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Exec. Office

JERRY SANDERS  
MAYOR

July 6, 2007

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SAN DIEGO  
COUNTY GRAND JURY

Honorable Janis Sammartino  
Presiding Judge  
San Diego County Superior Court  
Main Courthouse, Third Floor  
220 West Broadway  
San Diego, CA 92101

Dear Judge Sammartino:

Subject: 2006-2007 Grand Jury Report entitled "San Diego Real Estate Assets"

Pursuant to California Penal Code Section 933.05(a), (b), and (c), the City of San Diego provides the following responses to the findings and recommendations in the above-entitled Grand Jury Report:

**Finding 1:** The Real Estate Assets Department (READ), which manages this portfolio, was in need of a new business model. The City's portfolio of income-producing real estate was managed without a formal plan. Departmental space was provided as needed, without consideration of use by other departments, availability or possible changes to the portfolio. Public service properties were acquired on an as-requested basis without reference to an over-all plan. The organization lacked the authority to manage its portfolio, instead making small individual transactions to provide services to the best of its ability.

**Agree.** In response for the need of a new business model, many changes have been implemented within the department. READ is working towards developing its first portfolio management plan which is scheduled to be presented to Council in December 2007. As part of this plan READ has assumed the duties of coordinating the space needs of City departments. An RFP for a consultant to write a facility plan that will outline the space needs for all the City's departments has been drafted and will be issued in July 2007. The organization has moved to increase its authority to manage its portfolio by submitting changes to Council Policy 700-10 which governs the sale and leasing of the City's real estate assets.

**Finding 2:** The Department has been divided into three major components: Acquisition/Disposition (acquiring and disposing of City properties), Asset Management (managing City's ground lease portfolio), and Corporate Services (managing facilities needs for governmental functions and services).

**Agree.** The reorganization of READ to align with its core lines of business has made the department operate in a more efficient manner.

**Finding 3:** By using real estate brokerage techniques instead of a public auction the City would have greater latitude in disposing of surplus assets at the best price.

**Agree.** READ believes that having the option to hire real estate brokers to market the City's property will net better prices than always disposing of these assets at auction. A Request for Qualifications (RFQ) has been issued with the goal of producing a preferred vendor list of highly qualified real estate brokerage companies to represent the City. These brokers will bid their commissions for the individual assignments and listings will be awarded on the basis of low bid.

**Finding 4:** The Grand Jury has reviewed the recommended changes to 700-10 and believes that the implementation of these changes should maximize the value received from sale of the City's surplus property.

**Agree.** A revised Council Policy 700-10 has been drafted and being is presented to Council's Land Use and Housing Committee on July 11, 2007 for approval. The revised policies allow for greater flexibility in the sale of the City's surplus properties which will result in increased prices.

**Finding 5:** A high priority should be placed on scanning all of the original documents into a computer database and storing the originals in a safe, off-site facility.

**Agree.** A contract to scan the paper files of the Real Estate Assets Department into a computer database has been awarded to Anacomp. It is anticipated that the scanning of the documents will begin either late third quarter or early fourth quarter 2007. The scanned information will be available to migrate into READ's new computer system and a copy will be electronically stored at a safe off-site facility.

**Finding 6:** The Grand Jury did find that there have been issues, friction, and in some instances a lack of cooperation between READ and the City Attorneys Office.

**Agree.** READ is trying its best to work with the City Attorney's Office.

**Recommendation 07-19:** Provide financial and administrative resources to implement READ's portfolio management model recommended by the Grubb & Ellis Report.

**Response:** The City continues to work diligently to create a system that will keep track of all READ's financial and administrative workings. The City has supported efforts for revitalizing READ through a reorganization of the department, approved the creation of 3 non-classified positions to manage core business, provided funding for a consultant study of best practices of managing the department (Grubb & Ellis study), provided funding for scanning READ's files into an electronic format, provided funding for a new computer system for READ and provided funding in FY-08 budget for training.

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**Recommendation 07-20:** Direct READ to immediately implement a program to scan and store all original documents in a safe repository.

**Response:** This recommendation is being implemented. A contract to scan READ's paper files into an electronic format has been awarded to Anacomp Corporation. It is anticipated that the scanning of the documents will begin no later than early fourth quarter 2007.

**Recommendation 07-22:** Establish an efficient and timely working relationship to maximize the return on all City property.

**Response:** READ is working to develop such a relationship.

Please contact James Barwick, Real Estate Assets Department Director, at (619) 236-6145 if you have additional questions.

Sincerely,



JERRY SANDERS  
Mayor

JS/jb

cc: San Diego County Grand Jury  
San Diego City Council  
Chief Operating Officer  
Department Director Real Estate Assets  
City Clerk  
City Attorney  
Business Operations/Administration Director