



3

DEPARTMENT OF
GENERAL SERVICES

OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

July 27, 1989

5730 - 24TH STREET
BUILDING FOUR
SACRAMENTO, CA
95822-3699

916-449-5548

DIVISIONS:

COMMUNICATIONS
FACILITY MANAGEMENT
FLEET MANAGEMENT
PROCUREMENT SERVICES

Transportation and Community Development
and Budget and Finance Committee

Honorable Members in Session:

SUBJECT: REAL ESTATE ASSET MANAGEMENT PROGRAM (B902)

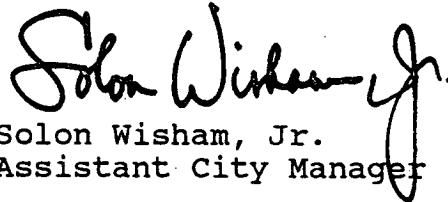
SUMMARY

The attached report is being submitted to the Committee for review and consideration. It is scheduled to be heard by the City Council at its meeting of August 22, 1989.

RECOMMENDATION

It is requested that the Committee recommend approval of the attached report and resolution to the City Council.

Respectfully submitted,


Solon Wisham, Jr.
Assistant City Manager

August 15, 1989

All Districts



3

DEPARTMENT OF
GENERAL SERVICES

OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

5730 - 24TH STREET
BUILDING FOUR
SACRAMENTO, CA
95822-3699

916-449-5548

DIVISIONS:

COMMUNICATIONS
FACILITY MANAGEMENT
FLEET MANAGEMENT
PROCUREMENT SERVICES

July 27, 1989

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: REAL ESTATE ASSET MANAGEMENT PROGRAM (B902)

SUMMARY

This report requests authorization for the release of a Request for Proposal to invite experienced and qualified consultants to provide for assistance to the City in the development of an Asset Management Program.

BACKGROUND

Phase III of the City's Space Needs Study is nearing completion and will be presented to the City Council in late August of this year. This study will provide the City a master plan to accommodate the current and future space needs for the Civic Center Complex including general administration, public safety, and corporate center requirements through 2025.

The master plan projects a build-out over a twenty-five year period at an estimated cost of \$317 million including estimated inflationary escalation. Before proceeding with Phase IV which includes the design, a strategy for financing this effort must be developed which will avoid reliance on current General Fund operating revenues.

The proposed financial strategy consists of a proposed "Asset Management Program" that would provide revenue for the City to meet urgent space needs such as a public safety and future general government space requirements.

PROGRAM OVERVIEW

Asset Management is a term widely used in the real estate industry. It is the process of proactive decision making to maximize the value and revenue potential of real estate holdings. The scope of asset management is broad and complex, involving property management, market analysis, valuation, preventive maintenance, and marketing.

The concept behind City asset management is to develop a dedicated income source by pooling existing City owned assets and managing them in a fashion that achieves full financial benefits.

The rationale for asset management can best be summarized as:

- o more efficient use and occupancy of property by the City;
- o availability of financial resources to maintain City facilities;
- o maximizing capital budgeting by leveraging all financial resources such as real estate equity;
- o maintenance of an asset data base that promotes more effective and early response to requests (both internal and external) to use or value real property;
- o the ability to compare options and decide among various courses of action for use of City real estate.

The goals of public asset management are outlined as follows:

- o to maximize real estate value, minimize real estate cost, and in the process advance the public good (via better urban design, or creation of jobs through construction or enterprise location);
- o to enable rational decisions on questions involving real estate: "Should we own or lease our premises?" "Keep versus sell?" "Stay versus move?";

- o to measure the benefits or drawbacks of property and buildings currently being used to provide services or house local government support activities. Employee morale, productivity, energy costs, and profitability are some of the factors that an effective asset management system considers;
- o to take advantage of market momentum by initiating public-private actions that make full use of the local government's advantage as a strategic owner, occupier, user, and regulator of real estate;
- o to improve the efficiency of planning, budgeting, and maintenance in all local government departments that use real estate.

Few public entities are treating their real estate as a strategic asset to be proactively managed. However, the following public entities have developed Asset Management Programs: State of California, County of Orange, County of Los Angeles, Culver City, City of Long Beach, City of San Diego, City of Riverside, City of Redondo Beach, City of Denver, and City of Lakewood, Colorado. Most of these cities are similar to Sacramento in that they are considered desirable places to live and work. The resulting pressures are those caused by growth and the related needs for an expanded range of City services. City revenues are not, however, keeping pace with the expanding needs. Ultimately, growth causes competition among funding requests since not all requests can be funded with available resources. The purpose of asset management is to provide a source of revenue that can be dedicated to expanded needs. In the case of Sacramento, one of the most urgent needs is space expansion for public safety services. The Master Planning Study has identified this need and proposed options to satisfy the need. The asset management study will identify and recommend options to finance such a complex with a new revenue stream.

CONCLUSION

In order for the City to effectively provide for current and future operating department space needs and community facilities

while avoiding a reliance on the annual appropriation from the General Fund as a funding resource, a new revenue resource must be developed. The development of this new revenue source can be as simple as an "Asset Management Program" to manage its real estate as a financial resource.

For the development of an "Asset Management Program" the City will need the expertise of a consultant to develop a property inventory, financial strategy, organizational structure and strategy, along with policy recommendations for the implementation of a business plan for a City Asset Management Program. (Exhibit I provides a schedule of consultants for consideration.) In addition, to assist and guide the City through the development and implementation, an Asset Management Study Task Force consisting of a City Council member, City staff, and representatives from the private sector should be established to oversee this program.

Conceptually, a phased approach for establishment of the City's "Asset Management Program" would be as follows:

- Phase I - Selection of Consultant and requesting this firm to assist in defining role of the Study Task Force before selecting members, etc.
- Phase II - Real Property Asset Inventory
Develop Program Goals
Develop Work Plan and Implementation Strategy
Identification of Issues
- Phase III - Interim Report to Council
- Phase IV - Creation of Asset Management Study Task Force
Review of Information Developed in Phase II
Final Development of Implementation Plan
- Phase V - Report to City Council
- Phase VI - Program Implementation

FINANCIAL DATA

The FY89-90 Capital Improvement Program (B902) provides funding for an Asset Management study to evaluate options to utilize City-owned/controlled real property to maximize revenue potential for future financing of capital needs.

POLICY CONSIDERATION

Implementation of an Asset Management Program will require new, significant policy considerations by the City Council. Upon completion of the program development phase, the task force will return to the Joint Committee and City Council with policy issues. Listed below are a number of policy issues which ultimately will have to be addressed by the Joint Committee and Council:

- o dedication of a specific revenue source for facilities and lands only;
- o transfer of selected City assets to an Asset Management Fund;
- o management of City assets based on a highest and best use approach;
- o establishment of a broad based asset management advisory board to provide policy guidance to the City Council;
- o start-up funding

M/WBE EFFORTS

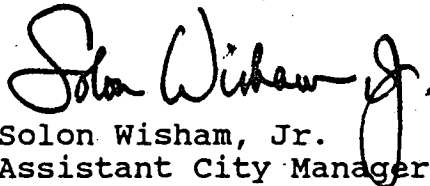
This is a report back on the CIP and does not involve the MBE/WBE program at this stage.

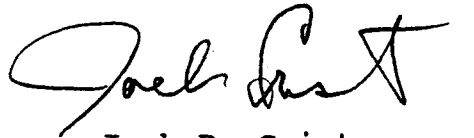
RECOMMENDATION

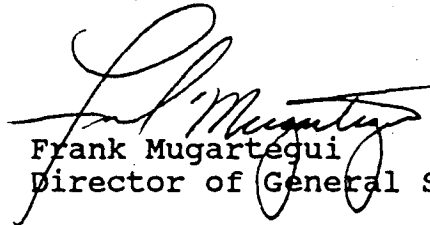
It is recommended that the City Council adopt the attached resolution authorizing the release of an RFP to obtain

consultant services for the development of a Real Estate Asset Management Program and to proceed with program development and implementation.

Respectfully submitted,


Solon Wisham, Jr.
Assistant City Manager


Jack R. Crist
Deputy City Manager


Frank Mugartegui
Director of General Services

RECOMMENDATION APPROVED:

Walter J. Slipe
City Manager

August 22, 1989
All Districts

Contact persons: Solon Wisham, Jr. - 449-5704
Jack R. Crist - 449-5704
Frank Mugartegui - 449-5548

CITY OF SACRAMENTO
ASSET MANAGEMENT CONSULTANTS
RFP SCHEDULE

Ralph Andersen & Associates
1446 Ethan Way
Sacramento, CA 95815
Attn: Larry Brown

Keyser Marston Assoc., Inc.
Golden Gateway Commons
55 Pacific Avenue
San Francisco, CA 94111
Attn: Jerry Keyser

Deanna Marquant
2216 L St.
Sacramento, CA 95816

Frederick Ross Co.
707-17th St., Suite 2700
Denver, CO 80202
Attn: Rick Pederson

Robert Charles Lesser Co.
Real Estate Division
8484 Wilshire Blvd. 3rd Floor
Beverly Hills, CA 90211
Attn: Robert J. Gardner

Roulac Real Estate Consulting
Group
333 S. Grand Avenue
Los Angeles, CA 90071
Attn: Neal Roberts

Economic Research Associates
1160 Battery St., Suite 350
San Francisco, CA 95816

Wedin & Associates
1901 East Lambert Rd., Suite 100
La Habra, CA 90631
Attn: Wayne Wedin

Gruen and Associates
564 Howard Street
San Francisco, CA
Attn: Claudia Gruen

Williams, Kuebelbeck & Assoc., Inc.
7 Corporate Park, Suite 260
Irvine, CA 92714
Attn: Larry Williams

Halycon Ltd.
Real Estate Advisors
930 Montgomery St., Suite 600
San Francisco, CA 94133

3.

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING STUDY FOR DEVELOPMENT OF A CITY REAL ESTATE ASSET MANAGEMENT PROGRAM (B902)

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That staff is hereby authorized and directed to release a Request for Proposal to obtain a qualified consulting service to assist in the development of a City Real Estate Asset Management Program;

2. That the development of the program should be phased as follows:

Phase I - Selection of a consultant and requesting the firm to assist City in defining the role of the Study Task Force before selecting members, etc.

Phase II - Real Property Asset Inventory
Develop Program Goals
Develop Work Plan and Implementation Strategy
Identification of Issues

Phase III - Interim Report to City Council

Phase IV - Creation of Asset Management Study Task Force
Review of Information Developed in Phase II
Final Development of Implementation Plan and Recommendation

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Phase V - Report to City Council

Phase VI - Program Implementation

- 3. That the development of a City Real Estate Asset Management Program will not exceed \$150,000.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____