

**COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject

County Real Property Asset Management

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Purpose

The purpose of this policy is to establish guiding principles for the management of County-owned real property. This policy sets forth the process to determine if County-owned real property is available for sale or lease. This policy also establishes procedures to be used in the process of selling or leasing County-owned real property.

Background

Increasing demand for County services, combined with an increasing demand for discretionary revenue, requires efficient use of County-owned real property and a proactive approach in managing these assets.

It is the County's policy to return to other public agencies or to the private sector County-owned real property that is no longer needed by the County for public use, and, where appropriate, to sell or lease these unneeded properties for the highest net return to the County.

Policy

It is the policy of the Board of Supervisors that:

1. Surplus Property Determination and Reports to Board of Supervisors

- a. For purposes of this policy, "surplus" shall mean County-owned real property no longer required for County or other public use.
- b. As circumstances warrant, the Director of the Department of General Services, or a designee ("Director") shall solicit input from all County Departments to identify potential surplus property.
- c. As circumstances warrant, the Director shall determine what County-owned properties are surplus to County needs. This determination shall be based on current County Master Plans and individual County department strategic plans relative to the County's financial ability to develop and effectively use a particular property within a reasonable time frame. Prior to final determination of which properties are surplus, the Director shall review the County's occupancy of leased space and lease termination dates to determine if property identified as surplus may be suitable for the relocation of County tenants from leased to owned space. Prior to final determination that any unimproved property is surplus, the Director, in conjunction with appropriate County departments, shall consider the habitat value of the property (e.g., possible inclusion as preserve land contributing to regional conservation planning efforts or use of the land as a mitigation bank).
- d. The Director of General Services shall maintain a list that identifies real property that is considered surplus. In addition, the Director shall:
 1. Periodically circulate the surplus real property list to County department heads as updates are made.

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2. As circumstances warrant, request a finding of the Board of Supervisors, through reports filed by the Chief Administrative Officer, that individual parcels of County-owned real property are surplus, and include a recommendation as to whether the surplus property should be leased or sold.

2. Lease of County-owned Real Property

- a. It is the County's intent to generate lease revenue from County-owned property. However, when no current or prospective County use is anticipated, the County may choose to sell the property to the general public or another public agency.
- b. Whenever joint or multiple uses of public and private interests are compatible, the production of lease revenue may be considered as an ancillary or supplemental use of property.
- c. Leases of County-owned real property shall be offered without favor or discrimination to all individuals or groups capable of performing the services desired under the lease.
- d. The County may pay a real estate brokerage commission for the lease of County-owned real property when it is deemed advisable that the assistance of a real estate broker may cause a property to lease at a higher price, lease sooner, or when the property has unique characteristics that preclude handling of the lease by County staff alone.
- e. Leases containing holdover provisions shall include a rent escalation provision to provide increased rent during the extended period.
- f. Notwithstanding Section 2.a through e of this policy, and as circumstances warrant, the State of California, Health and Welfare Agency, Department of Rehabilitation, shall be given the opportunity to submit a proposal through its Business Enterprise Program for a concession on a County-owned property to be operated by a legally blind person, when the proposal is for the provision of a vending facility as defined in Section 19626 of the Welfare and Institutions Code.
- g. Certain County-owned properties, such as airports and parks, may warrant leases requiring special management or investment of private capital in public facilities due to unique or restricted use conditions. Establishment of special lease policies, such as the Gillespie Field Development Council's Implementation Practice for San Diego County Airport Development, as approved in principle periodically by the Board of Supervisors, shall become a part of this policy by reference and shall be the controlling guidelines for leasing such properties as long as there are no conflicts with any other Board of Supervisors policies.
- h. The Airports Division of the Department of Public Works shall be the principal contact with airport lessees and is responsible for the functions and activities of lessees related to the operation of County airports.

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- i. The Department of General Services shall be the principal contact with lessees on property controlled by the Department of Parks and Recreation. The Department of Parks and Recreation shall assist the Department of General Services in identifying, screening, selecting, and negotiating leases with proposed lessees on property controlled by the Department of Parks and Recreation.
- j. Revenue from the lease of General Fund properties will be budgeted in the Department of General Services Facilities Management Internal Service Fund (Real Estate Services Division). Revenues from leasing property controlled by the Department of Parks and Recreation, Department of Public Works Airports Division, Department of Public Works Roads Division, the Special Districts Enterprise Fund, or other special funds will be budgeted in their respective programs.
- k. A rental valuation review shall be completed for County-owned or leased land and improvements available for lease. The rental valuation review shall be conducted when the property becomes available for lease and at appropriate time periods during the term of the lease consistent with best real estate management practices.
- l. The term of a lease shall generally be limited to a reasonable time commensurate with the amount of capital investment or reinvestment being made by the lessee in improvements to the premises or property and as required by law. Capital investment is defined as construction of new improvements, alterations, or additions that (i) exceed \$100,000, or exceed 10% of the value of any existing leasehold improvements; (ii) are not recurring; and (iii) are expected to increase the value (efficiency, productivity, utility) of the property. For improved property, where no capital investment is required of or proposed by a prospective lessee, the length of the lease term shall conform with real estate industry standards for the type of improvements and the intended use of the property and with applicable law.
- m. Periodic rent adjustments shall be included in leases in conformance with real estate industry standards. Leases with a term exceeding 10 years in length shall provide for the renegotiation of rent to market level rents at appropriate intervals in conformance with real estate industry standards. In no event shall the minimum rent for an adjustment period be less than the minimum rent payable immediately prior to the adjustment period.
- n. All County leases shall be approved as to form and legality by County Counsel or written on a form approved by County Counsel and shall conform to local/regional standards of tenant responsibility and liability for both private sector and public agency leases. County leases may contain more restrictive clauses than private sector leases to better protect the public interest (such as, strict provisions for complying with all laws, particularly environmental laws such as hazardous materials management and stormwater pollution prevention regulations).
- o. In considering whether to amend an existing lease to extend the term or enter into a new lease with an existing lessee, the Director, in concurrence with the County department controlling the property, shall consider whether:
 - 1. The lessee has fully complied with all terms and conditions of the lease;

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2. The lessee will be required to make a capital investment in the premises or property as described in Section 2.1 of this policy; and
3. The public interest would be better served by allowing the lease to expire so that potential new lessees may participate in a new competitive solicitation process.

For any new lease or lease extension, the Director shall consider requiring an increase in rent or a lump sum payment to the County, based on the present value of the County's reversionary interest in the leasehold improvements when the lease extension is granted or the increased value of the leasehold estate due to the lease extension, as determined by standard appraisal practice.

3. Sale of County-Owned Real Property

- a. No County-owned real property will be sold until an estimate of its market value has been obtained. The Director may use County staff or an independent appraiser to provide an option of value for this purpose.
- b. County-owned properties available for sale shall be zoned to their highest and best use whenever practicable and whenever rezoning the property will materially increase chances of selling the property for a higher price. No property shall be zoned in a manner incompatible with present and anticipated future uses of adjacent properties in the same neighborhood. Current zoning of properties may be changed to a more restrictive use.
- c. If subdividing a property will likely increase the net sale price to the County, the County may subdivide the real property prior to sale.
- d. Prior to selling a County-owned property, a report shall be obtained from the jurisdictional planning agency stating that the proposed sale is not in conflict with the general plan for the area in which the property is located.
- e. Appropriate governmental entities shall be notified of the availability of any County-owned real property no longer necessary for the County's use prior to offering it for sale to the general public.
- f. No real property shall be sold without an appropriate review pursuant to California Environmental Quality Act.
- g. Substandard or unbuildable real property may be offered for sale if a party indicates an interest in purchasing the property.

4. County-Owned Real Property Conveyed to Another Public Agency

Whenever the County conveys property or any interest in the property to another public agency for its use and benefit, the County shall charge a reasonable amount for the property or interest being conveyed. In determining the amount to be charged, the County shall give consideration to the following factors:

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- a. The market value of the property or interest in the property, if ascertainable; and
- b. The benefit or cost to the County as a result of:
 1. The use to be made of the property or interest in the property by the public agency;
 2. The elimination or reduction of any County liability and/or obligation to maintain or operate the property;
 3. The effect on the County's remaining property, if applicable; and
 4. The potential loss of property tax revenue to County.

5. Solicitations of Offers to Purchase

- a. The Director is authorized to enter into agreements permitting soil tests, engineering studies, hazardous materials investigations, or environmental surveys when a request has been made by a potential buyer of County-owned real property. The authorization to enter into the agreements will enable the Director to more expeditiously solicit an offer to purchase.
- b. The County may pay a real estate brokerage commission for the sale of County-owned real property when it is deemed advisable that the assistance of a real estate broker may cause a property to sell at a higher price or when a property has unique characteristics that preclude handling of the sale by County staff alone.

Sunset Date

This policy will be reviewed for continuance by 12-31-2019.

Board Action

12-09-1997 (19)
06-21-2005 (16)
04-07-2009 (7)
12-02-2014 (20)

CAO Reference

1. Department of General Services
2. Department of Public Works
3. Department of Parks & Recreation