

Bd. letter

LOS ANGELES COUNTY
ECONOMY AND EFFICIENCY COMMISSION

Gunther W. Buerk, Chairperson
Betty Trotter, Vice Chairperson

- Alfred P. Balderrama
- George E. Bodie
- Ann King Cooper
- Joe Crail
- Jack Drown
- Emma E. Fischbeck
- Louise Frankel
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- Chun Y. Lee
- Robert J. Lowe
- Abraham M. Lurie
- Lauro J. Neri
- Arthur J. Peever
- Robert H. Philibosian
- Daniel M. Shapiro
- Randolph B. Stockwell
- Wally Thor
- Robert L. Williams
- Ethem Zimbalist, III

November 4, 1991

Hon. Michael D. Antonovich, Chairperson
Supervisor, Fifth District
Hall of Administration, Room 869

Subject: Request for Set Time Agenda Item: Real Property Management & Development in Los Angeles County Report

Dear Supervisor Antonovich:

Request set time on the Board Agenda for Tuesday, November 26, 1991 in order to present the Commission's report on Real Property Management & Development in Los Angeles County.

This item had previously been set for October 22, 1991 at 10:30 a.m.. However, the Commission requested postponement until the Commission's Sunset issue was resolved. Due to the resolution of the Commission's status we are now ready to present our report to the Board.

Enclosed are the Commission's report and letter to your Board.

Sincerely yours,

Gunther W. Buerk
csa

Gunther W. Buerk
Chairperson

Enclosures: Real Property Report
Board of Supervisors Letter

cc: De Witt W. Clinton
Richard B. Dixon
Larry J. Monteilh

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October 30, 1991

Honorable Board of Supervisors
383 - Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Subject: Set-Time Agenda Item:
Economy & Efficiency Commission Report on Real Property
Management & Development in Los Angeles County

Dear Supervisors:

On September 11, 1991, our Commission adopted recommendations for the management and development of real property in Los Angeles County government. We request that you adopt the recommendations in our Real Property Management & Development in Los Angeles County report, which is enclosed, and order their implementation by the Chief Administrative Officer and other affected departments.

This report is the Commission's response to your January, 1989 Board request "...to recommend whether a centralized Asset Management Unit should be assigned to the Internal Services Agency or the Chief Administrative Office, or established as a separate operation...". Because of the demands of other Board assigned projects, the Commission has intermittently studied the Board request as to how best to structure an asset management organization.

In February, 1990, the Commission initiated a new Real Property Management Task Force which has actively pursued this issue, and has accumulated a great deal more authoritative information on this subject. Our Real Property Management & Development Task Force interviewed or contacted 59 personnel involved with, or who are authorities on real property management and development in Los Angeles County government, in other government jurisdictions, and in the private sector; and consulted 63 source materials on this subject.

Findings

The Commission has concluded that Los Angeles County government:

- Has been a national leader in developing its most valuable real property assets to produce additional revenues.
- Needs to improve its management of its other real property assets by applying economic incentives, and has plans to do so.

Specifically, the Chief Administrative Officer plans to install a market-based rent program in Fiscal Year 1992-93. We strongly support this plan, and believe it will be an important first step in establishing incentives to encourage economic use of County property. We make recommendations to expand this program under Recommendation 1.

- Can improve management of its real property assets by adopting a more comprehensive system which clearly states the Board's objectives, assigns executive level accountability and involvement, assigns more definitive organizational responsibilities, orders the identification of all significant asset opportunities, and provides incentives for increased departmental participation.

Recommendations

We recommend that your Board take the following actions:

- 1) **Adopt a policy statement establishing a comprehensive Real Property Management Program for the County, which clearly states the program objectives, assigns responsibilities for their accomplishment; and establishes periodic follow-up for results. The Chief Administrative Officer is to be assigned responsibility for implementing and reporting to your Board on the Real Property Management program.**
- 2) **Establish a Real Property Management Steering Committee, chaired by the Chief Administrative Officer, to assure department head level accountability and involvement in the Real Property Management Program.**
- 3) **Assign additional and clearer responsibilities to County organizations engaged in management and development of real property assets. Retain those County organizations in their current reporting relationships.**
- 4) **Order the compilation of an accurate inventory of County real property assets. The inventory will include all relevant properties of value, in order to identify opportunities to more economically manage the property, to dispose of it, or to increase its value. This inventory will contain all property data needed to make informed decisions for its management, or disposition.**
- 5) **Provide County departments with adequate incentives to actively participate in the Real Property Management Program. Departments will be allowed to retain all their rent savings, and a reasonable percentage of any additional revenues produced from their existing holdings, with the percentage determined by the Real Property Management Steering Committee.**

Concept of Economic Management of Real Property Assets

The Commission believes the key components of its recommendations are that the County understand the economic costs of holding its real estate, and that there be economic incentives for the businesslike management of the County's real property.

Under this system departments pay rent for property use, but also receive an equal amount of additional funds to pay for it. The net initial effect on both a department's and the County's budget is zero. This system allows a department to review the costs of real property use, make businesslike judgements concerning those costs, thus giving the department an incentive to manage and where possible save on those costs. To the extent the department can save money, it can then use those savings to improve its services to the public, such as additional health care workers or facilities; additional recreational or educational programs; increased hours at service facilities; and the like.

From a County-wide perspective, when a department uses less real property assets, these can be made available to another department thus avoiding costs of leasing additional space; or can be rented out for added revenue; or sold to convert real property assets to liquid assets which can be invested.

The current system does not have this incentive because departments are not made aware of the costs of real property uses.

Implementation of Recommendations

To assure the effective implementation of the recommendations in our report, we urge the Board to require the Chief Administrative Officer, working in conjunction with the members of the Real Property Management Steering Committee, to submit a schedule with projected implementation dates for the major elements of the Real Property Management Program. Enclosed is an illustrative schedule we have developed for recommended implementation steps, with our best estimate of target dates for completion.

Recognizing that it would be difficult to inventory all County properties and implement the market-based rent program at one time, we suggest a three year phase-in as follows. Phase I: office buildings and warehouses. Phase II: parking lots, garages, service and storage facilities, libraries. Phase III: urban, rural, recreational land holdings; fire stations.

The CAO and the Steering Committee may find our recommended schedule needs modification as they more closely define the work which will be required to successfully complete the various tasks. They may wish to proceed more quickly, alter priorities, etc. Our recommended schedule is flexible to accommodate those changes. We do, however, recommend that each task carry a firm date for completion.

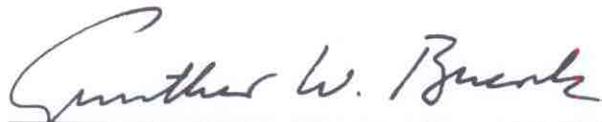
We also recommend that your Board direct the Economy and Efficiency Commission to follow-up on these implementation efforts with the Real Property Management Steering Committee at regular intervals, and report our findings to your Board.

Conclusion

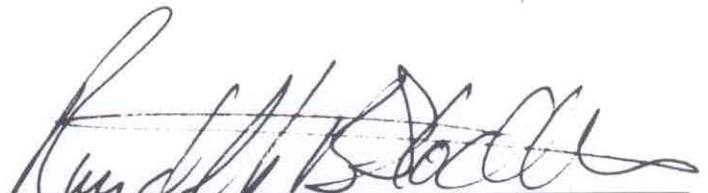
The Los Angeles County Economy & Efficiency Commission believes the Board's adoption and directive to implement these recommendations will greatly improve the County's management of its real property assets. This will result in substantial savings and additional revenues to the County over a period of years at relatively small additional costs, as detailed in our full report.

Our Commission is available to assist your Board, the Chief Administrative Officer, and department directors in successfully implementing these recommendations.

Very truly yours,



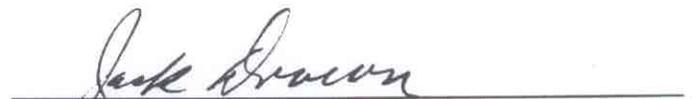
Gunther W. Buerk,
Chairperson



Randolph B. Stockwell, Chair
Real Property Management Task Force



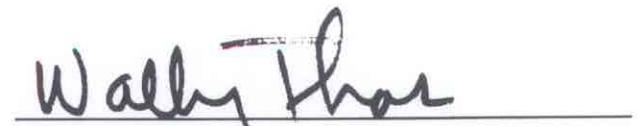
Alfred P. Balderrama



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E. Fischbeck



Wally Thor



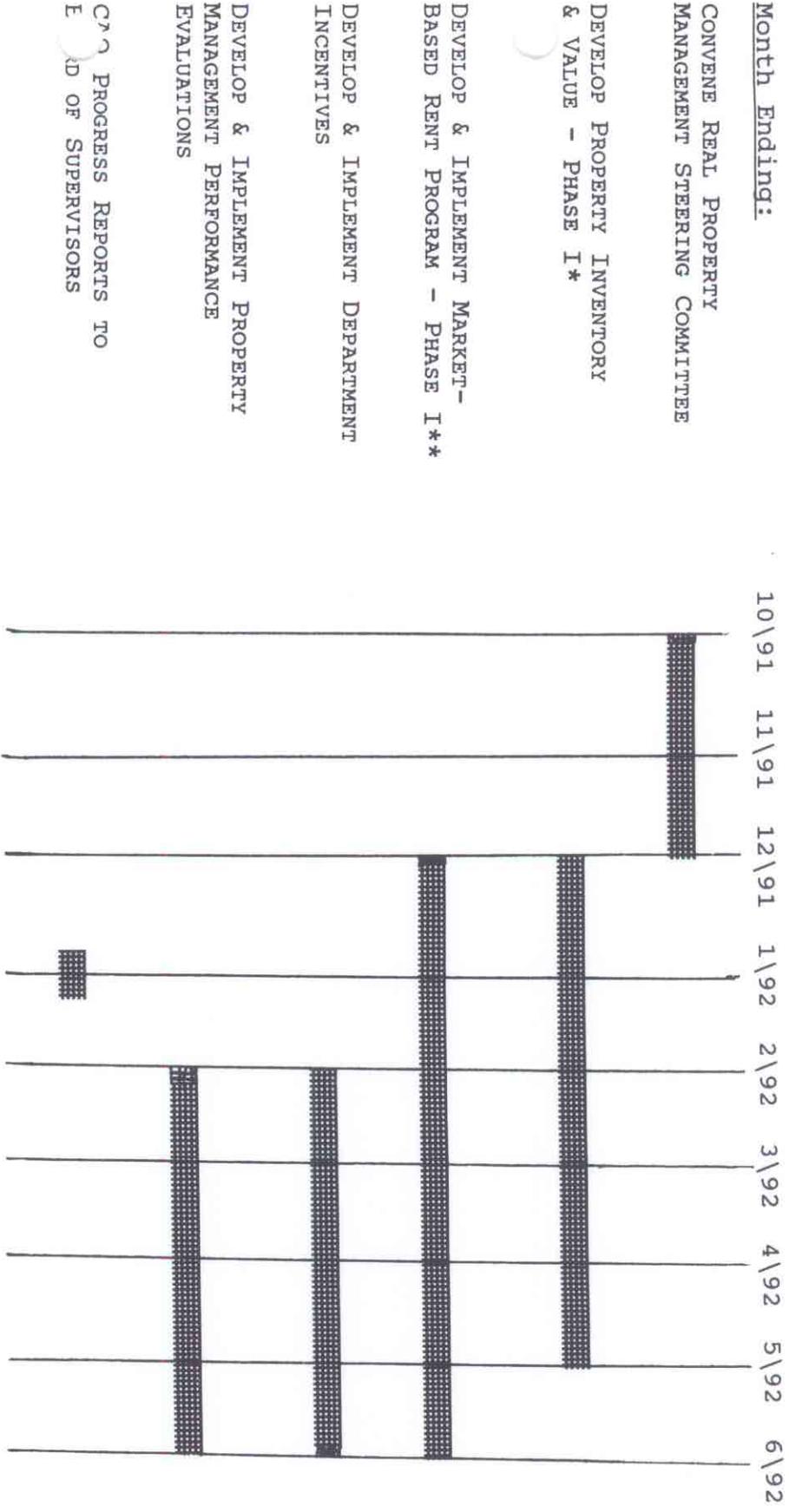
Betty Trotter

Enclosure: Recommended Initial Implementation Steps

cc: Each Commissioner
Each County Department and District Head

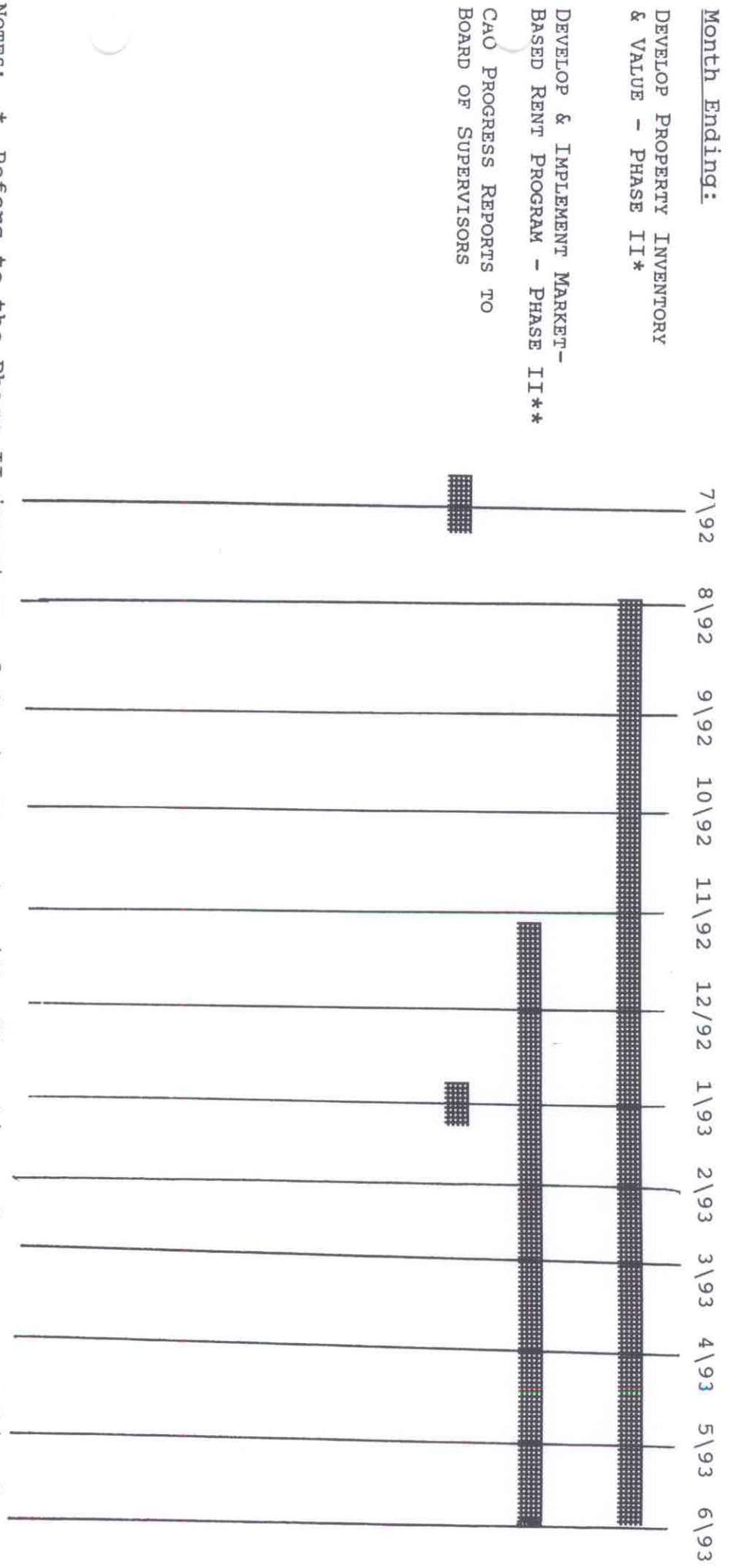
Richard B. Dixon

Recommended Phase I Implementation Steps - If Board Approves in October, 1991



NOTES: * Refers to the Phase I inventory of commercial property used by County departments; e.g., office buildings, warehouses. This data will be used to support Phase I of the market-based rent program, and to identify property with high alternative value.

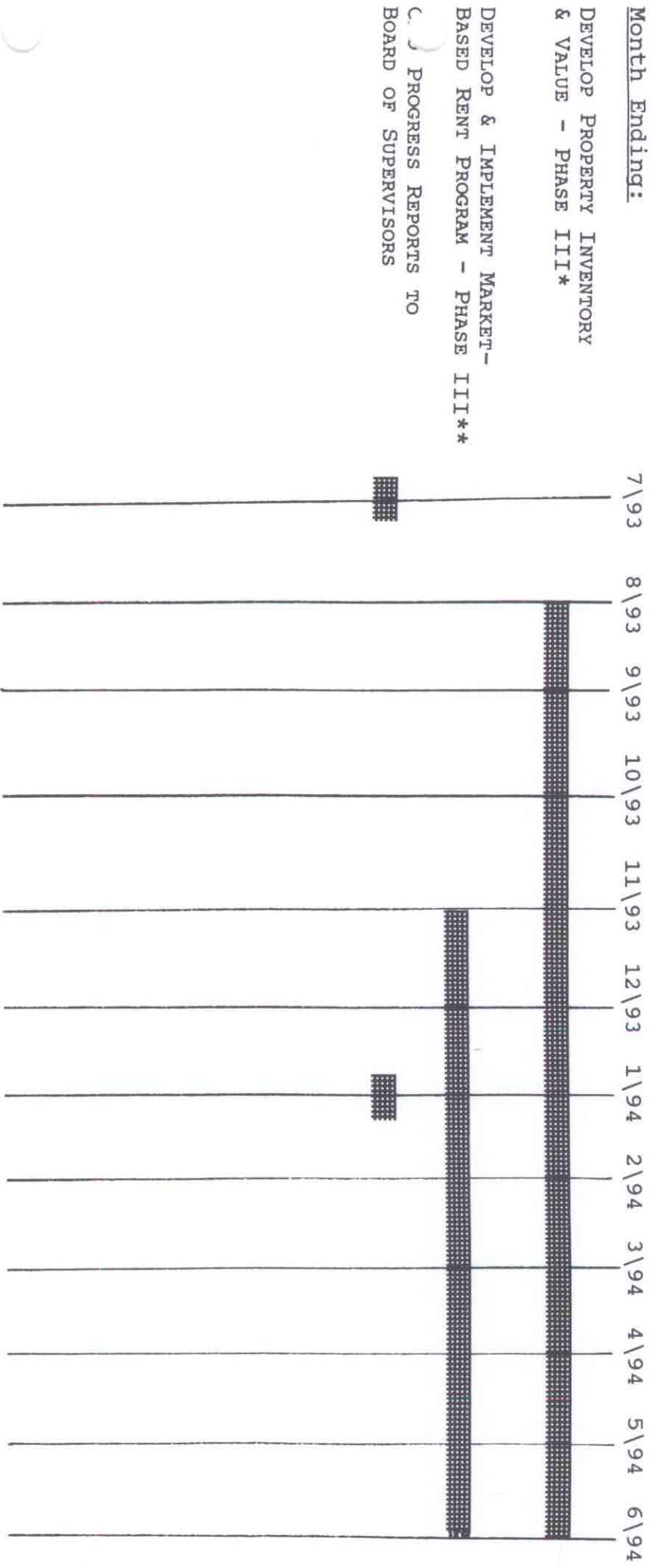
** Refers to the Phase I implementation of the market-based rent program for office buildings and warehouses in FY 1992-93.



DEVELOP & IMPLEMENT MARKET-BASED RENT PROGRAM - PHASE II**
 CAO PROGRESS REPORTS TO BOARD OF SUPERVISORS

NOTES: * Refers to the Phase II inventory of County property with alternative value; e.g., parking lots; garages; service & storage facilities; administration facilities; libraries, etc.
 ** Refers to the Phase II implementation of the market-based rent program for properties inventoried in Phase II.

Recommended Phase III Implementation Steps



NOTES: * Refers to the Phase III inventory of County property with alternative value; e.g., urban, rural, recreational land holdings; fire stations; etc.

** Refers to the Phase III implementation of the market-based rent program for properties inventoried in Phase III.