipal services; includes facilities such as city hall; corporation yard; fire and police stations; sewer and water treatment plants; wells; utilities and substations; streets;	<b>Fully Utilized Property</b> - fulfills a perpetual municipal or community use for the life of the asset.	<b>Maximize efficiency/reliability and provide optimum subsidy.</b> This strategy is most applicable to operational assets utilized to provide specific, recurrent core municipal services.	<b>Operational</b> Allocates expenses to maximum number of departmental uses; contains operational costs; reduces space needs; provides ongoing maintenance or enhancements to the City's physical plant or infrastructure.



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sewers; storm drains etc.			
<b>Community</b> Land and buildings used to enhance the quality of life for the community such as parks; trails; open space; recreational centers; shorelines and beaches; community gardens; cultural and educational institutions; museums; libraries etc.	<b>Underutilized Property</b> – fulfills a municipal or community use with potential for expanded or perpetual use for the life of the asset.	<b>Maximize value/benefit and provide optimum to moderate subsidy.</b> This strategy is applicable to community assets that are utilized to provide a broad, general benefit that enhances or improves the quality of life for residents.	<b>Community</b> Increases acreage per capita without significant increase in maintenance cost; adds value; balances cost with benefits added.
<b>Development</b> Land and buildings used to provide affordable housing, or to facilitate economic development and redevelopment through sale or conversion of public assets to private use.	<b>Interim Use Property</b> – fulfills a short-term, non-municipal use for a property which has a planned future municipal, community or development use.	<b>Maximize value/benefit, minimize subsidy and optimize return.</b> This strategy applies to development assets that can be used to promote private or quasi-private uses.	<b>Development</b> Generates tax revenues; provides market return; creates jobs; contributes value added to operational or community assets.
<b>Restricted</b> Land and buildings with limited access, deed or other legal restrictions such as State Tidelands leases; cell tower sites; fee parking lots; small land/building rentals; property with environmental limitations; public easements etc.	<b>Unused Property</b> – fulfills no current use, but may have future municipal use, or some restricted municipal use in some form.	<b>Optimize return and enhance contributions to industry cluster or community identity.</b> This strategy is applicable to development or restricted assets and not critical to the provision of core operational or community services.	<b>Restricted</b> Generates tax revenues; provides market return; creates jobs; reduces City maintenance and operational costs.
<b>Excess</b> Land and buildings with no current or future real property need for the aforementioned City uses, and determined to be surplus by action of one or more of the City's legislative bodies.	<b>Surplus Property</b> – fulfills no municipal, community or development use now or in the future.	<b>Inefficient to manage, operate or lease.</b> This strategy applies to assets categorized as excess and defined as surplus by the appropriate legislative body.	<b>Excess</b> Creates new and recurrent tax revenues; eliminates City maintenance costs; facilitates private development.