

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

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Purpose

The purpose of this policy is to establish guiding principles for the management, sale, and lease of County-owned real property.

Background

Ongoing demand for County services, combined with an increase in the need to generate discretionary revenue, requires efficient use of and a proactive approach in managing, selling, and leasing County-owned real property.

It is the County’s policy to return County-owned real property that is no longer needed for County purposes to other public agencies or private parties, and where appropriate sell or lease the properties for the highest net return to the County.

Policy

It is the policy of the Board of Supervisors that:

1. Surplus Real Property Determination and Reports to Board of Supervisors

- a. For purposes of this policy, the word “surplus” shall mean County-owned real property that the Board of Supervisors has declared surplus because the property is no longer necessary for County or other public purposes.
- b. As circumstances warrant, the Director of the Department of General Services (Director), or a designee, shall determine if any County-owned real property is potentially surplus. This determination shall include:
 - Soliciting input from County departments that control and manage County-owned property.
 - Conducting a review of 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 or whether a particular County facility will be relocated or decommissioned.
 - Review of the property across County Departments and Special Districts for any existing, planned, or conditioned easement, environmental mitigation area, ongoing maintenance requirement or restriction, or other use that could preclude disposition.
 - Conducting a review of County-occupied leased space and lease expiration dates to determine if a property identified as being potentially surplus may be suitable for relocating County functions from leased space to County-owned space.
 - Considering the habitat value of the property (e.g., use of the land as preserve land contributing to regional conservation planning efforts or use of the land as a mitigation bank).
- c. As circumstances warrant, the Director shall route to County department heads a “Notice of Availability” for an individual County-owned real property or a list of County-owned real

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properties that may be considered potentially excess to County needs to determine if there are other County uses. The County department heads shall have a stated number of days to respond affirmatively to the Notice of Availability.

- d. As circumstances warrant, for County-owned real property where no other County use has been identified, the Director shall request, through reports filed by the Chief Administrative Officer, that the Board of Supervisors declare individual parcels of County-owned real property surplus, and where appropriate, a recommendation to allocate funds for anticipated maintenance and property management expenses prior to the disposition of the property. If a County-owned property is declared surplus, Department of General Services (DGS) will become the controlling department responsible for maintaining and managing the property and any resulting expenses.
- e. If a County department responds affirmatively to a Notice of Availability and the property is not declared surplus, that County department will become the controlling department responsible for maintaining and managing the property and any resulting expenses.
- f. If a County department identifies a County use for a County-owned property that has been declared surplus but has not been disposed of, that County department will become the controlling department responsible for maintaining and managing the property and any resulting expenses.

2. Lease of County-owned Real Property

- a. It is the County's intent to generate lease revenue from County-owned property that is currently not needed for County use. However, when no current or prospective County use is anticipated, the County may choose to sell the property to another public agency or the general public.
- b. Whenever joint or multiple uses of public and private interests are compatible, the production of lease revenue may be considered an ancillary or supplemental use of property.
- c. A lease for County-owned real property shall be offered without favor or discrimination to all individuals or groups capable of complying with the proposed terms of the lease.
- d. The County may elect to pay a real estate brokerage commission or a fee for the lease of County-owned real property when the assistance of a real estate broker may cause a property to be leased for a higher rent, be leased sooner, or when additional expertise is needed to assist County staff in procuring a lease for a property.
- e. Leases with holdover provisions shall include a rent escalation provision to provide a rent increase during the holdover period.
- f. Notwithstanding Section 2.a. through 2.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 California 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, as approved in principle periodically by the

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Board of Supervisors, shall become a part of this policy by reference and shall be the controlling guidelines for leasing applicable 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 (DPW) 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.
- i. DGS shall be the principal contact with lessees on property controlled by the Department of Parks and Recreation (DPR). DPR shall assist DGS in identifying, screening, selecting, and negotiating leases with proposed lessees on property controlled by DPR.
- j. Revenue from the lease of General Fund properties will be budgeted in the DGS Facilities Management Internal Service Fund (Real Estate Services Division). Revenues from leasing property controlled by DPR, DPW Airports Division, DPW Roads Division, the Special Districts Enterprise Fund, or other special funds will be budgeted in their respective programs.
- k. A market rent review shall be conducted for County-owned properties available for lease. The market rent review shall be conducted when the property becomes available for lease and at appropriate intervals during the term of the lease consistent with real estate industry practices.
- l. For a lease that involves the development or redevelopment of improvements on the property, the length of the term of the lease shall generally be limited to the amount of time reasonably commensurate with the amount of capital investment or reinvestment being made by the lessee in improvements on the property and as required by law. Capital investment is defined as construction of new improvements, alterations, or additions that (i) exceed \$50,000, or exceed 10% of the value of any existing leasehold improvements; (ii) are not recurring; and (iii) are anticipated to increase the value, efficiency, productivity, and utility of the property. For a lease that involves improved property where no capital investment is required of or proposed by a prospective lessee, the length of the term of the lease is negotiable, but shall conform to real estate industry practices for the type of improvements and the intended use of the property and applicable law.
- m. Periodic rent adjustments shall be included in leases in conformance with real estate industry practices. 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 practices. In no event shall the minimum rent for an adjustment period be adjusted to an amount 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. Lease provisions shall conform to local/regional practices for lessee 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 the lessee to comply 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 to enter into a new lease with an existing lessee, the Director, in conjunction with the County department controlling the property, shall consider:

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- Whether the lessee has complied with all material terms and conditions of the existing lease.
- Where applicable, whether the lessee will be required to make a capital investment in the property as described in Section 2.1. of this policy.
- Whether the public interest is better served by allowing the existing lease to expire so that potential new lessees may participate in a new competitive solicitation process.

p. Where applicable for any new lease or lease extension, the Director shall consider requiring an increase in rent or a one-time 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 real estate appraisal practice.

3. Sale of County-Owned Real Property

- a. County-owned real property shall not be sold until an opinion of its market value has been obtained. The Director may use County staff or an independent appraiser to provide an opinion of value for this purpose.
- b. County-owned properties available for sale may be rezoned to their highest and best use if practicable and whenever rezoning the property could result in an increase of the sale price of the property. The property shall not be zoned in a manner incompatible with present and anticipated future uses of neighboring properties.
- c. County-owned properties available for sale may be subdivided or combined if doing so is likely to result in an increase of the sale price of the property.
- d. Substandard or unbuildable County-owned real property may be offered for sale as-is to a party that indicates an interest in purchasing the property.
- e. The Director is authorized to enter into agreements permitting activities such as soil tests, engineering studies, hazardous materials investigations, or environmental surveys on a County-owned property when a request has been made by a potential buyer.
- f. The County may elect to pay a real estate brokerage commission or fee 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 additional expertise is needed to assist County staff in selling a property.

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

If the County conveys a County-owned property or an interest in a County-owned property to another public agency, 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:

- The market value of the property or interest in the property.

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- The benefit or expense to the County as a result of the use to be made of the property or interest in the property by the public agency.
- The elimination or reduction of any County liability, operating expenses or property management obligations.
- The effect on the County’s remaining property, if applicable.
- The potential loss of property tax revenue to County by not selling the property to the general public.

Sunset Date

This policy will be reviewed for continuance by 12-31-2026.

Board Action

- 12-09-1997 (19)
- 06-21-2005 (16)
- 04-07-2009 (7)
- 12-02-2014 (20)
- 10-29-2019 (26)

CAO Reference

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