

## **I – EXECUTIVE SUMMARY OF FINDINGS AND RECOMMENDATIONS**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

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In March 2003, the City Controller contracted with KH Consulting Group (KH) to audit the performance of the Asset Management Division (AMD) in the General Services Department (GSD) of the City of Los Angeles. KH used a comprehensive asset management model to identify potential areas for improvement in the City's management of its real property assets.

The processes managed by AMD are highly visible, attract the attention of elected officials, require multiple levels of approval, and involve powerful interests in the City. Furthermore, under the Charter, the City Council is responsible for real property decision-making. With the exception of the Non-profit Lease Policy, AMD has only inserted itself effectively into the policy-making process when individual transactions are proposed. The Asset Management Division is staffed with knowledgeable real estate professionals who conscientiously attempt to maintain and process real property leases and real estate assets. Their efforts do not assure that the City's portfolio of real estate assets is managed effectively. AMD does not:

- ☐ collect or coordinate the collection of data associated with the City's entire real estate portfolio,
- ☐ actively and effectively analyze real estate transactions considering alternative scenarios unless directed by policy makers, or
- ☐ propose a policy or strategic framework for deciding major real property management issues.

Because of this, the City is limited in its ability to effectively develop strategies and policies to manage its real property assets. Rather, the City moves from transaction to transaction with limited consistency.

KH recommends that AMD become a catalyst in changing that approach, moving toward a strategically coherent approach to property management, and simplifying the transactions and the process for their review. AMD should revise its mission to reflect a focus on strategy/policy development, and to add a responsibility for reporting on key asset management issues. Specifically, the key recommendations cluster around 5 areas of required focus.

## STRATEGIC APPROACH TO ASSET MANAGEMENT

- *AMD should develop option papers that address financial, operational and policy implications for the Municipal Facilities Committee (MFC)<sup>1</sup>, Mayoral and City Council consideration that facilitate coherent, planned decisions.* These papers should address, as a start, overall City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal. AMD should work with the MFC, the Mayor and the City Council to generate consensus on the overall strategies or policy directions, and use them as guidance for planning and prioritizing its work. *(Recommendation 1)*
- *AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC. (Recommendation 6)*
- *When proposing purchases of property, AMD should prepare a complete assessment of financial and non-financial impacts, and indicate how the purchase fits into the strategic direction.* To implement the strategy, AMD should have the ability to retain professional consultants paid directly by the City to perform the necessary analysis. *(Recommendation 2)*
- *AMD should set up a separate unit to handle planning and reporting functions. (Recommendation 8)*
- *AMD should revise its mission statement and website to more accurately portray the breadth of its functions, and to reflect its appropriate role in framing issues, reporting on City performance on overall asset management, and managing real estate transactions for the City. (Recommendation 5)*
- *AMD should advocate that the Historic Core Policy and similar initiatives are supplemented with the economic redevelopment initiatives to bring about lasting economic improvements. (Recommendation 14)*

## COLLABORATIVE RELATIONS WITH PROPRIETARY DEPARTMENTS FOR DATABASE DEVELOPMENT AND MANAGEMENT

AMD is only responsible for transactions related to Council-controlled properties. To facilitate Citywide consideration of issues, GSD and AMD are working with the proprietary departments to establish a consistent database on all real property in the City. KH supports these efforts and believes that AMD's database management systems can provide a valuable model:

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<sup>1</sup> MFC members are the Chief Deputy Mayor, Chief Legislative Analyst (CLA), and City Administrative Officer (CAO).

- ☐ *AMD should continue to work with other GSD units and the Proprietary departments to establish a Citywide database of properties. (Recommendation 10)*

#### **WORKLOAD MANAGEMENT, PROCESS IMPROVEMENTS, AND PERFORMANCE**

To be more effective in managing the workload associated with real estate transactions, AMD should implement mechanisms to encourage line departments to prioritize services requested of AMD, and streamline the processes associated with property transactions. Specifically:

- ☐ *AMD should consider charging for services performed for client departments, piloting the approach in such areas as surplus property sales, moves and changes, and leasing properties. (Recommendation 7)*
- ☐ *AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property. (Recommendation 9)*

The ways that AMD measures its performance are of limited use in managing workload, in assigning staff, and in identifying targets for process improvements. Furthermore, customer satisfaction with facilities needs improvement. Therefore:

- ☐ *AMD should develop additional outcome-based, and process time measurements to improve workload management and staff productivity. (Recommendation 12)*
- ☐ *AMD should solicit customer opinions of their major activities, and establish improvement targets as part of their measurement system. (Recommendation 13)*

#### **LEASES TO NON-PROFIT ORGANIZATIONS**

A significant part of the City's real estate portfolio is leased to non-profit entities at nominal rents. AMD's management policy, developed for new non-profit leases, would have an important benefit to the City if extended; therefore:

- ☐ *AMD should propose an extension of the reach of the policy regarding leasing to non-profit organizations to cover all non-profit tenants in the City. (Recommendation 3)*
- ☐ *AMD should prepare an estimate of the value of all properties leased or re-leased to non-profit organizations, and solicit direction from MFC about which City department is responsible for assuring that the value of services received by the City offsets the value of the property. (Recommendation 4)*



## DATABASE MANAGEMENT

Finally, to increase control over the Lease Information System payments:

- ☐ *AMD supervisory staff should monitor security of LIS by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords. (Recommendation 11)*

## **II – INTRODUCTION**

- A. Performance Audit Objectives and Scope**
- B. Methodology**

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## **II – INTRODUCTION**

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In March 2003, the City Controller of the City of Los Angeles asked KH Consulting Group (KH) to undertake a performance audit of the Asset Management Division (AMD) of the General Services Department (GSD) of the City of Los Angeles. KH assembled a team including subject matter experts from The JCM Group to conduct the performance audit. KH has performed this audit in conformance with the requirements outlined in the Yellow Book (U.S. General Accounting Office's Government Auditing Standards, 1994 Revision).

### **A – PERFORMANCE AUDIT OBJECTIVES AND SCOPE**

Specific performance audit objectives defined by the City Controller at the outset of the project were to:

- ☐ Evaluate the efficiency, effectiveness, and controls of the Division in achieving its mission and accomplishing its goals in managing the City's real properties.
- ☐ Evaluate whether leasing activities of the Division resulted in maximizing lease revenues within public policy guidelines.
- ☐ Determine if long-term leases entered into by City offices/departments are reasonable, including an evaluation of whether it is cost-effective for the City to purchase the properties instead of entering into long-term leases.
- ☐ Evaluate whether the Division effectively analyzes space utilization needs of the City's workforce, such as reconfiguring existing/available spaces versus leasing additional office spaces.
- ☐ Assess the effectiveness of GSD's role in connection with the Municipal Facilities Committee (MFC).

KH developed more than 24 specific questions to address those objectives. Appendix A lists the objectives and questions initially defined.

### **B – METHODOLOGY**

In completing this study, KH accomplished the following tasks:

- ☐ Reviewed more than 53 documents, including leasing procedures, budget documents, performance measurements, and others; Appendix B lists the documents KH reviewed.

- ☐ Interviewed all senior AMD staff and others in City government; Appendix C lists the interviews conducted.
- ☐ Conducted a focus group of other AMD staff members.
- ☐ Surveyed AMD staff to determine what activities they performed and how they allocated their time (staff hours) across functions.
- ☐ Developed flow charts of five key AMD processes. Appendix E presents the flow charts.
- ☐ Visited selected City facilities.
- ☐ Conducted a survey of AMD's customers (i.e., City departments), which was sent to 58 staff in 21 City departments.
- ☐ Assessed 7 leases negotiated by AMD.
- ☐ Benchmarked asset management functions of several other large and medium-sized cities to identify potential best practices that might be applied to the functions.

KH did not conduct a comprehensive review of the effectiveness of AMD in monitoring lease terms, or in assuring the accuracy of data in its databases.



### **III – ASSET MANAGEMENT MODELS AND BEST PRACTICES**

- A. Presentation of an Approach for Asset Management of Real Property**
- B. Benchmarking Best Practices**

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### **III – ASSET MANAGEMENT MODELS AND BEST PRACTICES**

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This chapter presents an approach for asset management of real property and describes the asset management functions at three U.S. cities in details. It serves as a backdrop for KH's assessment of AMD.

It is important to note that AMD is *not* responsible for all the functions required of an effective asset management approach within the City as described in the following model. Exhibit 3 in Section IV is a schematic that depicts the responsibilities of AMD, GSD, and eleven other entities associated with the functions described below. Nevertheless, KH considers the following approach to be a constructive description of the advantages of a more complete approach.

#### **A – PRESENTATION OF AN APPROACH FOR ASSET MANAGEMENT OF REAL PROPERTY**

Viewing properties as assets to be managed, as contrasted with expenses to be minimized, is an industry best practice. While this approach is more prevalent in the private sector, public and non-profit organizations have been applying the principles to their advantage in recent years.

Operational needs and efficiencies must always be foremost in the minds of property managers. Within operational parameters, properties can be managed to minimize costs, meet fiscal and policy guidelines, and maximize revenues.

##### **PLANNING**

In an ideal setting, property needs are projected with varying degrees of specificity, for short-, intermediate-, and long-term periods. Analysis is conducted to:

- ☐ Develop guidelines relating to legislative or executive policy initiatives
- ☐ Prioritize property needs
- ☐ Schedule moves and changes to minimize costs and operational disruptions
- ☐ Determine the best mix of leased and owned properties
- ☐ Identify the need to acquire or dispose of owned property
- ☐ Assess the revenue generating possibilities of owned properties
- ☐ Budget for major maintenance programs.

## ACQUISITION/DISPOSITION

Within the parameters established during the planning cycle, property acquisition and disposition is timed to advance operational and financial goals while minimizing the legal, administrative, and financial burden of operating properties that are no longer useful to the primary purpose of the organization. Decisions regarding buying as contrasted with leasing property are developed using life-cycle costing, considering:

- ☐ **Ownership implications.** Financial impacts of acquisition, capital availability and cost, maintenance, asset revenue potential, possibility of synergistic partnerships, base operational impacts (e.g., the need to operate a shuttle for staff to travel to other buildings), and building operations
- ☐ **Leasing implications.** Leasing costs, base operational impacts, and other fiscal issues.

Disposing of properties as they age and become unnecessarily expensive is also key to effective asset management.

Finally, for properties that are needed on a temporary basis, lease management is a key component of asset management. Maintaining a useful database with lease information and history, including costs and payments, termination and renewal options, and anticipated end dates permits timely lease renegotiation when market rates are low.

## NET REVENUE GENERATION

Organizations that adopt an asset management approach seek to maximize the net value of their real estate portfolio after operational needs are met. In addition to minimizing costs through active management techniques, public and non-profit organizations optimize real property revenue generation by:

- ☐ Using real property to provide tax advantages to private sector partners
- ☐ Partnering to trade building air-rights in return for reduced maintenance and operations charges
- ☐ Partnering to share costs and facilities with complementary agencies
- ☐ Maximizing opportunities for revenues through commercial or retail agreements.

## CONSTRUCTION/IMPROVEMENTS

Management and scheduling of building improvements can have a profound impact on building operational and maintenance costs. As a simple example, replacing a roof before improving interior space on a top floor avoids the need to replace newly installed improvements because of

water damage (i.e., unnecessary repeat costs). Buildings can save between 5% and 20% of their utility bills by enhancing HVAC and lighting systems.

Using a Value Engineering approach before contracting to build saved the Federal Highway Administration \$932 million on 380 projects in 2001. Effective asset management techniques consider the life cycle cost of building, maintaining, and operating a facility. Short-term savings are not favored over longer-term efficiencies.

## **BUILDING MAINTENANCE**

**Preventive Maintenance:** To assure that buildings, once acquired, stay assets and do not become liabilities with an ever-increasing backlog of unfunded maintenance, effective asset managers establish and develop costs for a regular preventive maintenance program. Launching a funded preventive maintenance program requires developing a strategy to deal with a backlog of systems that have not been maintained according to standard or factory recommendations. Organizations seeking to avoid a comprehensive audit of the condition of building subsystems (e.g., HVAC, elevators) can either:

- ☐ Develop a facilities renewal resource plan that estimates the cost of replacing subsystems and uses the replacement cycles to develop facility re-investment calculation
- or –
- ☐ Calculate a level of annual re-investment required to reach or maintain an acceptable level of deferred maintenance over a specified period of time.

**Major Maintenance:** Major maintenance should be scheduled in a five-year capital plan to assure that priority systems (e.g., roof repairs, exterior surface integrity maintenance) are included. This time frame will facilitate the planning necessary to dispose of properties before they become unnecessarily expensive.

**Day-to-day Repairs:** Regardless of whether day-to-day repairs are centrally or de-centrally managed, when everyday repair information is maintained on a building-by-building basis, an asset management team can learn about the impact of deferred, preventive and major maintenance on each building, and prioritize the scheduling of investment in or disposition of the asset.

## **BUILDING OPERATIONAL COSTS**

Some buildings are more expensive to operate than others. For example, buildings constructed considering ease and cost of maintenance require fewer staff, less energy expense, and less frequent replacement of building materials. Asset management techniques favor long term savings, especially in operations, over one-time savings in material selection or design preferences.



## B – BENCHMARKING BEST PRACTICES

The performance audit team conducted a web search of the asset management functions in 17 large and medium-sized U.S. cities, and studied three – Chicago, Denver, and Seattle – for details about their best practices. Appendix D contains a detailed chart of the other cities initially identified.

### CITY OF CHICAGO

Asset Management within the City of Chicago is under the responsibility of the Department of General Services. In addition to Asset Management, the Commissioner of General Services is responsible for:

- ☐ Architecture, Engineering and Construction Management
- ☐ Facilities Management
- ☐ Telecommunications and Information Technology
- ☐ Trades and Engineers
- ☐ Warehouse, Inventory, and Records Management
- ☐ Research and Development.

The Bureau of Research and Development is responsible for ongoing analysis of the cost-effectiveness of General Service's programs and policies. Special attention is given to Citywide programs affecting multiple departments. The Bureau's stated mission is to reduce the cost of managing City facilities through the use of state-of-the-art technology and best practices.

In December 2002, the City of Chicago issued an RFP for downtown office space seeking proposals from interested property owners for 100,000 to 450,000 usable square feet of office space. Chicago's plan was to continue to consolidate City office space under 10- and 15- year lease options. The City received 59 detailed proposals from 14 firms covering 16 buildings. Following an analysis of the proposals, the City renewed its lease of approximately 283,000 rentable square feet at a savings of \$12 million.

Chicago's in-depth analysis of all proposals was presented on the City's web site showing full details of occupancy costs and relocation expenses. The information can be found at [www.cityofchicago.org/GeneralServices/DowntownOfficeSpace.html](http://www.cityofchicago.org/GeneralServices/DowntownOfficeSpace.html)

In an effort to reduce the number of vacant lots in the City and put them to productive use, Chicago conducts an active sale of vacant City-owned lots to adjacent homeowners. The Adjacent Neighbors Land Acquisition Program (ANLAP) allows homeowners in certain areas of the City to purchase vacant lots for less than market value. The conditions of sale require that the buyer be the official owner and occupier of the adjacent property, and that the fair market appraised value of the vacant lot must not exceed \$20,000. The lot must be zoned for residential

use. The minimum bid requirements start at \$700 or 7% of the appraised value. The City of Boston has a similar program, known as the "Yard Sale" Program.

## CITY OF DENVER

The Finance Office of the City and County of Denver consists of the Budget and Management Office, Risk Management and Workers' Compensation Division, and the Asset Management Office. Denver's Asset Management Office provides an excellent example of a municipal real property management office, which is actively involved in the City and County's facilities planning, design, construction, usage, and cost-effectiveness. The Office actively works with City agencies to prioritize their needs and implement directives. Asset Management actively publishes information about its transactions and projects and highlights staff accomplishments, while promoting its ability to work cooperatively with other departments and agencies. The Office has developed a national reputation for the quality of its collaborative work.

The City and County of Denver projects future service demands on its municipal infrastructure to increase by 20% by the year 2025. The Asset Management Office, in conjunction with the Director of Capital Planning, has been working with such City agencies as the Police Department, Human Services, and the Mayor's Office of Employment and Training to develop Facility Master Plans to meet this growth and related facilities needs. The Office also works closely with the Denver Fire Department on forecasting funding sources for its facilities needs.

Denver's Asset Management Office has announced its key objectives for 2003 and 2004 as:

- ☐ Achieve a 15% increase in revenues from the sales of surplus City property through a new program to support affordable housing on surplus property and through a streamlined process for declaring property as surplus
- ☐ Continued evaluation of opportunities to consolidate City office leases, projecting savings of \$250,000
- ☐ Determine and refine reuse plans for various City-owned buildings and plan, program, and construct a new Justice Center
- ☐ Review of easement valuation practices
- ☐ Continue to work closely with the Mayor's Office and City agencies on new real estate directives.

A recently completed City-owned municipal office building was designed and constructed to provide a cost-effective solution to City office needs by combining agencies and more than 1,800 employees from 13 different buildings into a single location.

## **CITY OF SEATTLE**

The responsibility for municipal property and City leases in Seattle is under the Real Estate Services Office of the City's Fleets and Facilities Department. In 1996, Seattle acquired a large downtown office building and began consolidating City offices into that facility, thus significantly reducing the volume of leased space.

Real estate property and space issues within the City of Seattle are considered within a forum known as the Mayor's Capital Sub-Cabinet, which is comprised of department managers from a broad cross-section of City agencies. Proposals from this group are forwarded to the City Council for legislative approval.

One of the major accomplishments of the Real Estate Services Office during the past several years has been the development and implementation of Real Property Asset Management Information System (RPAMIS) – a Citywide property database, which provides all users with immediate access to detailed information about leased and owned properties under the control of the City of Seattle. The creation of this system required several years of design and collaboration among all departments that controlled or used City property, including proprietary departments, such as Police and Fire, Public Utilities, and Parks and Recreation. City officials have acknowledged that this effort was aided substantially by resources and direction provided by the Mayor's Office.

The RPAMIS has proven to be a valuable resource for not only the Real Estate Services Office, but to the City's Risk Management and Financial Audit areas by providing information on the value of owned property and current information on the property's condition. Additionally, citizens are able to access the data through the Internet by way of the City of Seattle website's "Real Property Finder".

## **SUMMARY OF BEST PRACTICES**

On the basis of KH's conceptual model of asset management and actual best practices identified in U.S. cities, the KH team assessed AMD's performance against these concepts and practices, as discussed in Chapter V on "Findings and Recommendations".

## **IV – CURRENT SITUATION**

- A. Background**
- B. AMD Strengths and Accomplishments**
- C. Distribution of Responsibility for Asset Management Functions**



## IV –CURRENT SITUATION

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This chapter presents an overview of the functions performed by the Asset Management Division (AMD), in the General Services Department (GSD) of the City of Los Angeles. GSD's purpose in this area is included in Section 22.501 of the Administrative Code of the City of Los Angeles.

### A – BACKGROUND

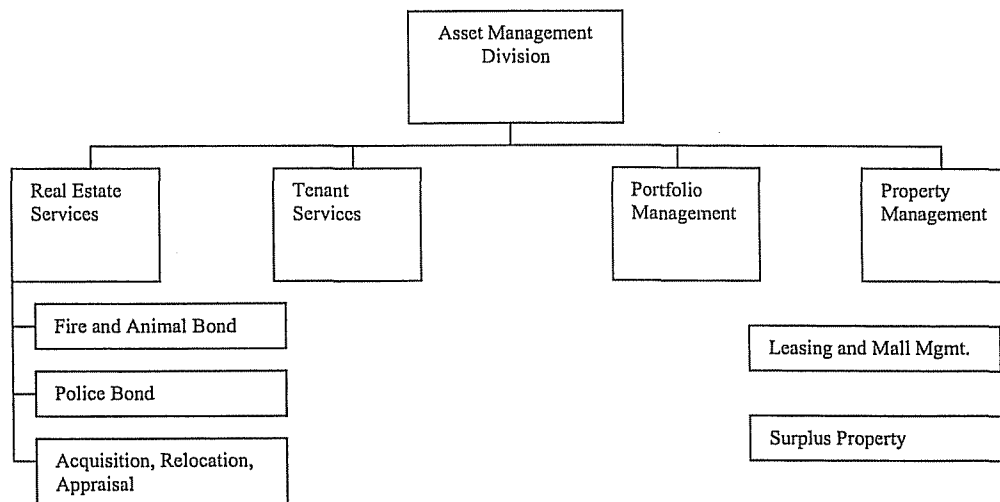
#### MISSION AND ORGANIZATION

The mission of AMD is:

*Asset Management is the comprehensive planned management  
of the City's diverse portfolio of real estate  
to ensure optimum use for the City's operations and  
maximum value from the excess.*

AMD consists of 34 staff plus three part time student professional workers in four sections reporting through a Deputy Director to the Director, Asset Management.

#### EXHIBIT 1 ORGANIZATION OF ASSET MANAGEMENT DIVISION



The Real Estate Services Section has three teams reporting to a supervisor – an Acquisition, Relocation and Appraisal Team with five staff, and two Bond Services teams with seven staff. This Section acquires property and relocates tenants from that acquired property.

The Tenant Services Section, with a supervisor and four staff, coordinates move planning, and audits the usage of leased and owned buildings to identify vacancies. Tenant Services staff partner with staff in the Property Management Section during the early stages of lease development to provide seamless services to customer departments.

The Portfolio Management Section, with a supervisor, six staff, and one part time student professional workers, maintains the property management databases. The databases maintained by AMD cover properties where the City is lessee (tenant) and lessor (landlord). Additionally, AMD maintains a database of those properties under its control, which are considered surplus. The data are available to all AMD sections, with varying levels of access provided as appropriate. The data are maintained within the Division's Aperture system as spreadsheets in Microsoft Access and Excel formats. The structure of the Lease Information System and the Surplus Property Information System includes fields needed to managing the real property of the City.

The Property Management Section has two teams reporting to the supervisor – a Leasing and Mall Management Team, with five staff, and a Surplus Property Team with three staff and two part time student professional workers. This unit manages all lease negotiations, leased property management, and the disposal of surplus property.

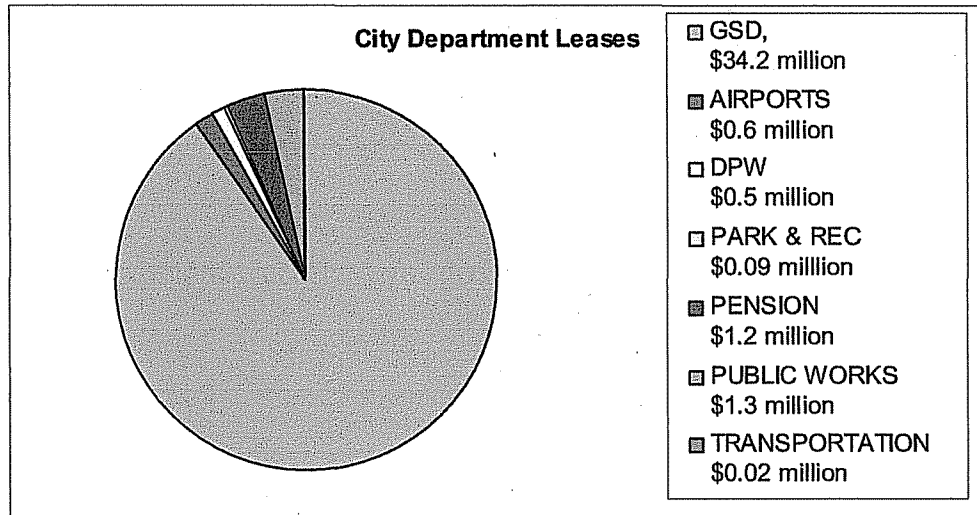
It should be noted that AMD is operating within tough resource constraints. Staff responsible for major pieces of their responsibility have computers that are not able to load the necessary programs. Office Supplies such as pens and paper cannot be ordered during the last quarter of the fiscal year. This makes a difficult job even more challenging.

#### **CITY LEASED AND OWNED PROPERTY**

AMD manages a leasing account for the City of Los Angeles. In 2002-2003, the account totaled approximately \$25.7 million. The Community Development and Housing Departments make direct payments to the landlord for an additional \$4 million worth of leases. This represents almost 850,000 square feet. The 1996 Office Facilities Master Plan cited occupancy costs of \$31.7 million.

A report, dated February 10, 2003, provided to the Information Technology and General Services Committee compiled Citywide information, including proprietary departments. It reflected a total of 219 locations with an annual lease cost of \$37.8 million. Exhibit 2 presents the overall City department lease costs.

**EXHIBIT 2**  
**CITY OF LOS ANGELES**  
**LEASED OFFICE SPACE BY DEPARTMENT WHO MANAGES THE LEASE**



Source: Report Fujioka to IT&GS Committee on City Leases, February 10, 2003

AMD's Lease Information System (LIS) uses a direct linkage to Aperture, with lease information files on approximately 700 properties presented by Right-of-Way Number. The LIS appears to provide all necessary information about the property, along with complete terms and conditions associated with the underlying lease documents and a chronological record of any changes. The LIS provides the Division with all information necessary to remit lease payments and receive lease revenue.

In addition to its leasing responsibility, AMD manages more than 2,500 parcels of City-owned land, and acquires property and buildings for Bond-funded, City capital projects. The City owns more than 2,800,000 square feet in Council-controlled facilities. AMD has limited responsibility for office space and improvements on City-owned properties after they have been acquired. AMD assures that the office space is fully occupied, and disposes of surplus property.

Proceeds from the disposition of surplus property are usually split between the City General Fund and the Council District from which the surplus property was sold. Between 1996 and 2003, AMD sold 78 properties with net proceeds of more than \$15 million, of which a little more than \$2.2 million went to the City General Fund. AMD manages the Surplus Property Information System, which has benefited from recent, extensive efforts at data compilation and entry. The database is being enhanced with the addition of property photographs along with parcel maps, and is currently being prepared for inclusion in the City's website where

information about surplus properties will be catalogued and presented by Council District and assessor parcel number.

## **LEASES TO NON-PROFIT ORGANIZATIONS**

The City leases more than 100 properties to non-profit organizations, including:

- ☐ 46 properties whose leases were negotiated and are managed by the Community Development Department (CDD)
- ☐ 9 properties whose leases were negotiated and are managed by the Cultural Affairs Department
- ☐ 54 properties whose leases were negotiated and are managed by AMD
- ☐ 2 leases funded by the City and leased to other non-profit organizations.

AMD drafted and presented a policy on these leases to the City's Municipal Facilities Committee (MFC). It was approved in December 2001, and requires:

- ☐ The sponsoring Council Office to determine, with GSD's assistance, that leasing to a non-profit is the highest and best use of the property
- ☐ The non-profit organization to:
  - Pay for all utilities
  - Provide relevant insurance coverage
  - Maintain the premises in good condition
  - Pay for renovations and tenant improvements
  - Continue to provide services
  - Provide reports and financial information.
- ☐ The term of the lease to coincide with the term of the Council member of the sponsoring district.

## **MEASUREMENT**

AMD measures its performance via workload indicators, including:

- ☐ Property management assignments
- ☐ Number of buildings and parcels in inventory
- ☐ Number and dollar value of surplus properties sold
- ☐ Number of Municipal Facilities Reports prepared
- ☐ Number of leases prepared
- ☐ Number of land availability inquiries
- ☐ Number of leases executed after full negotiation



- ☐ Number of utility services investigated
- ☐ Number of real estate service assignments completed
- ☐ Number of property appraisals completed.

## **B – AMD STRENGTHS AND ACCOMPLISHMENTS**

Since the Division was transferred from the Bureau of Engineering in 1995, AMD has:

- ☐ Recommended the purchase of the South Los Angeles Constituent Service Center
- ☐ Sold more than \$16 million of Surplus Properties, with an additional \$10 million in escrow
- ☐ Developed and received approval of policy for leases to non-profit tenants
- ☐ Audited and standardized procedures for utility payments for City-owned and leased property
- ☐ Developed and implemented in 15 City locations Public Access Terminals, which are kiosks with access to City website information
- ☐ Proposed to mayoral staff a Constituent Service Center, which has been developed into the neighborhood city hall proposal
- ☐ Developed Citywide space standards
- ☐ Coordinated the development and relocation of City offices to the Braude Constituent Service Center, a 142,000 square foot facility
- ☐ Facilitated continued City efforts on voter-approved Bond projects, by negotiating and acquiring properties for Fire, Animal Services, Library, Recreation and Parks, and Police Department facilities
- ☐ Negotiated a complex exchange of properties with an agency of the State of California
- ☐ Managed the leases of more than 850,000 square feet of property
- ☐ Used the concept of the "Ten Minute Diamond" as a tool for locating office space
- ☐ Initially established and successfully advocated the reestablishment of the Civic Center Authority<sup>2</sup>.

## **C – DISTRIBUTION OF RESPONSIBILITY FOR ASSET MANAGEMENT FUNCTIONS**

A large portion of City-owned and leased property falls outside of the responsibility of AMD. The three proprietary departments, Department of Airports, Harbor Department, and the Department of Water and Power (DWP), manage their own property functions. In addition, some Council-controlled departments, including Recreation and Parks, Library, and Police have

<sup>2</sup> Although there has been some agreement about re-establishing the Civic Center Authority – an intergovernmental cooperative coordinating office planning in the Los Angeles Civic Center area – has not yet met. AMD should work to assure that meetings are convened regularly.

property functions with some responsibility for identifying property needs, designing improvements and maintaining property. Exhibit 3 presents a schematic of the breadth of assignment of responsibility for asset management functions.

As discussed in Chapter II, managing real property using Asset Management principles requires consideration of such issues as:

- ☐ Building maintenance and operations costs
- ☐ Planned capital investment in real assets to maintain and increase their value
- ☐ The use of financing tools to maximize financial values of property.

These areas fall outside of the responsibility and authority of AMD; however, these issues may not be consistently addressed anywhere in the City.

In 1956, the City Council established the MFC:

*"to advise the Mayor and Council on a) quarters needed by the various departments and offices in buildings and sites financed by City funds, and b) locations in which main or branch offices... are needed for efficient performance of their duties and adequate service to the public ... to review and recommend all requests for space in existing municipal facilities, and for acquisition or construction of additional facilities with City funds."*

The current membership of the MFC consists of the City Administrative Officer (CAO), the Chief Legislative Analyst (CLA), and the Chief Deputy Mayor. The MFC meets monthly. Staff members to the Chair of the MFC receive agenda items from AMD and City departments, and request memo reports and recommendations on the items from staff to the MFC members or from AMD. AMD provides information and recommendations on proposed items to the staff of the members of MFC upon request. AMD is key in this support role because it manages a database of the property of Council-controlled departments.

Finally, AMD is participating with other departments in a Mayoral initiative – Maximizing our Real Estate (MORE) – that is seeking to consolidate information on Citywide real property. It is unfortunate that this cannot be an ongoing program within AMD. Because AMD does not have the resources, the staff, or the authority to undertake this effort on its own, the City has embarked on this non-permanent initiative to accomplish these asset management goals.

The schematic in Exhibit 3 depicts the spread of responsibility for the various asset management functions in the City of Los Angeles. While AMD is central in transactions, and GSD is core in the maintenance and operations of many – not all – properties, 11 other different departments or agencies are involved in performing needs analysis, alternatives development, and support.

**EXHIBIT 3**  
**CITY OF LOS ANGELES**  
**ASSET MANAGEMENT FUNCTIONS/ASSIGNMENT OF RESPONSIBILITY**

	Council Controlled except Park, Police, Library	Park, Police, Library	Proprietary
<b>Needs Analysis</b>			
City-wide			
What should our portfolio look like			For space of dept
How do we maintain/maximize value of portfolio			
Department or location specific			
How much space does this department need			
How does this change (new staff, new responsibility) affect space needs			
<b>Alternatives Development</b>			
City-wide lease/buy/build		For space of dept	For space of dept
Department or location specific			
Renew expiring lease vs. move			
Execute new lease vs. buy or build			
Location id and selection			
Property specific sell/lease to tenant			
<b>Alternatives Selection / approvals</b>			
<b>Real Estate Transaction</b>			
<b>Purchase</b>			
Initial negotiations			
Class C appraisal			
Due diligence			
Class A appraisal			
Negotiation			
Contract			
Relocation of existing tenants			
<b>Acquire -- other than purchase (e.g. donation)</b>			
Due diligence			
Negotiation			
Contract			
<b>Lease -- city as tenant</b>			
Negotiation			
Contract			
<b>Sell</b>			
Determine means / purchaser			
Establish value			
Develop escrow instructions	DCC, DOT, CRA also		
Manage sale process			
<b>Lease -- city as landlord</b>			
Determine means / lessor			
Negotiation			
Contract			
<b>Property Management</b>			
<b>Fiscal</b>			
GASB 34 tracking			
<b>Maintenance -- owned space</b>			
Major Maintenance			
Repairs			
Preventive / regularly scheduled maintenance			





## **V – FINDINGS AND RECOMMENDATIONS**

- A. Strategic Approach to Asset Management**
- B. Mission and Staffing**
- C. Process Improvements**
- D. Performance**
- E. Summary**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES



## V – FINDINGS AND RECOMMENDATIONS

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The Asset Management Division is staffed with knowledgeable real estate professionals who conscientiously attempt to maintain and process real property leases and real estate assets. Their efforts, unfortunately, do not assure that the City's portfolio of real estate assets is managed effectively. AMD does not collect or coordinate the collection of data associated with the City's entire real estate portfolio, nor does it actively and effectively analyze real estate transactions considering alternative scenarios unless directed by policy makers, nor does it propose a policy or strategic framework for deciding major real property management issues. Because of its fragmented approach to managing real estate transactions, the City misses opportunities to maximize the value of and return on its assets.

In order to effectively manage its real property assets, the City will need to support AMD with an incremental resource commitment. In that manner, City agencies and proprietary departments, the Municipal Facilities Committee, the City Council can effectively utilize the valuable resource. This performance audit concludes that the Asset Management Division can be worthy of the City's confidence in taking on this responsibility.

This chapter presents the key findings and recommendations clustered into four topics: strategic approach to asset management, mission and staffing, process improvements, and performance. KH first presents the key findings, followed immediately by the associated recommendations for each topical area.

### A – STRATEGIC APPROACH TO ASSET MANAGEMENT

#### POLICY AND STRATEGY DEVELOPMENT

**Key Finding:** *AMD's highly transactional approach to asset management lessens its ability to focus on policy and strategy development.*

AMD is highly transactional in its approach to Asset Management. The processes it manages are highly visible, attract the attention of elected officials, require multiple levels of approval, and involve powerful interests in the City. It is therefore understandable that the division does not see many opportunities to insert itself effectively into the policy-making process, except as individual transactions are proposed. The most effective policy development effort of AMD is the development of the non-profit lease policy. An example of a consistent approach advocated by AMD is the constituent service center, which has been developed into a neighborhood City hall proposal by the Mayor.

There are at least three areas where a strategic approach to Asset Management or its component parts would be valuable to AMD and the City and are discussed next.

- ***Overall City Portfolio Composition.*** AMD works to help the MFC, the Mayor and the City Council optimize individual transactions and to take advantage of opportunities, such as the need to upgrade Police headquarters while simultaneously improving the mix of leased and purchased properties in the portfolio. Even though each individual decision may have been properly made, the sum of the decisions has led to a portfolio with hundreds of leased and owned properties. AMD's staff must deal individually with any change to any property, and must try to put each transaction into a context at each decision point. This approach limits the effectiveness of the staff, and of the decision-makers in addressing real City needs.
- ***Management of the Los Angeles Mall.*** There have been some attempts to maximize revenues from the Mall by contracting with an active mall manager who would seek to address hours, access, and the mix of retail tenants renting space. In addition, these agreements typically set aside revenues for maintenance, improvements, security, janitorial, and utility costs to draw customers through assuring a pleasant shopping experience.

These approaches are not followed now in the Mall. Current leases reflect a desire to assure flexibility to use the mall for City offices that have high public traffic, and a desire to avoid evicting long-term tenants. There is no separate budget to operate or maintain the mall property; therefore, its condition is not consistent with maximizing revenues, improving customer traffic, or assuring that residents visiting City offices are well served.

- ***Surplus Property.*** Since 1996, AMD has disposed of, on average, only 11 properties per year. The flowchart in Appendix E, Section 2 depicts the process from the initial decision to dispose of the property to the distribution of net proceeds. The process is governed by a variety of Charter provisions, administrative codes and ordinances, and includes 14 decision points over 30 potential steps.

At the current rate of disposal, the City would be well into the 24<sup>th</sup> Century before most of its surplus property is sold, assuming that no new property is acquired. Broadcasting the availability of surplus parcels on the Internet is likely to increase demand. Because of the highly "regulated" nature of the process, there is no indication that AMD can be prepared to meet the potential demand expeditiously.

***Recommendation 1:*** *AMD should develop option papers addressing financial, operational and policy implications for MFC, Mayoral and City Council consideration that facilitate coherent, planned decisions.*

As a start, AMD should prepare option papers that address overall City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal. AMD should work with the MFC, the Mayor and the City Council to generate consensus on the overall strategies or policy directions, and use them as guidance for planning and prioritizing its work.

These papers should form the basis for a strategic approach to City Asset Management. They will allow the critical decision-makers in the City to focus on overall policy and direction, optimizing advantages to the City of the overall approach, as contrasted with optimizing individual decisions. In addition, once the plans are adopted, delegation of authority to implement the plan should lead to processes with fewer transaction reviews, and greater speed and efficiency.

- **Overall City Portfolio Composition.** AMD is a substantial resource of real estate professionals and information. The City would be well served if AMD could assist elected and appointed decision-makers in evaluating fiscal, operational, and other impacts of designing asset management strategies or policies for:

- Developing guidelines relating to legislative or executive policy initiatives
- Prioritizing property needs
- Scheduling moves and changes to minimize costs and operational disruptions
- Determining the best mix of leased and owned properties
- Identifying the need to acquire or dispose of owned property
- Assessing the revenue generating possibilities of owned properties
- Developing an approach to address life-cycle maintenance costs
- Identifying opportunities for inter-governmental cooperation or public/private partnerships.

The AMD website indicates an intention to:

*"Consolidate City operations into joint-use facilities at locations where several departments with similar and compatible real estate or facility needs are serving a similar geographical area."*

This is an example of a strategic policy direction. There have been some recent successes in this area, notably the Braude San Fernando Valley Constituent Service Center. Implementing this initiative would normally require a comprehensive assessment of City-occupied property to develop a consolidation plan. This would be coupled with an action plan and timetable for implementation. AMD has not taken a leadership role in developing initiatives of this sort and designing comprehensive approaches to implement them, but rather has been responsive to departmental, Council, and Mayoral requests.

Because the City does not engage in detailed medium- and long-range planning, AMD cannot effectively forecast office space needs. This will be an impediment to the City's consideration of such questions as lease vs. buy, or consolidation of departments and space. Furthermore, projecting staffing and office plans across departmental lines is a time consuming and difficult effort that will require cooperation among departments. Even so, this should not prevent the consideration of strategic direction in Asset Management.

A symptom of the lack of planning is the large number of month-to-month leases that are continued over a long period of time. A significant proportion of City property is leased on a month-to-month basis. This exposes the City to the risk of increasing lease costs. There are two potential reasons for month-to-month leases:

- The City is unable or unwilling to make long term decisions on leases or purchases because of other pending issues or lack of advance planning
- or –
- AMD is severely backlogged and not able to finalize negotiations and lease documents in a timely manner.

Strategic planning would reduce the former; workload management and process improvement, as discussed in future recommendations, would reduce the latter.

Much City construction is funded through voter-approved bonds. Because such Bonds typically call for single-purpose construction, the advantages of maintaining and operating multi-purpose buildings are not available. A strategic plan may be able to project needs and develop a case for bond funding for multiple departments.

Responsibility for charges for leases is an example of an issue that could be addressed strategically. Because AMD centrally manages the Lease fund, City departments have no economic interest in minimizing costs associated with space, including variable costs (e.g., after-hours HVAC) over which they have control. Even though establishing a chargeback system will require some additional clerical support, AMD should evaluate and, if appropriate, propose the introduction of a system of charges to departments for rental and lease operating costs to increase departmental responsibility and attention to lease and building ownership costs. This effort might start with charging back for after-hours HVAC, and other department-controlled expenses.

Exhibit 4, prepared from information presented to the City Council in February 2003, depicts the cost of leased property occupied by City Departments and offices.

**EXHIBIT 4**  
**CITY OF LOS ANGELES**  
**CITY DEPARTMENT OCCUPANCY COSTS FOR LEASED SPACE**

DEPARTMENT/DIVISION	TOTAL LEASE COST 2002-03
Public Works	\$11,513,224
Police	\$5,242,772
Community Development	\$2,988,547
Building & Safety	\$2,441,761
City Attorney	\$2,156,502
Transportation	\$1,816,800
Housing	\$1,648,721
ITA	\$1,584,495
General Services	\$903,080
Finance	\$887,463
Fire	\$792,154
Pensions	\$669,581
Council Districts	\$651,690
Airports	\$609,412
Various-Parking	\$587,184
Cultural Affairs	\$584,181
Employee Retirement System	\$551,772
Animal Services	\$526,566
Water & Power	\$494,696
Planning	\$256,720
Aging	\$241,164
Library	\$151,670
Mayor	\$139,820
City Clerk	\$93,816
Disability	\$90,723
Recreation and Parks	\$82,893
Non-Profit Agency: Community Reinvestment Committee.	\$66,000
Neighborhood Empowerment (DONE)	\$59,304
Personnel	\$17,145
El Pueblo	\$8,820
<b>TOTAL</b>	<b>\$37,858,676</b>

Source: Report Fujioka to IT&GS Committee on City Leases, February 10, 2003

As part of the strategic plan, revenue-generating strategies should be considered for all City properties. The City could lease space within some of its complexes. Some of these spaces could be used to help with economic business development, such as incubator business sites for Community-Based Enterprises (CBEs). There are many opportunities to assure that the City garners maximum financial benefit from its facilities, including arrangements for advertising and concession services, among others.



- **Management of the Mall.** A thorough strategic plan for the Mall would identify a direction and seek to build on strengths and opportunities in moving the Mall toward that end. Mall management decisions have been made under a “default” strategy: emphasizing convenient public access to City offices over a retail revenue-generating environment. That strategy should be formally considered by the MFC, the Mayor and the City Council. AMD is uniquely situated to spell out the opportunities and costs associated with the divergent directions, and to broker agreement on the strategic choices.

Regardless of the strategic direction selected, AMD should set up a separate budget to operate and maintain the mall property to help assure that its condition is consistent with maximizing revenues, improving customer traffic, or assuring convenient public access to City offices.

- **Surplus Property.** Developing a strategic approach that prioritizes and addresses multiple goals, and identifies ways to overcome the significant process barriers to disposing of properties will be helpful in maximizing the impact of Surplus Property disposal efforts. Typically, environmental scans conducted during these plans uncover creative or streamlined approaches that can be modified to fit the requirements of the City of Los Angeles. For example, as described in Chapter III, the City of Chicago has an Adjacent Neighbors Land Acquisition Program, which allows homeowners in certain areas of the City to purchase vacant lots for less than market value.

A surplus property policy issue that could be explored for MFC, Mayoral and City Council consideration is the disposition of assets from the sale of property. Arguments can be made for depositing net proceeds into the General Fund or a Capital Improvements Fund, possibly after offsetting the costs of managing the City’s property assets. This contrasts with the current policy of splitting proceeds between the General Fund and the Council district in which the property is located, or devoting 100% of the proceeds to the Council district as is the case for one district. AMD could frame the policy, presenting information and policy analysis for discussion.

#### **COST-EFFECTIVENESS OF LEASING VS. PURCHASING**

**Key Finding:** *AMD does not consistently apply a lease-purchase strategy or allocation plan, as part of its Asset Management strategy.*

The AMD website lists among its responsibilities:

*“...annually review the capitalization of owned and leased properties to identify refinancing or lease renegotiation opportunities.”*

With the support of the MFC, AMD has been advocating a policy of reducing the City’s dependence on leased facilities, and increasing the square footage of City-owned property.

In general, this approach is more cost-effective than entering into long-term leases for what will be essentially permanently occupied space. AMD's stated criteria for considering purchase options have been:

- ☐ Whether the leased space being renewed comprised at least 50% of the building
- ☐ Whether the building was large enough
- ☐ Whether the property was on the market for sale
- ☐ Availability of funds to finance the property.

While these criteria are valid, for operational and fiscal reasons, it is important to plan for property acquisition in a consistent manner. A lease/purchase strategy or allocation plan, as was considered for the proposal for Figueroa Plaza, would be a useful element of an Asset Management strategy (see Recommendation 1). At the same time, individual cost-benefit analyses of leases as they arise can identify fiscally advantageous opportunities.

The sample analysis of the Figueroa Plaza building assessed costs for a specified property from three options: continuing to lease, and buying using two different approaches – City bond-financed and third-party lease/purchase financing. A Commercial Real Estate brokerage firm under contract to AMD prepared it. These contracts do not call for the City to pay for services; rather, the brokers receive fees from property owners only after a deal is completed. While the analysis was comprehensive in its assessment of real estate costs, it did not take into consideration other issues, which are unique to municipal ownership of property that should have been provided to decision-makers.

There are different financial benefits to the broker if the City were to purchase or enter into a long-term lease. Especially because the City does not independently pay the broker for advice, there exists a potential cause for concern about the objectivity of the advice and analysis performed.

***Recommendation 2: When proposing purchases of property, AMD should prepare a complete assessment of financial and non-financial impacts, and indicate how the purchase fits into the strategic direction.***

AMD should prepare complete assessments of the financial and non-financial impacts of proposed properties for purchase. To implement the strategy, AMD should have the ability to retain professional consultants paid directly by the City to perform necessary analysis.

The City will doubtless find examples where ownership of property – taking into consideration total life cycle costs – is less expensive than long-term leases. The City Lease Fund administered by AMD expends \$26 million annually for leases. A conservative estimate of 10% savings over 10% of the lease fund would generate annual reduced costs of \$250,000. With careful analytics, applied routinely, future savings could exceed these levels.

Exhibit 5 depicts items that have a fiscal impact on a purchase decision that should be considered when the City considers purchasing as contrasted with leasing office space.

### EXHIBIT 5 LEASE VS. BUY ANALYSIS

OPTION DESCRIPTION	REAL ESTATE COSTS/ REVENUES	OTHER FISCAL IMPACTS TO CITY	OPERATIONAL COSTS	TOTAL COSTS
Continue leasing	<ul style="list-style-type: none"> <li>Lease payments including escalation</li> <li>For triple net leases, utility, and other costs not included in the lease</li> <li>Move costs given assumptions about occupancy changes</li> <li>Improvement costs</li> <li>If applicable, reduction in lease payments to other landlords</li> </ul>	<ul style="list-style-type: none"> <li>Real estate tax payments to City</li> </ul>	Cost estimates for items such as: <ul style="list-style-type: none"> <li>Shuttle busses to facilitate interdepartmental meetings</li> <li>Extension of City network</li> </ul>	
Purchase options (Note: Different options would be included in subsequent rows, including lease with option to buy, owner financing, etc.)	<ul style="list-style-type: none"> <li>Purchase costs</li> <li>Move costs</li> <li>Improvements costs</li> <li>Building maintenance costs</li> <li>Utility costs, including assumptions about savings as appropriate</li> <li>Janitorial and landscaping costs</li> <li>Revenues from parking, retail or commercial tenants, etc.</li> <li>Reduction in City lease payments to other landlords</li> </ul>	<ul style="list-style-type: none"> <li>Loss of real estate tax payments</li> </ul>	Cost estimates for items such as: <ul style="list-style-type: none"> <li>Shuttle busses to facilitate interdepartmental meetings</li> <li>Extension of City network</li> </ul>	

Critical variables impacting each analysis should be spelled out, and would include:

- ☐ Discount rate for the present value analysis
- ☐ Revenue projections
- ☐ Staffing projections
- ☐ Size of reserves needed for maintenance under owned and leased properties
- ☐ Availability of MICLA funds
- ☐ Non-voter approved debt-ceiling restrictions.

Even in instances, such as Bond-funded acquisition of property for special purposes, AMD should work with the client department to identify all costs associated with the life of the property. Whenever the City Council considers whether to acquire property, whether it is donated or purchased, whether it is office space related or not, the Council should receive a full report on the life cycle costs of that property. The City Council of Sunnyvale, California has adopted a policy that it will not approve property or operational changes in expenditures if it cannot balance its budget including all associated new costs from the change over 10 years. AMD should work with its client departments to identify costs associated with improvements to the property, including:

- ☐ Planned cost of improvements, including costs of mitigating any environmental problems
- ☐ Estimated life-cycle cost of maintaining the property, including preventive maintenance and major maintenance
- ☐ Estimated life cycle cost of operating the property, including utility payments
- ☐ Estimated insurance costs, including costs of self-insurance.

If the City implements a strategy of owning property instead of leasing, it is critical that the strategy take into account the difficulty that the City has with providing sufficient funds to maintain buildings it owns. Spending revenues to perform preventive maintenance on City-owned buildings when decisions are being made to cut social services has been, and will likely continue to be, politically difficult. This is reflected in building maintenance perceptions. In the customer survey conducted for this performance audit, 33% of the staff housed in leased buildings agreed with the statement, *"If building systems break, they are rapidly repaired"*, compared with 17% of the staff in City-owned buildings. Unfortunately, no matter how attractive the cost savings appear to be, if the City does not have the political will to provide resources to maintain the buildings it purchases, it is purchasing a liability instead of an asset. For this reason, it is important to specifically identify maintenance costs associated with purchases to establish a reserve fund that is relatively untouchable for non-maintenance purposes during fiscally difficult times. This is particularly important for bond funded construction or acquisition, because these bond proceeds are typically restricted to exclude ongoing maintenance costs. If possible, strategies should be included in voter-approved bonds to address maintenance of bond-funded properties, including a potential provision for future year capital expenditures to cover major maintenance items.

Non-fiscal impacts should also be provided to the MFC, the Mayor and City Council. There are opportunity costs to purchasing property, especially when the City approaches the debt ceiling for non-voter approved obligations. Purchase, sale, or lease decisions may allow the City to take advantage of public-private partnerships, co-ownership of properties, and inter-governmental, co-location opportunities. If the City's strategy calls for it to serve as an anchor tenant in an effort to improve a community or area, a lease or buy decision can augment its effectiveness. These non-fiscal matters should be presented during the decision cycle.

To implement the strategy, AMD should have the ability to retain and directly compensate professional consultants to perform necessary analysis. The analysis should consider all acquisition, moving, operations and maintenance expenses over the useful life of the buildings to be acquired, as contrasted to estimated lease expenses and other costs over the same term. Decisions about which departments to locate in leased facilities should be influenced by the rules associated with reimbursement of space costs by Federal grant dollars. AMD should maintain an ongoing dialog with the commercial real estate community so that it can keep up to date about industry best practices. Therefore, the capability of paying real estate consultants for services should extend, for example, to objective discussions about potential lease terms, identification of the types of transactions where the use of brokers might lead to advantageous terms, or to a review of typical office and parking lease terms and conditions to assure that lease documents reflect current standards.

Also, the strategy should contain identified opportunities to benefit from partnerships with other governmental agencies and private partnerships. An example of this effort is the partnership between Caltrans and the City Department of Transportation. In addition, AMD is working with other governmental agencies to reestablish the Civic Center Authority, to identify areas where coordination of property decisions may improve service to residents.

#### LEASES TO NON-PROFIT ORGANIZATIONS

**Key Finding:** *Although AMD has established a policy to protect the City's interest in no- or low-cost leases to non-profit tenants, it has only been able to apply the policy to new leases to date.*

The establishment of a policy to protect City interests in no- or low-cost leases to non-profit tenants is a significant advantage. Unfortunately, few of the 111 properties leased to non-profit organizations are subject to the policy. It is applied only to new leases negotiated by AMD. Leases managed by other entities – primarily the Cultural Affairs, the Community Development and the Housing Departments – do not necessarily reflect the policy. Furthermore, the policy does not apply to leases already in effect at the time the policy was enacted. Appendix F section 1 provides a flowchart of the leasing process to non-profit entities.

For those leases that are subject to the policy, it is not clear which entity is responsible for assuring that the non-profit organization continues to “provide the services and staff level it has committed to provide.” GSD maintains that it relies on the CAO or CDD for leases to entities with which they are familiar. There is no agreement regarding assignment of responsibility for other leases. Furthermore, unless the lease represents the City's required contribution to a grant, no appraisal of the value of the property is prepared so as to assure that:

- ☐ The values are comparable
- ☐ The proposed lease is the highest and best use of the property
- ☐ The value of the property is being maintained.



In addition, the City Attorney individually prepares each lease because no standard form of lease exists.

Often, vacated properties require improvements to make them usable for non-profit tenants. Although the policy calls for reimbursement for those improvements, Council motions that instruct AMD to implement the leases are often silent on this issue.

An Assistant General Manager of GSD and the Director AMD is negotiating with the General Manager of CDD to assume responsibility for management of CDD leases to non-profit organizations. If AMD takes over those leases, it intends to assure that the policy is enforced.

**Recommendation 3:** *AMD should propose an extension of the reach of the policy regarding leasing to non-profit organizations to cover all non-profit tenants in the City.*

**Recommendation 4:** *AMD should prepare an estimate<sup>3</sup> of the value of all properties leased or re-leased to non-profit organizations, and solicit direction from MFC or the City Council about which City department is responsible for assuring that the value of services received by the City offsets the value of the property.*

AMD is an industry leader in the development of the non-profit leasing policy, which is a useful tool in assuring that the City's property is being managed: "...to ensure optimum use for the City's operations." Consistent application of the policy to all non-profit lessees can only increase the City's confidence that it is truly maximizing the value of its real property assets.

## **B – MISSION AND STAFFING**

### **MISSION AND DIRECTION**

**Key Finding:** *AMD's stated mission does not accurately reflect its primary activities.*

AMD's mission is a typical statement for public sector asset management functions. It can be found as the proposed mission in the 1995 County of Los Angeles Citizen's Economy and Efficiency Committee report on Property Management, and is very similar to the stated mission of Chicago's Asset Management organization. It is a useful definition of Asset Management, but it does not reflect AMD's role, which is narrower. AMD has either no or very limited authority and responsibility in such critical areas as overall planning for City properties, maintenance and

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<sup>3</sup> It will not be necessary to conduct a formal appraisal under Member, Appraisal Institute (MAI) procedures. Rather, AMD should follow a methodology that does not require devoting significant resources in managing properties that do not generate income. These are referred to as Class C estimates.

operations, and lease revenue generation for the City, described in Chapters III and IV. Also, AMD is not responsible for properties in the proprietary departments.

Asset Management functions in other jurisdictions have more narrowly defined their roles. For example, the mission for the asset management organization in Seattle is: *"to provide the Mayor and City Council with a corporate real estate perspective, to provide real property support to other City departments, and to maintain and expand the Real Property Asset Management Information System."* A similar mission statement would more accurately reflect the scope of AMD in the City of Los Angeles.

In addition, AMD's website lists as one of its responsibilities:

*"Develop a comprehensive twenty-year master plan of facilities needs and update the plan every five years to maintain a continuous twenty-year facility needs projection."*

The most recent 20-year plan was completed in March 1996, however; and, there are no plans or intentions to update it. AMD does compile an annual census of staff and locations, however.

**Recommendation 5:** *AMD should revise its mission statement and website to more accurately portray the breadth of its functions, and to reflect its appropriate role in framing issues, reporting on City performance on overall asset management, and managing real estate transactions for the City.*

A mission that accurately reflects the breadth of activities of a unit facilitates its effective performance. Because of database responsibilities and its expertise, AMD is uniquely placed to:

- ☐ Monitor City real property issues
- ☐ Frame issues as discussed in Recommendation 1
- ☐ Report on the status of City real property management
- ☐ Manage real estate transactions for City controlled facilities.

**Recommendation 6:** *AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC.*

Because responsibility for many of the elements of Asset Management are dispersed among the MFC, GSD, the City Council, the Mayor's Office, the CAO, and other City departments, it is important that regular reports be prepared and reviewed indicating, at a minimum, the status of:

- ☐ Expiring leases and lease concentration
- ☐ Month-to-month leases, including estimated net cost to the City of continuing the leases
- ☐ Owned building deferred maintenance report

- ☐ Non-profit lease status report

This effort, combined with the strategic option papers from Recommendation 1, will address additional support requirements of the MFC.

## WORKLOAD MANAGEMENT

**Key Finding:** *The majority of AMD's staff time is devoted to managing transactions with minimal time allocated to planning, strategic development, appraisals, and training and development.*

Exhibit 6 depicts the allocation of staff time as reported by 19 staff members of AMD, supplemented with interviews. Responses to a survey of the allocation of staff activities indicate that the bulk of the staff time is spent managing transactions – purchases, leases, and sales of property. Only 6% of staff time is spent on planning and strategic development. Only 3% is spent on training and development. In contrast, 10% of reported time is spent preparing or coordinating the preparation of appraisals – an important task, but one with less impact on the overall health of the City's property management.

### EXHIBIT 6 CITY OF LOS ANGELES GENERAL SERVICES DEPARTMENT: AMD STAFF ALLOCATION

DESCRIPTION OF TASK OR GROUP OF TASKS	% OF TIME OF RESPONDENTS	ESTIMATED FTEs*
General administration or supervision	17	3.2
Performing activities associated with moving City staff	13	2.5
Preparing or coordinating the preparation of appraisals	10	1.9
Purchase and relocation activities	7	1.3
Managing databases, and utility payments	6	1.1
Coordinating with the City Attorney on lease or purchase matters	6	1.1
Citywide and department planning and strategic development	5	1.0
Coordinating with other City departments to assure due diligence	5	1.0
Working with landlords or brokers to negotiate changes or new leases	5	1.0
Surplus sales activities	5	1.0
Developing location options for needed additional property	5	1.0
Managing City approvals	4	0.8
Monitoring escrow documents	4	0.8
Managing repairs and other changes to leased properties	3	0.6
Negotiating leases with non-profit and other tenants	3	0.6
Training	2	0.4
<b>Total FTEs</b>	<b>100%</b>	<b>19.0 FTEs</b>

**\*Note:** FTEs = full-time equivalents or the number of full-time employees required to perform this task, which is aggregated across the current staff headcount. Because 19 incumbents completed the survey, the FTEs are based on this response rate.

AMD does not avail itself of tools available for managing its workload. Performance measurement, especially when outcome directed, can provide assistance in developing priorities. Process evaluation and re-engineering can identify and eliminate or reduce ineffective but time consuming efforts. Strategic planning, as suggested in Recommendation 1, can reduce or redirect overall work demands. Developing financial incentives so that departments prioritize their requests can reduce or refine demands from customers.

**Recommendation 7:** *AMD should consider charging for services performed for client departments, piloting the approach in such areas surplus property sales, moves and changes, and leasing properties.*

Charge-backs are one of several techniques AMD should consider as a means to actively manage its workload. Currently, before AMD undertakes detailed space and move planning, it verifies that the requesting department has available funds to cover the difference between its current lease costs and potential lease costs until the Leasing Account is refunded in the next budget year. AMD will perform other work for departments without verifying budget availability. At the very least, including a budget impact for requesting services will force requesting departments to prioritize their requests. Other techniques for workload management include:

- ☐ Strategic planning (Recommendation 1)
- ☐ Performance measurement (Recommendation 12)
- ☐ Process re-engineering (Recommendation 9).

## ORGANIZATION

**Key Finding:** *Transactions associated with managing City properties take precedence over planning for effective asset management.*

The staffing patterns indicate that demand for transaction processing can overwhelm more deliberative planning needs.

**Recommendation 8:** *AMD should set up a separate unit to handle planning and reporting functions.*

As shown in Exhibit 6, AMD staff members are primarily consumed with handling the transactions associated with managing City properties, as contrasted with planning for asset management. The large number of City properties under lease and owned combined with the cumbersome processes associated with review and approval associated with each transaction

contribute to this problem. A small planning and reporting unit, segregated from the transaction staff, would provide for dedicated attention to the issues outlined in Recommendation 1. Asset Management divisions in the Cities of Chicago and Seattle have separated this function.

## C – PROCESS IMPROVEMENTS

KH prepared flow charts of five processes central to AMD's performance, presented in Appendix E:

- ☐ Section 1: Leases to Non-Profit Organizations
- ☐ Section 2: Surplus Property Disposal
- ☐ Section 3: Filling Need for Additional Space for Department
- ☐ Section 4: Acquiring New Property
- ☐ Section 5: Office Space Design and Move

Evaluation of the flow charts reveals the complexity of the processes administered. Each process involves multiple levels and iterations of reviews, includes several participants over which AMD has no authority, and requires many individual decisions and assessments. As a result, many of them are very time consuming, hence are excellent candidates for assessment and improvement.

### PROCESS RE-ENGINEERING

**Key Finding:** *The City's asset management processes are complex and time-consuming, involving more decision-makers than just AMD, with little formally defined procedures and direction.*

As shown in the flow charts in Appendix E, for most of the processes, AMD is only one of many players in City Asset Management. Only leasing has written procedures. While the leasing manual includes all relevant activities associated with leasing properties where the City is a tenant, it would be more useful if it were made current and more formal. The processes are complex, involve many decision points, and are very time consuming. Furthermore, AMD's role is largely reactive. AMD has limited tools to affect priority setting and response times in other stakeholders. Therefore, it is not unusual for lease processing or surplus sales to drag on for months, which can lead to expensive consequences such as the imposition of month-to-month leases. At the same time, AMD is perceived as the manager of the transactions, and is held responsible for their speedy resolution.

Of particular concern is how much time (displayed in Exhibit 6) is spent in:

- ☐ Interdepartmental coordination processes (with the City Attorney on lease or purchase matters and other City departments to assure due diligence (2.0 FTEs or 11% of each AMD staff member's time)



- ☐ Clearance and approval of transactions (0.7 FTEs or 4% of each AMD's staff member's time)
- ☐ Administration and supervision (3.1 FTEs or 17% of each AMD staff member's time.).

Total transaction times can be very long, with disposition of surplus property taking, on average, 12 to 19 months per property. Demand for properties when they are posted and offered for sale on the Internet, will only exacerbate the problems of disposing of surplus property.

**Recommendation 9:** *AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property disposal.*

Surplus property is of particular concern because it has the highest "backlog" of all the functions. Furthermore, every time the City takes over a property, it inherits the additional work to dispose of it; on average, AMD devotes 0.9 FTEs (or 5% of its staff time) to surplus sales activities, as shown in Exhibit 5. The Surplus Property disposal strategic plan should consider the following to dispose of properties:

- ☐ City Council motion delegating to AMD, without further review, the sale of any surplus property valued less than \$10,000
- ☐ Expanded auctions
- ☐ Expedited program for disposing of surplus property to adjacent residents (e.g., Chicago's ANLAP)
- ☐ Contracting out significant elements of surplus property disposal.

Delegation by the MFC and City Council for certain transaction decisions can reduce time spent on processes. AMD is preparing for MFC, Mayoral and Council review a program dubbed "Own a Piece of LA." This program would call for virtually donating very small pieces of property to adjacent property owners without additional review, and would reduce the inventory by more than 500 parcels. This parallels efforts by the Cities of Chicago and Boston, which have delegated authority to the Asset Management function to sell surplus City-owned property to adjacent homeowners.

Purchase of property would also benefit from re-engineering. The City is hampered in its ability to effectuate purchases because of time-consuming reviews, and the need to clear decisions on a schedule, which includes MFC, Mayoral and Council review.

A future process improvement target should be the development of a work team with the City Attorney. Because AMD must work closely with the City Attorney in all transactions, AMD should spearhead an effort with the City Attorney to regularize, as much as is possible, many of the legal documents. A standard form of lease should be developed, minimizing the legal

review. This is especially important in leases to non-profit organizations, in which the City should seek to minimize its administrative costs.

**Key Finding:** *The City has multiple databases for managing its assets – some within AMD and others within each of the three proprietary departments.*

AMD maintains a database of 731 current records captured in Aperture. In addition, AMD maintains the Building Book, a database that is not integrated with the Aperture system and is used in its monitoring of utility payments to the Department of Water and Power (DWP). There is no Citywide database; each of the proprietary departments – DWP, Department of Airports, and the Harbor Department – maintains separate information, using different, non-compatible systems.

AMD does not prepare and submit standard reports on the status of City property asset management. Ad hoc reports requested by the City Council covering proprietary departments' property often require extensive work to consolidate information from those departments not in the system. As a result, the City may seek space in an area where one of the proprietary departments may have space available but such information is not readily available.

**Recommendation 10:** *AMD should continue to work with other GSD units and the Proprietary departments to establish a Citywide database of properties so that routine reports can be readily produced and analyzed.*

The advantages of a Citywide database are numerous. Identifying contiguous surplus properties and the availability of vacant space adjacent to leased space can result in reduced costs or improved opportunities to generate revenues. While not perfect, AMD's database is well organized and easy to access using standard spreadsheet programs. It should be used as a model.

The GSD staff member in the Management Information Services Section, which maintains the AMD data, also works with other City departments to coordinate the development of such a system. Without significant support from the Mayor and the City Council encouraging the proprietary departments to cooperate, it will be difficult for the incumbent to succeed.

## DATA MANAGEMENT

**Key Finding:** *AMD should further refine its Lease Information System (LIS) and complete its data files, including leases with non-profit organizations.*

In creating and tailoring the Lease Information System (LIS), the Division's primary focus has been on leases with expense or income attached. Consequently, completing those data files on properties without such characteristics (e.g., leases to non-profit organizations at no charge) has

not been the highest priority. Completion of the database for these properties is an ongoing project for the Division staff.

Although the system is password protected, there are many users who can make changes to every record in the system, and LIS does not maintain a chronological log of changes to the data in the system.

**Recommendation 11:** *AMD supervisory staff should monitor security of LIS by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords.*

## D – PERFORMANCE

### PERFORMANCE MEASURES

**Key Finding:** *AMD largely measures performance through workload indicators rather than expected outcomes.*

AMD concentration of workload indicators encourages a process orientation as contrasted with an outcome orientation, and is not helpful in prioritizing work. While these measures usually provide effective comparability from year to year, they are not useful to help managing workload, they appear to be limited in their scope, and they are not helpful in assessing process effectiveness. When fiscal and human resources are scarce, as they are now in the City, measuring workload is a fruitless effort. When staff or money is reduced, the indicators drop. When staff is increased, the indicators rise. Priorities and outcomes cannot be usefully addressed or managed using these indicators.

In manufacturing industries, when the product can be produced in a predictable and consistent amount of time and the quality of the product can be measured clearly, workload output measures (like the ones used by AMD) can be used to assess individual performance and to schedule raw material delivery.

In contrast, although the services performed by AMD do have consistent outputs that are measured – buildings, leases, appraisals, reports – the amount of time it takes to complete each lease or each report varies widely and mostly unpredictably. Therefore, it would be unrealistic to expect, for example, that a fixed number of staff could prepare or execute a fixed number of leases or prepare a fixed number of reports. Similarly, if the number of leases prepared increased or decreased dramatically even though AMD used a constant number of staff, the explanation would predictably rest on the comparative complexity of the leases or the circumstances surrounding the negotiation. Leases and negotiations and property management assignments and reports are not widgets that can be counted.

Also, these measures are not helpful in allocating staff because AMD's potential workload exceeds the available staff resources, and probably will do so for the foreseeable future. Because of the size of the portfolio and the complexity of the processes associated with disposing of parcels, the City's surplus property portfolio cannot be disposed of in its entirety within a short- or medium-term planning window regardless of the assets devoted to that function. Measuring the products associated with each major function – lease negotiations, surplus property sold – cannot help AMD leadership decide whether to devote resources to one over the other.

In addition, the measures are not useful in helping AMD or its staff prioritize the work that it faces. Again using Surplus Property as an example, because it cannot dispose of all property in a reasonable time frame, AMD has decided which properties to sell, assigned a fixed small number of staff to the function, and disposed of some of the assets. AMD measures the number and value of the properties sold. When surveyed about the goals associated with this effort, staff who work on surplus property disposal rated minimizing liability to the City as a significantly more important goal than maximizing revenues. This judgment is proper. One significant court case against the City associated with injury on surplus property could easily exceed the revenues garnered to date through the sale of the property. Yet there are no measures associated with liability associated with the surplus property. This is doubtless because measuring such liability is a very difficult. Measuring the value received is comparatively easy. That does not make the value measure helpful in prioritizing the properties slated for sale, however.

Furthermore, the processes required to produce a lease document involve multiple entities outside of AMD, including among others the MFC, the City Attorney, and the City Council. Most of AMD's measures neither isolate AMD's contribution to the overall process nor provide useful information about how to streamline processes.

AMD is missing an opportunity to encourage staff to focus on customer service, turn-around or "through-put" times, or process improvement by limiting its measures to workload indicators.

***Recommendation 12:*** *AMD should develop additional outcome-based and process time measurements to improve workload management and staff productivity.*

While it is easy to criticize the measures used by AMD, finding better measures is in itself a difficult process. There are industry standards for some processes associated with the management of assets. Most of them are related to building maintenance and operations, which lie outside of AMD's purview. Other cities with Asset Management functions use a variety of measurement mechanisms. The City of Miami publishes a Balanced Scorecard with measures of Operational Efficiency, Customer Service, Innovation and Learning, and "Mission Accomplishment." For measurement, New York City only publishes the number of vacant lots under City management.

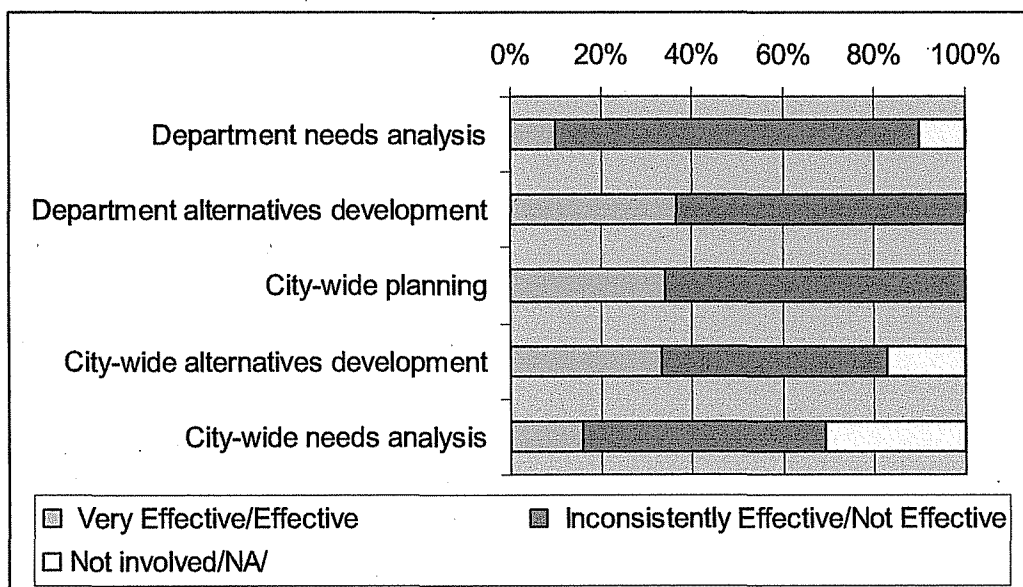
To develop improved measures, AMD should be guided by the strategies adopted by the MFC, the Mayor and the City Council, as well as by the process improvements referred to in previous recommendations. For example, if the City adopts a policy associated with placing City staff in owned property for core city functions, then AMD might develop a measure of staff or square footage replaced. If AMD seeks to streamline surplus property disposition, elapsed time measures for the process and each step will help identify which areas to target first. In addition, the Office Facilities Master Plan Final Report, March 1996, includes measures that might be considered, such as usable square footage per employee.

## CUSTOMER SERVICE

**Key Finding:** *“Customers” – City departments – are neutral regarding the effectiveness of AMD’s asset management efforts but tend to have greater satisfaction if housed in leased versus City-owned space.*

Appendix F displays the results of the customer survey performed for this performance audit. Overall, customers are not well satisfied with the results of asset management’s efforts. Exhibit 7 displays a summary of results of opinions regarding AMD’s effectiveness in Citywide and departmental planning. AMD staff opinions of their own effectiveness in these activities is significantly better, with more than one-half believing AMD is very effective or effective in all but one of the AMD services assessed in Exhibit 7.

**EXHIBIT 7**  
**CITY OF LOS ANGELES**  
**AMD CUSTOMER SATISFACTION SURVEY RESULTS OF**  
**AMD PLANNING SERVICES**



AMD PLANNING SERVICES	VERY EFFECTIVE/ EFFECTIVE	INCONSISTENTLY EFFECTIVE/ INEFFECTIVE	NOT INVOLVED/ NOT APPLICABLE
<b>Citywide Planning</b>			
Citywide needs analysis	16%	54%	31%
Citywide alternatives development	33%	50%	17%
Citywide planning	33%	64%	--
<b>Departmental Planning</b>			
Department specific needs analysis	10%	80%	10%
Department specific alternatives development	36%	64%	--

Significantly, customers were more pleased with AMD's efforts in leasing office property: 63% agreed or somewhat agreed that their organization was satisfied with leased property, while only 36% disagreed or somewhat disagreed with that statement. Similarly, about 60% of customers thought AMD was adequate or better in coordinating moves, while those who thought AMD did a poor job ranged from 13% to 33%. Very few were aware of AMD's efforts in leasing property to others – only three staff responded; unfortunately, none of them agreed that AMD was effective in those efforts.

The lack of measures that assess customer satisfaction with their efforts is telling. Customer service is one of the easiest and best ways of assessing the quality of the service provided. The City owns property to fulfill its responsibilities. AMD indirectly supports that effort by assuring sufficient office and other property, acquired and managed economically. Even if AMD writes and executes the best lease, if the property does not meet the needs of the City residents and staff, the quality of the documents does not matter. Nevertheless, AMD does not regularly seek the opinions of City staff – the direct providers of City services – about their satisfaction with the services related to them. Significant progress can be made in this area.

**Recommendation 13:** *AMD should solicit customer opinions of their major activities, and establish improvement targets as part of their measurement system.*

AMD can use this customer satisfaction survey as baseline data for future customer satisfaction surveys to determine whether it is improving in meeting customers' needs. In addition, this survey's results can be used for setting performance measurement targets for improvement within AMD.

**Key Finding:** *The Historic Core Policy has not resulted in the kinds of economic revitalization outcomes that the City had anticipated.*

Some City staff believes that policies such as the Historic Core Policy, lead to City employee dissatisfaction with their workspaces due to the condition of the neighborhoods in which the



buildings are located. Policies such as these were established by the City Council to encourage economic revitalization of neighborhoods by using the City as an anchor tenant. Their success has been uneven, largely because a focused effort at neighborhood revitalization requires significantly more than just an anchor tenant. Yet, the morale implications to City workers may be significant.

**Recommendation 14:** *AMD should advocate that the Historic Core Policy and similar initiatives are supplemented with the economic redevelopment initiatives to bring about lasting economic improvements.*

Good working environments will become more and more important as the City seeks to attract and retain staff. Furthermore, space designed to assure that City staff can work efficiently will contribute to overall City productivity. AMD should become a strong advocate for assuring that City facilities are good places to work. Where neighborhood revitalization goals make this a challenge, AMD must identify and advocate the need for other City departments to assist in neighborhood revitalization efforts. As part of this effort, AMD and its partners should assess the economic impact on the neighborhood at regular intervals so that successes can be learned from and duplicated, and ineffective efforts re-directed or stopped.

## E – SUMMARY

Implementation of change management requires an appreciation of how recommendations are dynamic and complement each other. For example, a new process or function may not be possible to put into place if the necessary talent cannot be expeditiously recruited to staff the function. The 14 recommendations address the following management concerns:

- ☐ **Strategic Orientation** — AMD must adopt a more strategic perspective for the City's assets because so many of its transactions have long-term implications and involve large dollar amounts.
- ☐ **Financial Performance** — AMD's role in the City directly affects overall financial performance because of the large dollars involved in real estate – both in terms of leases and ownership of properties. Therefore, AMD must effectively assess the cost-benefits, perform life-cycle cost analysis, and continually seek out revenue and cost reduction or containment options.
- ☐ **Customer Service Orientation** — AMD's customers are the MFC and the City's departments and AMD must be responsive to their needs.
- ☐ **Organization, Staffing, and Work Culture** — AMD's organization should be designed and nurtured to support its strategy. Form follows function. Structure follows strategy. Organization includes structure, reporting relationships, and work culture changes;

overall accountability; and enhanced communications within AMD, GSD, the City, and externally.

- ☐ **Human Resources** — Human Resources encompasses such critical areas as recruitment and hiring, compensation design, employee rewards and recognition, performance management, and training and development. For example, *GSD should ensure that its AMD staff members are paid competitively with their counterparts in other City departments.*
- ☐ **Process Improvements: Workflow and Technology** — Technology is an important factor for AMD to manage its large database, work collaboratively with the proprietary departments, and implement needed process improvements. Technology refers to all forms of technology, including information systems (software and hardware), telecommunications, equipment, etc. As already noted, for example, the benefits of some of AMD's extensive databases are not fully realized because of equipment limitations. AMD will also benefit from ongoing improvements to its processes and systems. Process improvements typically involve changes in people, processes, and technology.

KH has prepared a summary exhibit which highlights each recommendation in the performance audit. In the exhibit, each recommendation is listed in the order it is discussed in the performance audit and establishes:

- ☐ Relative importance, or the recommended timing of implementation: urgent, necessary, desirable
- ☐ Priority, or how strongly the recommendation will impact asset management
- ☐ Estimated implementation costs
- ☐ Degree of difficulty
- ☐ Related performance audit objective.

Exhibit 8 defines the symbols used in Exhibit 9.

**EXHIBIT 8**  
**CITY OF LOS ANGELES, GENERAL SERVICES DEPARTMENT:**  
**ACTION PLAN CONSIDERATIONS FOR THE AMD PERFORMANCE AUDIT**

<b>CONSIDERATIONS FOR EACH RECOMMENDATION</b>		<b>LEGEND FOR INFORMATION PROVIDED</b>
Importance <sup>4</sup>	☆☆☆ = Urgent: Immediate management attention is warranted ☆☆ = Necessary: Recommendation should be implemented no later than six months. ☆ = Desirable: Timing left to management discretion	
Degree of Difficulty	❖ = Easy to implement ❖❖ = Medium difficulty to implement ❖❖❖ = Difficult to implement	
Priority	△△△ = High: Has potential to significantly affect value of portfolio or efficiency of staff △△ = Moderate: Will positively affect portfolio value or staff efficiency △ = Low: Will affect only part of the portfolio or fewer staff resources	
Estimated implementation costs	>\$ = Potential new revenue or savings generated =\$ = Cost neutral -\$ = Investments required	
Related performance audit objective	The cited numbers refer to the performance audit objective listed in Section II.	

<sup>4</sup> Importance assessment is consistent with definitions established by the City Controller ranking of recommendations

**EXHIBIT 9**  
**CITY OF LOS ANGELES**  
**GENERAL SERVICES DEPARTMENT, ASSET MANAGEMENT DIVISION:**  
**ACTION PLAN FOR IMPLEMENTING THE RECOMMENDATIONS**

RECOMMENDATION	IMPORTANCE	ESTIMATED IMPLEMENTATION COST	DEGREE OF DIFFICULTY	PRIORITY	RELATED AUDIT OBJECTIVE
<p>1) AMD should develop option papers addressing financial, operational and policy implications for MFC, Mayoral and City Council consideration that facilitate coherent, planned decisions.</p> <p><input type="checkbox"/> These papers should address, as a start, overall City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal.</p> <p><input type="checkbox"/> AMD should work with the MFC, Mayor and the City Council to generate consensus on the overall strategies or policy directions, and use them as guidance for planning and prioritizing its work.</p>	☆☆ Necessary	-\$ One or two additional staff members initially; \$200,000 for all operating costs of unit	❖❖ Medium	△△△ High	1, 5
<p>2) When proposing purchases of property, AMD should prepare a complete assessment of financial and non-financial impacts, and indicate how the purchase fits into the strategic direction.</p> <p><input type="checkbox"/> To implement the strategy, AMD should have the ability to retain professional consultants paid directly by the City to perform necessary analysis</p>	☆ Desirable	=\$ None; cost of advisory services offset by savings if budgetary accommodations are made	❖❖ Medium	△△ Moderate	3
<p>3) AMD should propose an extension of the reach of the policy regarding leasing to non-profit organizations to cover all non-profit tenants in the City.</p>	☆☆ Necessary	=\$ None	❖❖❖ Hard	△△ Moderate	2

RECOMMENDATION	IMPORTANCE	ESTIMATED IMPLEMENTATION COST	DEGREE OF DIFFICULTY	PRIORITY	RELATED AUDIT OBJECTIVE
4) AMD should prepare an estimate of the value of all properties leased or re-leased to non-profit organizations, and solicit direction from MFC about which City department is responsible for assuring that value of services received by the City offset the value of the property.	☆ Desirable	=\$ None; could require reassignment of approximately .3 FTE staff effort	❖❖❖ Hard	△△ Moderate	2
5) AMD should revise its mission statement and website to more accurately portray the breadth of its functions, and to reflect its appropriate role in: <input type="checkbox"/> Framing issues <input type="checkbox"/> Reporting on City performance on overall asset management <input type="checkbox"/> Managing real estate transactions for the City.	☆ Desirable	=\$ None	❖ Easy	△△ Low	1
6) AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC.	☆☆ Necessary	=\$ None	❖❖ Medium	△△△ High	1, 5
7) AMD should consider charging for services performed for client departments, piloting the approach in such areas: <input type="checkbox"/> Surplus property sales <input type="checkbox"/> Moves and changes <input type="checkbox"/> Leasing properties.	☆ Desirable	=\$ Potential costs for administering chargeback could require 1 to 2 additional clerical staff members potentially offset by reduced demand for services	❖❖❖ Hard	△ Low	1

RECOMMENDATION	IMPORTANCE	ESTIMATED IMPLEMENTATION COST	DEGREE OF DIFFICULTY	PRIORITY	RELATED AUDIT OBJECTIVE
8) AMD should set up a separate unit to handle strategic planning and reporting functions.	☆☆ Necessary	=\$ No additional cost other than required to plan; better planning should result in better use of resources	❖❖❖ Hard	△△△ High	1
9) AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property disposal.	☆☆ Necessary	>\$ Could lead to improved worker efficiency and savings	❖❖ Medium	△△ Moderate	1
10) AMD should continue to work with other GSD units and the Proprietary departments to establish a Citywide database of properties.	☆☆ Necessary	=\$ None	❖❖❖ Hard	△△△ High	3
11) AMD supervisory staff should monitor security of LIS by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords.	☆☆☆ Urgent	=\$ None	❖ Easy	△△ Moderate	1
12) AMD should develop additional outcome-based, and process time measurements to improve workload management and staff productivity.	☆☆ Necessary	=\$ None	❖❖ Medium	△△ Moderate	1
13) AMD should solicit customer opinions of their major activities, and establish improvement targets as part of their measurement system.	☆ Desirable	=\$ None	❖❖ Medium	△△ Moderate	4



RECOMMENDATION	IMPORTANCE	ESTIMATED IMPLEMENTATION COST	DEGREE OF DIFFICULTY	PRIORITY	RELATED AUDIT OBJECTIVE
14) AMD should advocate that the Historic Core Policy and similar initiatives are supplemented with the economic redevelopment initiatives to bring about lasting economic improvements.	☆ Desirable	-\$ In short-term, significant investment in the City but the economic revitalization should increase tax revenues.	❖❖❖ Hard	△△△ High	1

## **APPENDICES**

- APPENDIX A: PERFORMANCE AUDIT OBJECTIVES  
AND QUESTIONS**
- APPENDIX B: LIST OF DOCUMENTS REVIEWED**
- APPENDIX C: LIST OF INTERVIEWS**
- APPENDIX D: CHART OF BENCHMARKED CITIES**
- APPENDIX E: FLOW CHARTS OF KEY PROCESSES**
- APPENDIX F: RESULTS OF CUSTOMER SURVEY**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES



**APPENDIX A:  
PERFORMANCE AUDIT  
OBJECTIVES AND QUESTIONS**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

## **APPENDIX A – PERFORMANCE AUDIT OBJECTIVES AND QUESTIONS**

1. *To evaluate the efficiency, effectiveness, and controls of the Division in achieving its mission and accomplishing its goals in managing City's real properties.*
  - a. What is the mission of AMD?
  - b. Has the Division been given appropriate responsibility and authority to accomplish its mission? Is the mission achievable?
  - c. Are staffing levels appropriately allocated to accomplish the Division's mission?
    1. If there are useful industry standards for comparison (staff per million square feet of leases managed or staff per square foot of move plans), how well does the Division compare to those standards? If useful standards are not available, do staff resources appear proportionate to accomplish the work assigned?
    2. How successful has the Division been in developing policies or planning work so that professional attention is directed toward the most critical issues?
    3. What are the service standards, performance measurements or key performance indicators (KPIs) for the Division's sections? How well does each section meet the performance indicators? How well do the standards measure success in accomplishing the Division's mission?
    4. Who are the customers/beneficiaries of the services provided by the Division? How satisfied are they with the provision of services?
  - d. How do the activities, mission, and measures compare to the Asset Management functions of 3 other large cities?
2. *To evaluate whether leasing activities of the Division resulted in maximizing lease revenues within public policy guidelines.*
3. *To determine if long-term leases entered into by City offices/departments are reasonable, including an evaluation whether it is cost-effective for the City to purchase the properties instead of entering into long-term leases.*
4. *To evaluate whether the Division effectively analyzes space utilization needs of the City's workforce, such as reconfiguring existing/available spaces versus leasing additional office spaces.*

a. To what extent does the City attempt to match current and projected office and other space needs with the existing property portfolio?

1. How complete is the property database?

2. How comprehensive is the needs analysis?

a) Does it include all City departments/offices?

b) How are the needs of not-for-profit service providers to the City considered?

3. How effective is the Division in matching needs to available space?

b. How are properties evaluated that are currently vacant or projected to become vacant?

1. Are they considered as potential candidates to meet current or projected needs?

2. What policies and procedures (other than maximizing revenues to the City) govern decisions to lease excess properties to other organizations?

3. What policies and procedures govern decisions to declare properties surplus and to dispose of excess properties?

a) How is valuation of surplus property conducted, and how well does it maximize revenues to the City?

**5. *To assess the effectiveness of GSD's role in connection with the Municipal Facilities Committee (MFC)***

a. Does GSD furnish the MFC with sufficient, timely information to make informed recommendations regarding the City's management of its property assets?



**APPENDIX B:  
LIST OF DOCUMENTS REVIEWED**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES



## **APPENDIX B – LIST OF DOCUMENTS REVIEWED**

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1. Mission Statement, Asset Management
2. General Services Department and Asset Management Budget Spreadsheets, 2002-2003
3. Budget Sheet, General Services Department, FY 2002-2003
4. AMS Project Documentation
5. Building Book by Address
6. Building Book by Department
7. City Council Motion re: Audit of General Fund Utility payments
8. Memorandum from Mukri to Oppenheim; Accountability for Utility Usage, November 11, 2001
9. Memorandum from Comrie to Tatum; Recreation and Parks Water Costs for 1994-1995
10. Organization Chart, General Services Department
11. Organization Chart, Asset Management Division
12. GSD Leasing Account Approved Budget FY 2002-2003
13. Surplus Property Sales – Summary of completed transactions FY 1996-2003
14. Surplus Property Procedure flow chart
15. December 2002 Asset Management Divisional Assignments and Workload
16. List of properties with City as Lessor
17. List of properties, City as Lessee
18. Sample of lease – Laidlaw Education Services
19. Sample of Lease – African Firefighter's Benevolent Association
20. Policy Summary for Non-Profit Leases in the City of Los Angeles
21. Memorandum from Bacon to Ferraro; Leasing in the Historic Core, March 2, 1997
22. List of expiring leases within 365 days
23. Lease for Kajima building as sample of lease
24. List of Leases for non-profit organizations, CDD, Cultural Affairs, GSD
25. Status report on Appraisals Assignments in Progress, February 2003
26. Surplus Property Sales in Escrow, January 2003
27. Minutes of the Municipal Facilities Committee (MFC), June 2003 through March 2003
28. List of Council-controlled City-owned facilities
29. Special Acquisitions and Improvements Financing Funds; Article 2.5 of City Administrative Code
30. City of Los Angeles, Office Facilities Master Plan Final Report, March 1996
31. CAO Report, Building Maintenance Operations Study, December 1995
32. Office of the Controller, Audit Division Report on the Review and Analysis of the Asset Management Systems , March 2000
33. List of mandated maintenance programs
34. Annual Space Costs at Figueroa Plaza; Comparison of Lease versus Lease/Purchase and City Purchase Structures

35. Appraisal Review for Figueroa Plaza, Memorandum from Holloway to Jones-Sawyer, April 24, 2002, and attached appraisal from CB Richard Ellis, Inc.
36. CLA Report on Alternatives for Temporary Relocation of Parker Center, March 19, 2003
37. CLA Report on Staples Center LOC, March 14, 2003
38. Report Fujioka to IT&GS Committee on City Leases, February 10, 2003
39. Los Angeles Controller's Report on Financial Trends; April 2003
40. City of Los Angeles Budget 2003-2004
41. Minutes of City Council, IT&GS Committee Meetings, January 2003 through May 2003
42. Lease Documents – 5975 S. St. Andrews Place
43. Lease Documents – 615 Alma Real Drive, Pacific Palisades
44. Lease Documents – 110 & 216 N. Alameda St. (Parking Facility)
45. Lease Documents – 650 S. Spring St. 2-12, Los Angeles
46. Lease Documents – 3700 Wilshire Blvd., Los Angeles
47. Memorandum from Mukri to MFC re: Relocating departments from 419 and 433 S. Spring St., February 27, 2003
48. Asset Management Leasing Procedures Desk Manual
49. Building Vacancy Tracking Sheet, October 23, 2002
50. Citywide workspace standards, December 20, 1995
51. Schedule of Long Term Leases as Required by FASB No. 13 for FY Ending June 30, 2002
52. Cost Allocation Plan; Lease Expenditures by Department FY 2001-2002
53. City Council Resolution Establishing the MFC, October 2, 1956, and subsequent actions in 1989.

**APPENDIX C:  
LIST OF INTERVIEWS**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

## **APPENDIX C – LIST OF INTERVIEWS**

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1. Asset Management Staff Interviews:

- a. Reginald B. Jones-Sawyer, Director, Asset Management Division (AMD)
- b. Phil Tondreault, Deputy Director, AMD
- c. Robert Holloway, Property Manager II
- d. Chuck Rubin, Senior Management Analyst
- e. Lourdes Owens, Property Manager II
- f. Gregg Wilkins, Portfolio Manager
- g. Lynda Johnson, Tenant Services Manager
- h. Irene Saltzman, Senior Real Estate Officer

2. General Services Department (GSD) Staff Interviews:

- a. Jon Kirk Mukri, General Manager, General Services Department (GSD)
- b. David Paschal, Assistant General Manager (GSD), Property Management

3. Other Interviews:

- a. Gerry Miller, Office of the Chief Legislative Analyst (CLA)
- b. William Fujioka, City Administrative Officer (CAO), Office of the CAO
- c. Tim McCosker, Chief of Staff, Office of the Mayor
- d. Brad Smith, Deputy Chief Engineer, City of Los Angeles
- e. Mary Pearson, Director Real Estate Services, Fleets and Facilities Department, City of Seattle
- f. Raffi Sarrafian, Office of the Commissioner, Department of General Services, City of Chicago



**APPENDIX D:  
CHART OF BENCHMARKED CITIES**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

## APPENDIX D – CHART OF BENCHMARKED CITIES

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<b>Atlanta</b>  Bureau of Real Estate and Purchasing  Reports to Department of Administrative Services	The Bureau of Purchasing and Real Estate (BPPE) is responsible for the procurement of all materials, supplies, equipment, improvements to real property and professional and non-professional services used by City Agencies. BPPE manages construction contracts and contracts for professional and non-professional services. BPPE also is responsible for acquisition and disposition of real property.	<a href="http://www.ci.atlanta.ga.us/citydir/adminserv.html">http://www.ci.atlanta.ga.us/citydir/adminserv.html</a>
<b>Baltimore</b>  Department of Real Estate  Reports to Comptroller's Office	The Comptroller's Office has executive responsibility for the City's independent audit function, the Municipal Telephone Exchange, the Municipal Post Office, as well as the Department of Real Estate	<a href="http://www.baltimorecity.gov/government/comptroller.html">http://www.baltimorecity.gov/government/comptroller.html</a>



CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<p><b>Boston</b></p> <p>Real Estate Services/Property Management</p> <p>Reports to Department of Neighborhood Development</p>	<p>The mission of the Property Management Department is to manage, maintain, repair, and provide security for the City's municipal buildings including City Hall and Faneuil Hall; to preserve the useful life of City facilities and reduce operating costs through effective preventive maintenance measures; and to facilitate compliance with City ordinances involving environmental and employee residency regulations.</p> <p>Property Management performs the following activities:</p> <ul style="list-style-type: none"> <li>• Land and Building Sales</li> <li>• Clearinghouse</li> <li>• Boston Home Sites</li> <li>• Real Estate Disposition - Initiative/Building Sales</li> <li>• Real Estate Disposition - Initiative/Land Sales</li> <li>• "Yard Sale" Program (small lots sold to residential abutters)</li> <li>• Property Management</li> </ul>	<p><a href="http://www.cityofboston.gov/dnd/1_Real_Estate.asp">http://www.cityofboston.gov/dnd/1_Real_Estate.asp</a></p>
<p><b>Chicago</b></p> <p>Asset Management Bureau</p> <p>Reports to the Department of General Services</p>	<p>The Asset Management Bureau includes Leasing, Disposition, Acquisition of Real Estate, and maintains the City's Facility Portfolio.</p> <p>The Bureau maintains and monitors the inventory of City-owned properties, land, buildings and other real estate that best meets the needs of the citizens, departments, and offices of the City. It generates City revenue through the sale of City-owned vacant land and improved properties and returns these properties to the county tax roll.</p> <p>The Bureau purchases or leases properties for the City, and annually reviews the capitalization of owned and leased properties to identify refinancing or lease renegotiation opportunities.</p>	<p><a href="http://www.cityofchicago.org/GeneralServices/">http://www.cityofchicago.org/GeneralServices/</a></p>

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<b>Dallas</b>  Real Estate Division  Reports to Department of Development Services	Real Estate Division (formerly the Office of Property Management) administers real estate owned or to be acquired by the City	<a href="http://www.dallascityhall.com/dallas/eng/html/development_services_office.html">http://www.dallascityhall.com/dallas/eng/html/development_services_office.html</a>
<b>Denver</b>  Asset Management Office  Reports to Finance Office	<p>The stated goal of Asset Management is to manage the City's real estate portfolio to maximize public benefit and investments over time.</p> <p>The Office of Asset Management manages the City's Real Estate portfolio. Activities include buying, and selling real property, leasing of office and warehouse space, rights-of-way activities and related tasks.</p> <p>Most frequent demands are meeting the land, office and warehouse needs of other City agencies. Also, directly serve the public by granting licenses and construction easements, through the development of new facilities, through surplus property sales and through the City's "Black Gold" paving program. Other areas under its responsibility include investment and financial analysis, planning new construction, maintaining the City's facility master plan and management of lease agreements on City-owned property.</p>	<a href="http://www.denvergov.org">http://www.denvergov.org</a>
<b>Detroit</b> Real Estate Division  Reports to Planning & Development Department	<p>Mission: The mission of the Real Estate Division is to provide fiscally sound management of City-owned assets, consistent with available resources, in a manner compatible with the needs of the neighborhood and businesses, and to provide professional and courteous services to all customers.</p> <p>Services provided by the Real Estate Division include surplus property sales, disposition sales, acquisition of property, property management, and relocation services.</p>	<a href="http://www.ci.miami.fl.us">http://www.ci.miami.fl.us</a>

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<b>Miami</b> Property Maintenance  Reports to Director of General Services  Asset Management  Reports to Assistant City Manager for Planning and Development	The functions of Asset Management within the City of Miami are to coordinate and provide the necessary resources for leasing of property to and from other parties; categorize city-owned properties according to use (i.e. city operations, leased to third parties, vacant); identify properties for future sale or lease; establish market value for sale or lease; seek to maximize revenue potential and community use of municipally owned assets; monitor and enforce all contractual elements of leases and licenses; and establish future property tax potential. The office also maintains and updates on a regular basis the City property inventory.	<a href="http://www.ci.miami.fl.us">http://www.ci.miami.fl.us</a>
<b>New York</b>  Division of Real Estate Services  Reports to the Department of Citywide Administrative Services	Oversees the City's commercial real estate portfolio Leases or purchases privately owned properties for governmental use Acquires properties surrendered by other City agencies as surplus Leases city-owned property for private use Disposes of city-owned real estate by means of sales and lease auctions	<a href="http://www.nyc.gov/html/dcas/home.html">http://www.nyc.gov/html/dcas/home.html</a>
<b>Philadelphia</b>  Department of Public Property	The Department of Public Property manages the physical infrastructure that supports City government operations. To this end, the Department is responsible for the acquisition, disposition, lease, design, construction, renovation, and maintenance of City properties and the management of the City's communications systems. In addition, the Department administers the City's four cable television franchises and coordinates special events citywide.	<a href="http://www.phila.gov/property/realestate.html">http://www.phila.gov/property/realestate.html</a> <a href="http://www.phila.gov/personnel/specs/">http://www.phila.gov/personnel/specs/</a>

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<b>Phoenix</b>  Acquisition and Management of Real Property  Reports to Finance Department	The Finance Department of the City of Phoenix provides debt management and capital financing, advisory support, accounting and financial reporting, procurement of materials and services, treasury services, risk and inventory management, tax and licensing programs administration, and the acquisition and management of the City's real property.	<a href="http://www.phoenix.gov/FINANCE/index.html">http://www.phoenix.gov/FINANCE/index.html</a>
<b>Sacramento</b>  Real Estate Services is a unit of the Construction and Public Development Division of the Department of Public Works	Real Estate Services is an internal support unit that provides property-related services to various City departments. Such services include right-of-way acquisition, sale and purchase of property, appraisal, leasing, relocation assistance, consulting, feasibility analysis, cellular site permits, and special projects.  The stated mission of the Real Estate Services unit is to provide customer service that is accurate, timely, and of the highest professional standard.	<a href="http://www.pwsacramento.com">http://www.pwsacramento.com</a>

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<p><b>St. Louis</b></p> <p>The Asset Management Section</p> <p>Reports to the Comptroller's Office</p>	<p>The Asset Management Section manages a group of mutually exclusive City functions. These functions include Telecommunications, the Municipal Garage, Records Retention, Travel Management, and Real Estate.</p> <p>The Asset Management Section also represents the Comptroller's Office as a voting member of the City's Capital Committee. This role requires reviewing and analyzing City department requests for capital funds, allocating the funding among multiple projects, and completing the annual Capital Budget and 5-year Capital Plan. Asset Management fulfills a similar role in evaluating and determining the size and content of capital expenditure bond issues to be placed on the ballot and serves as the Comptroller's representative on various panels, selection committees and "ad hoc" study groups.</p> <p>The Real Estate Section is primarily responsible for collecting rent on City and Port leases, managing fire insurance escrow receipts, processing block grant deeds, canceling errant tax bills, and handling the sale or lease of City property. Other responsibilities include processing special liens against property owners including those created by the Mayor's new Problem Property Task Force. In its capacity as "City Landlord" this office advises other departments and actively handles transaction details in real estate acquisition, development, and management projects. Included among those departments are the St. Louis Development Corporation agencies, Bureau of Public Service, Board of Aldermen, Mayor's Office, Treasurer's Office, Fire Department, Water Department, and the Health Department.</p>	<p><a href="http://stlouis.missouri.org/citygov/comptroller/assetmgmt.html">http://stlouis.missouri.org/citygov/comptroller/assetmgmt.html</a></p>

CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<p><b>San Diego</b></p> <p>Real Estate Services</p> <p>Reports to Real Estate Assets</p>	<p>Real Estate Services manages the City's real estate portfolio by providing real property related services and assistance to all City Departments.</p> <p>Acquisition and Valuation Division: This Division acts as the City's agent and provides complete real estate valuation, acquisition, and relocation services in connection with public facilities and infrastructure projects.</p> <p>Asset Management and Marketing Division: This Division is responsible for managing City-owned properties. This includes leasing or permitting use of land, facilities or other assets. Other services provided include the leasing of facilities for use by City departments, sale of excess land, and Right-of-Entry permits for short term use of City property.</p>	<p><a href="http://www.sannet.gov/real-estate-assets/services.shtml">http://www.sannet.gov/real-estate-assets/services.shtml</a></p>
<p><b>San Francisco</b></p> <p>Real Estate Division</p> <p>Reports to Department of Administrative Services</p>	<p>Responsible for the acquisition of all real property required for City purposes, the sale of surplus property owned by the City, and the leasing of property required by various City departments. The Division also provides property management services for various City departments as well as managing City-owned buildings.</p> <p>In addition, the Division completes market value appraisals of property being considered for City sale or acquisition, and contracts for the demolition of obsolete City-owned buildings. The Division acts as a real estate consultant to City departments, the Mayor, and the Board of Supervisors.</p> <p>The Division has, as a primary goal, the development of the REIS Project- a web-based, accessible, inventory of all City-owned properties.</p>	<p><a href="http://www.ci.sf.ca.us/site/real-estate_index.asp">http://www.ci.sf.ca.us/site/real-estate_index.asp</a></p>



CITY AND DEPARTMENT NAME/REPORTING RELATIONSHIP	MISSION AND RESPONSIBILITIES	WEB ADDRESS
<b>San Jose</b>  The Real Estate Division  Reports to the Public Works Department	The Real Estate Division provides the following services to City departments: real property acquisitions; business and residential relocations; title reports; real property appraisals and estimates of value; rights of entry; joint use agreements and easements; public use and necessity hearings (as necessary for eminent domain actions); telecommunication leasing of City-owned property and conduit; and, pre-acquisition planning consultations	<a href="http://www.ci.san-jose.ca.us/pub_wrks/divisions.html">http://www.ci.san-jose.ca.us/pub_wrks/divisions.html</a>
<b>Seattle</b>  Real Estate Services Section  Reports to Fleets and Facilities Department	This department maintains listings of City-owned and operated property in a system known as the City Property Finder. Searching from a series of maps, the user can retrieve the name of the Property Management Area (PMA), the City department with jurisdiction over the property, the nature of the City's rights, the primary use of the PMA, and the size of the property. The department is also responsible for ongoing review of the City's property inventory and for coordinating decision-making processes for reuse and disposition of property.	<a href="http://www3.cityofseattle.net/realprop/">http://www3.cityofseattle.net/realprop/</a>

**APPENDIX E:  
FLOW CHARTS OF KEY PROCESSES**

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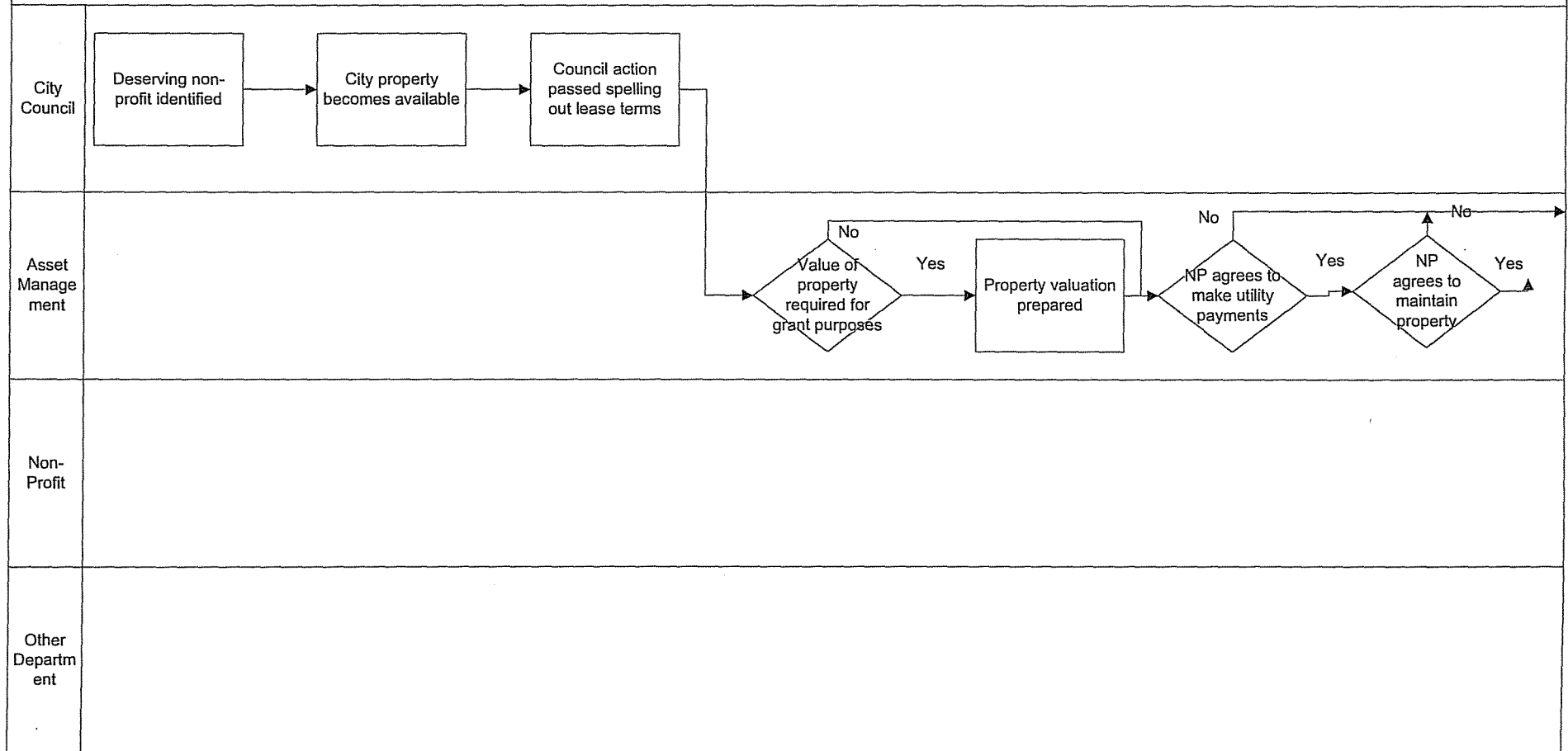
PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

## **APPENDIX E – FLOW CHARTS OF MAJOR ASSET MANAGEMENT FUNCTIONS**

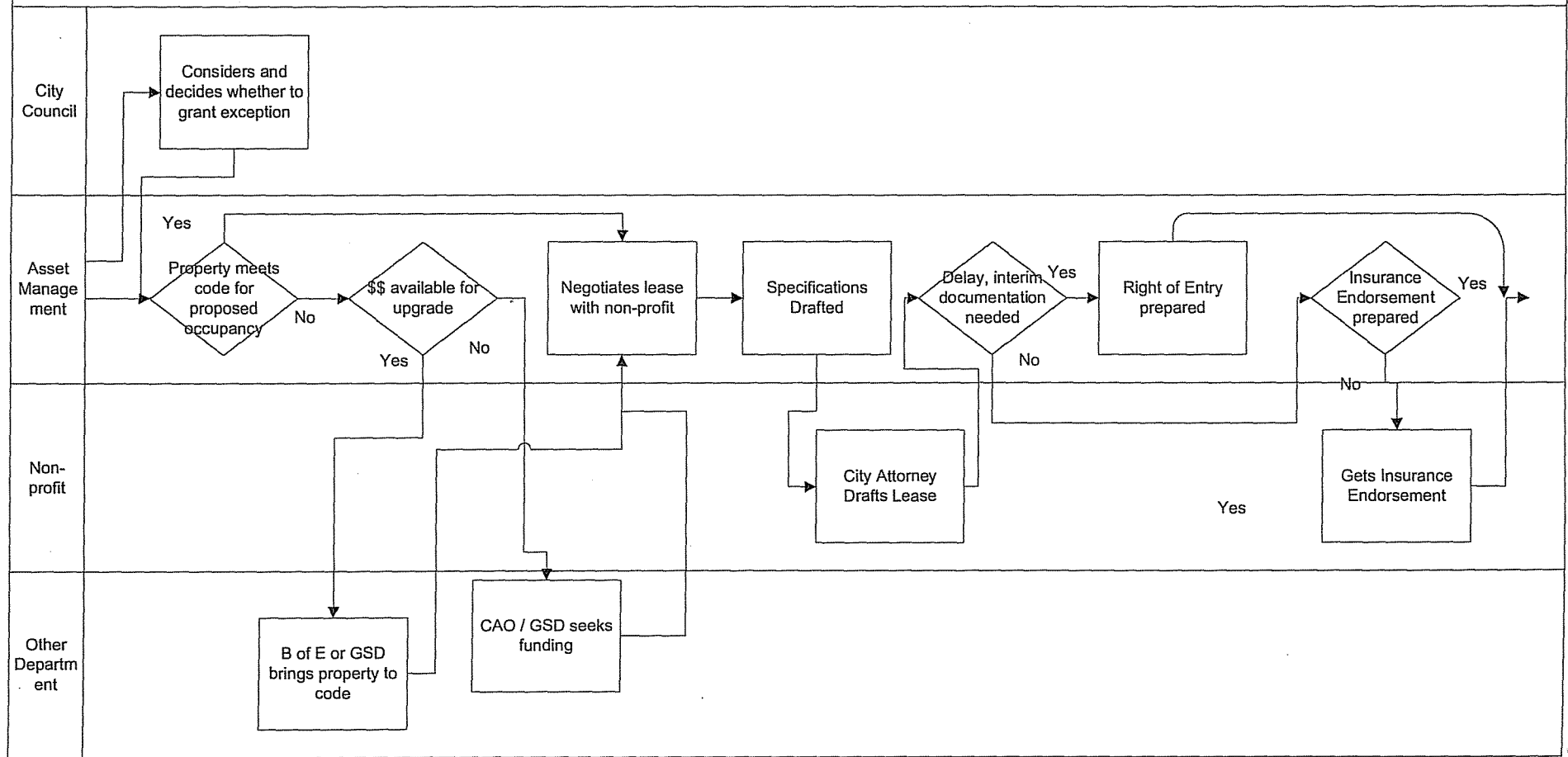
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	<b>PAGES</b>
<b>Section 1: Leases to Non-Profit Organizations</b>	<b>1-3</b>
<b>Section 2: Sale of Surplus Property</b>	<b>1-6</b>
<b>Section 3: Filling Need for Additional Space for Department</b>	<b>1-4</b>
<b>Section 4: Acquiring New Property</b>	<b>1-5</b>
<b>Section 5: Office Space Design and Move</b>	<b>1-2</b>

# LEASE OF PROPERTIES TO NON-PROFIT ORGANIZATIONS, Section 1 Page 1

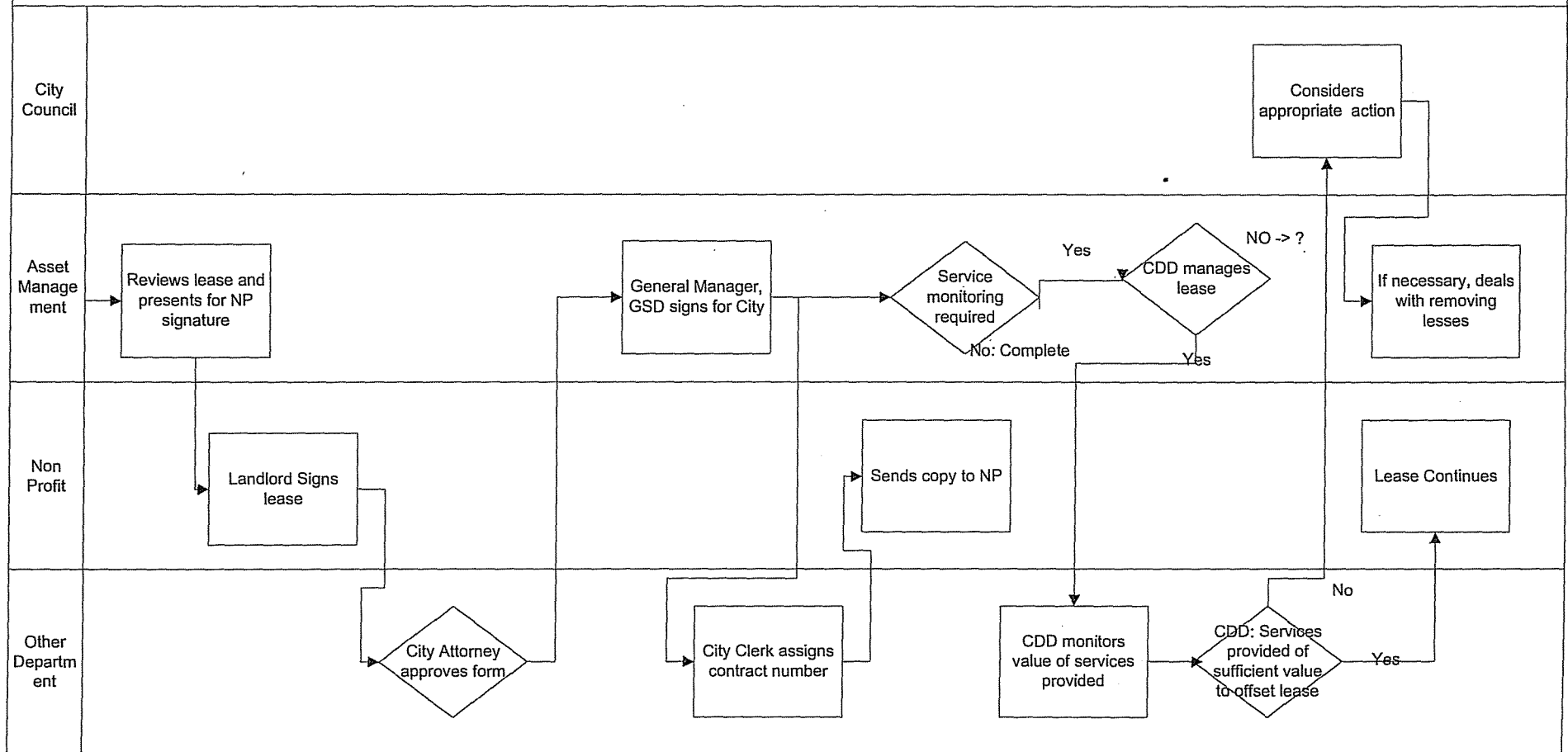


# LEASE OF PROPERTIES TO NON-PROFIT ORGANIZATIONS, Section 1 Page 2

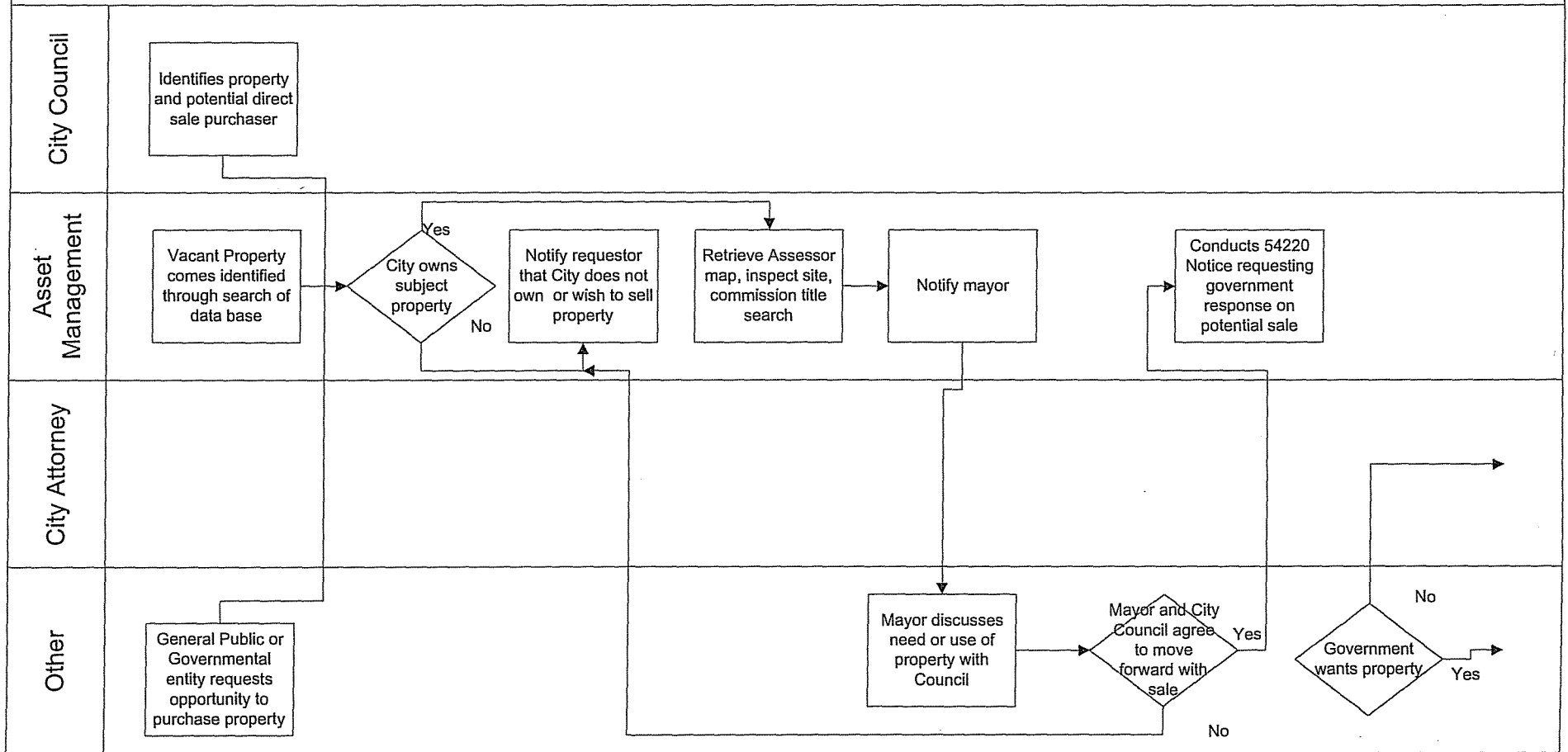




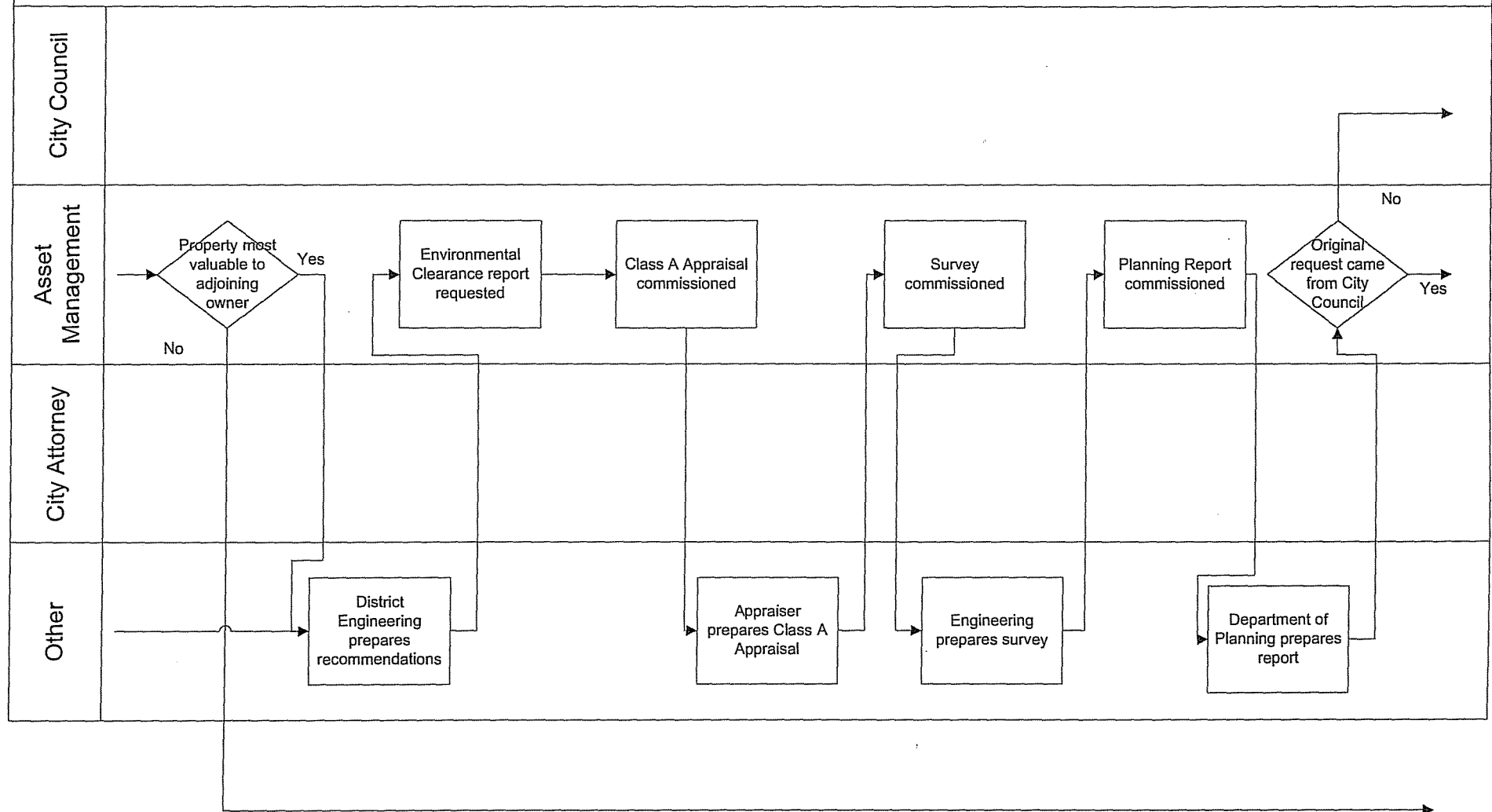
# LEASE OF PROPERTIES TO NON-PROFIT ORGANIZATIONS, Section 1 Page 3



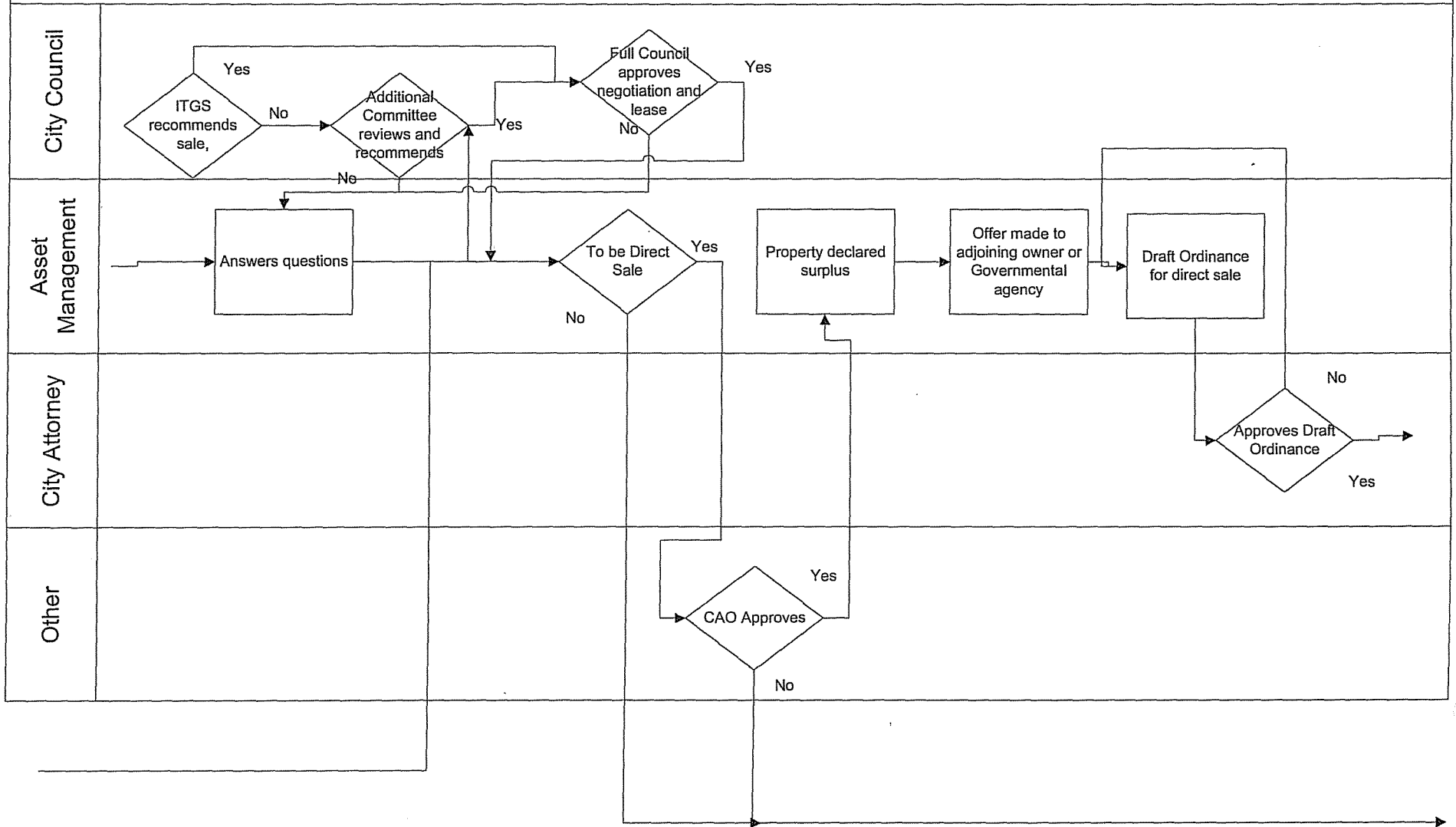
# SALE OF SURPLUS PROPERTY, Section 2 Page 1



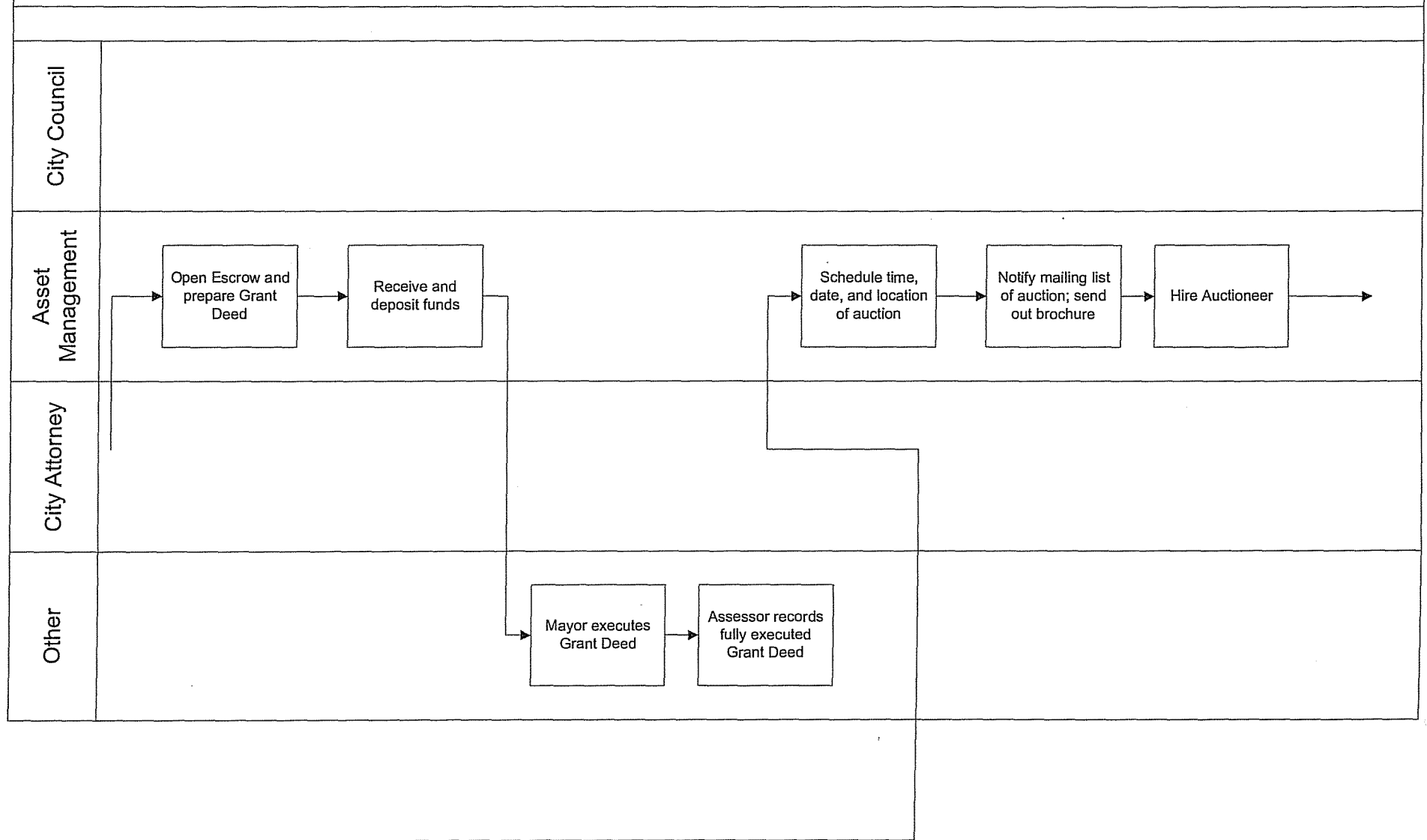
# SALE OF SURPLUS PROPERTY, Section 2 Page 2



# SALE OF SURPLUS PROPERTY, Section 2 Page 3

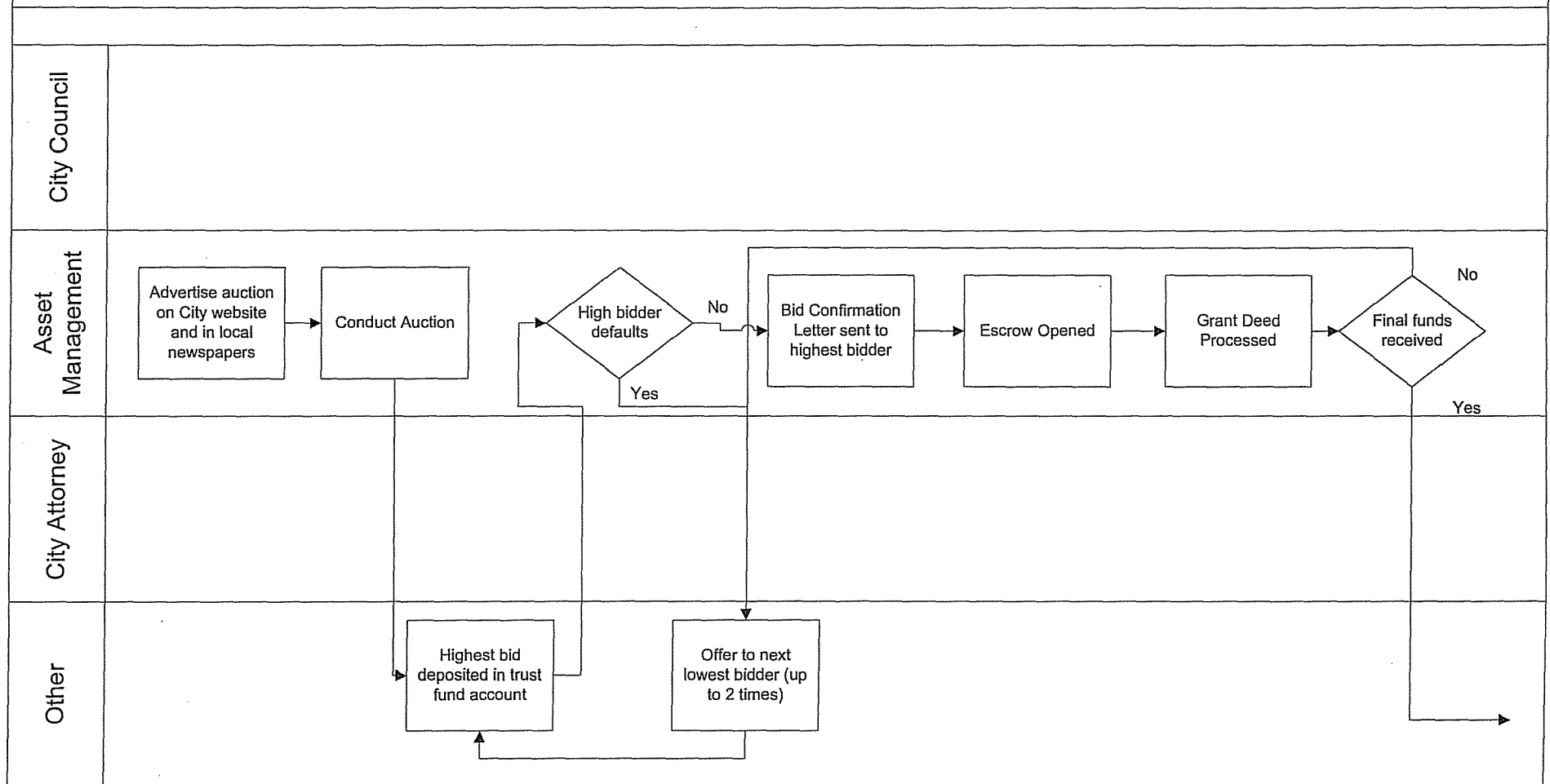


# SALE OF SURPLUS PROPERTY, Section 2 Page 4

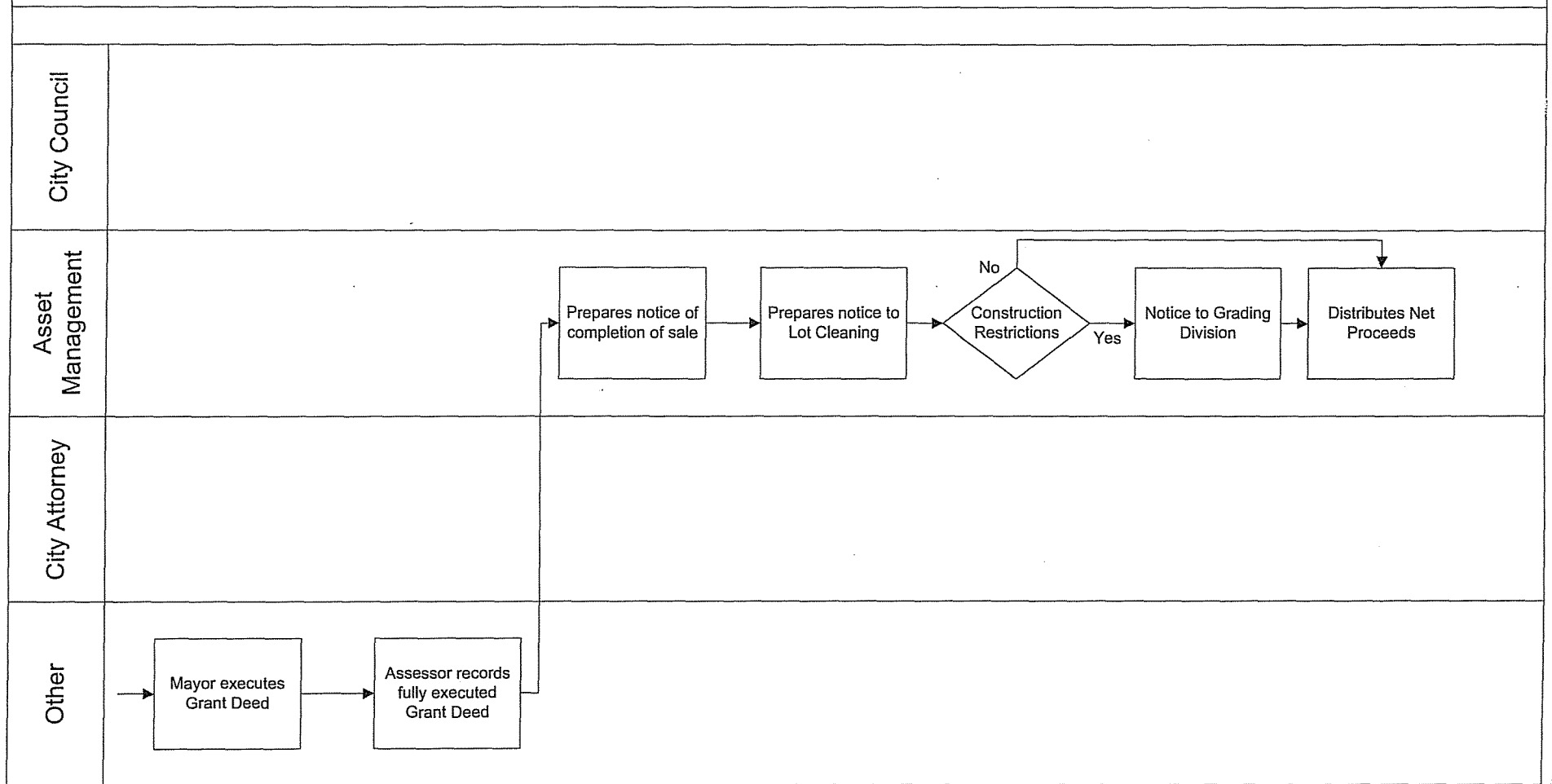




# SALE OF SURPLUS PROPERTY, Section 2 Page 5



# SALE OF SURPLUS PROPERTY, Section 2 Page 6



**FILLING NEED FOR ADDITIONAL OFFICE SPACE FOR DEPARTMENT, Section 3 Page 1**

City Council	MFC	Requesting Department	Asset Management	Other

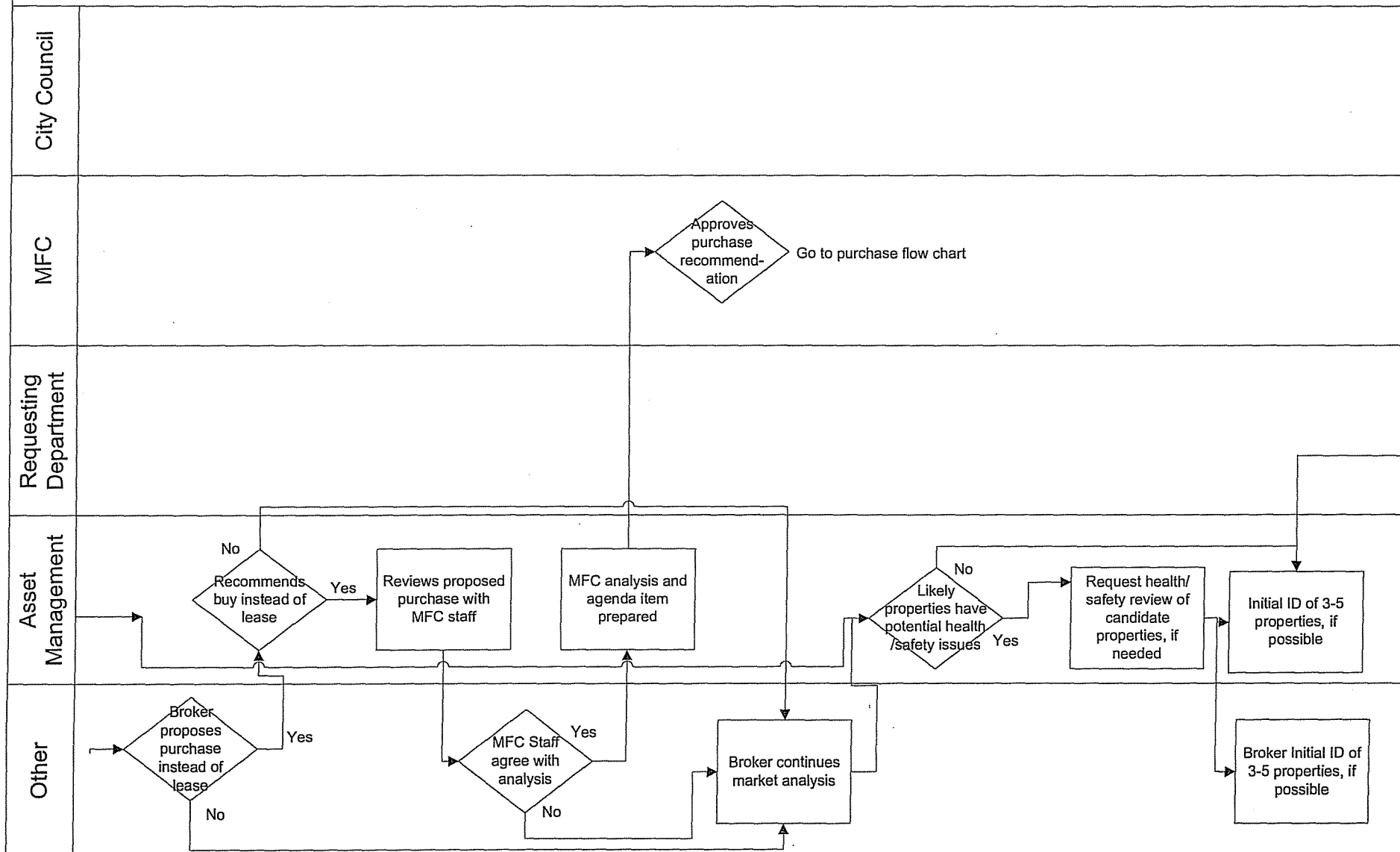
```

graph TD
    subgraph Requesting_Department [Requesting Department]
        A[Recognizes need for space and identifies preferred general area] --> B[Requests funds from CAO]
        C[Assesses request, prepares ballpark estimate including move, telecomm, and lease costs] --> B
    end

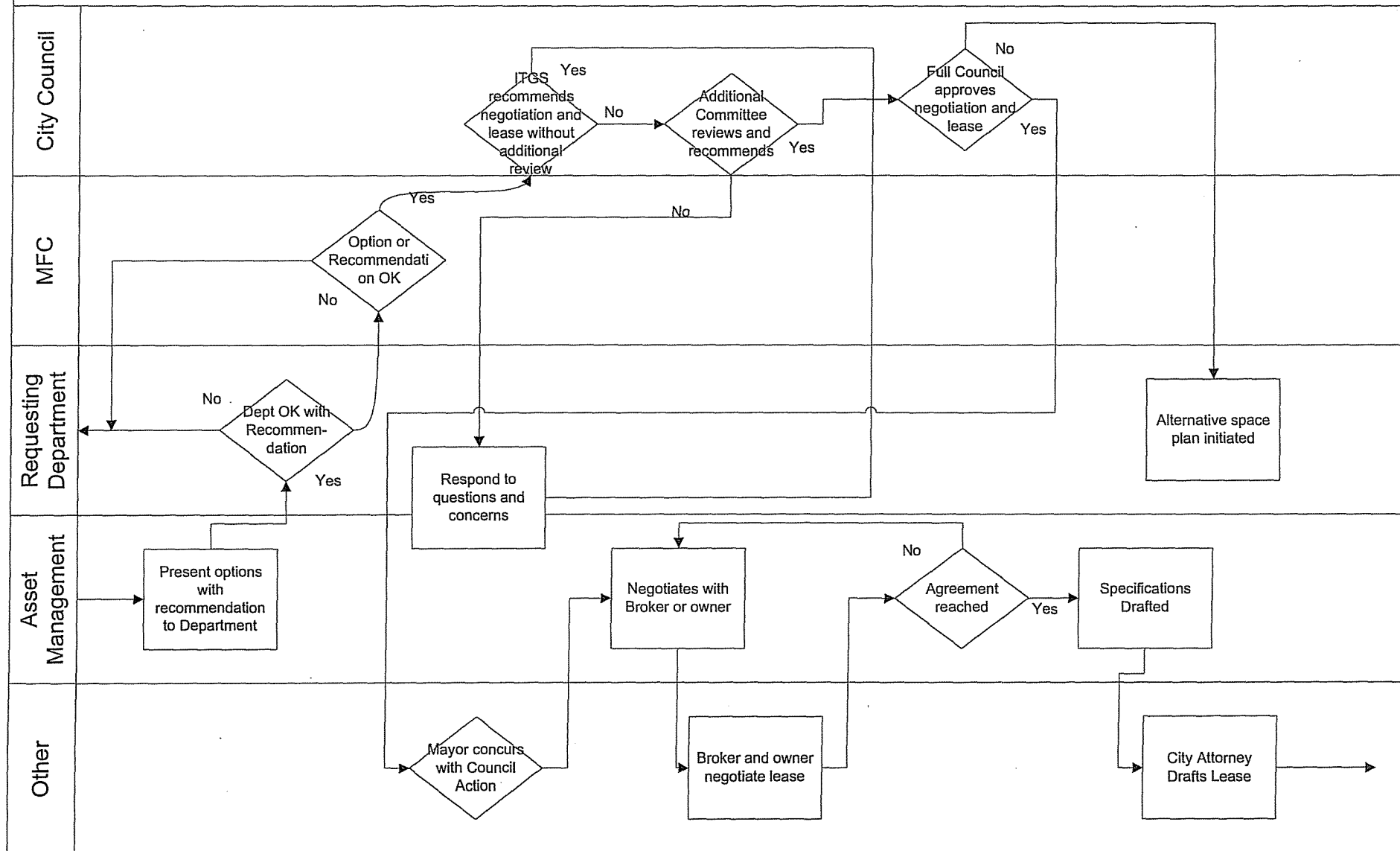
    subgraph Asset_Management [Asset Management]
        D[Assesses availability of space in city owned or leased buildings] --> E{Space needs can be met in city owned or leased buildings}
        F{Property needed is small} --> G[Market Research of properties including Dept recommendations]
        H{Dept. requested properties too expensive} --> I[Dept justifies location for programmatic reasons]
    end

    A --> D
    B --> J{CAO — $$ available}
    J -- No --> A
    J -- Yes --> C
    C --> E
    E -- Yes --> B
    E -- No --> F
    F -- Yes --> G
    G --> H
    H -- Yes --> I
    H -- No --> K[Broker does market analysis]
    K --> L[Broker performs lease/buy analysis]
    L --> M{MFC approves allocation of existing space}
    M -- Yes --> N[Co to Office Space Design and Move Chart]
    M -- No --> B
  
```

# FILLING NEED FOR ADDITIONAL OFFICE SPACE FOR DEPARTMENT, Section 3 Page 2



# FILLING NEED FOR ADDITIONAL OFFICE SPACE FOR DEPARTMENT, Section 3 Page 3





# FILLING NEED FOR ADDITIONAL OFFICE SPACE FOR DEPARTMENT, Section 3 Page 4

City Council	
MFC	
Requesting Department	
Asset Management	<div data-bbox="268 938 451 1071">Reviews lease and presents for landlord signature</div>
Other	<div data-bbox="445 1182 627 1323">Landlord Signs lease</div> <div data-bbox="682 1182 865 1323">City Attorney approves form</div> <div data-bbox="892 958 1075 1096">General Manager, GSD signs for City</div> <div data-bbox="1138 1182 1320 1323">City Clerk assigns contract number</div> <div data-bbox="1411 958 1593 1096">Sends copy to lessor</div> <div data-bbox="1684 998 1932 1047">Go to Office Space Design and Move flow chart</div>

Reviews lease and presents for landlord signature

Landlord Signs lease

City Attorney approves form

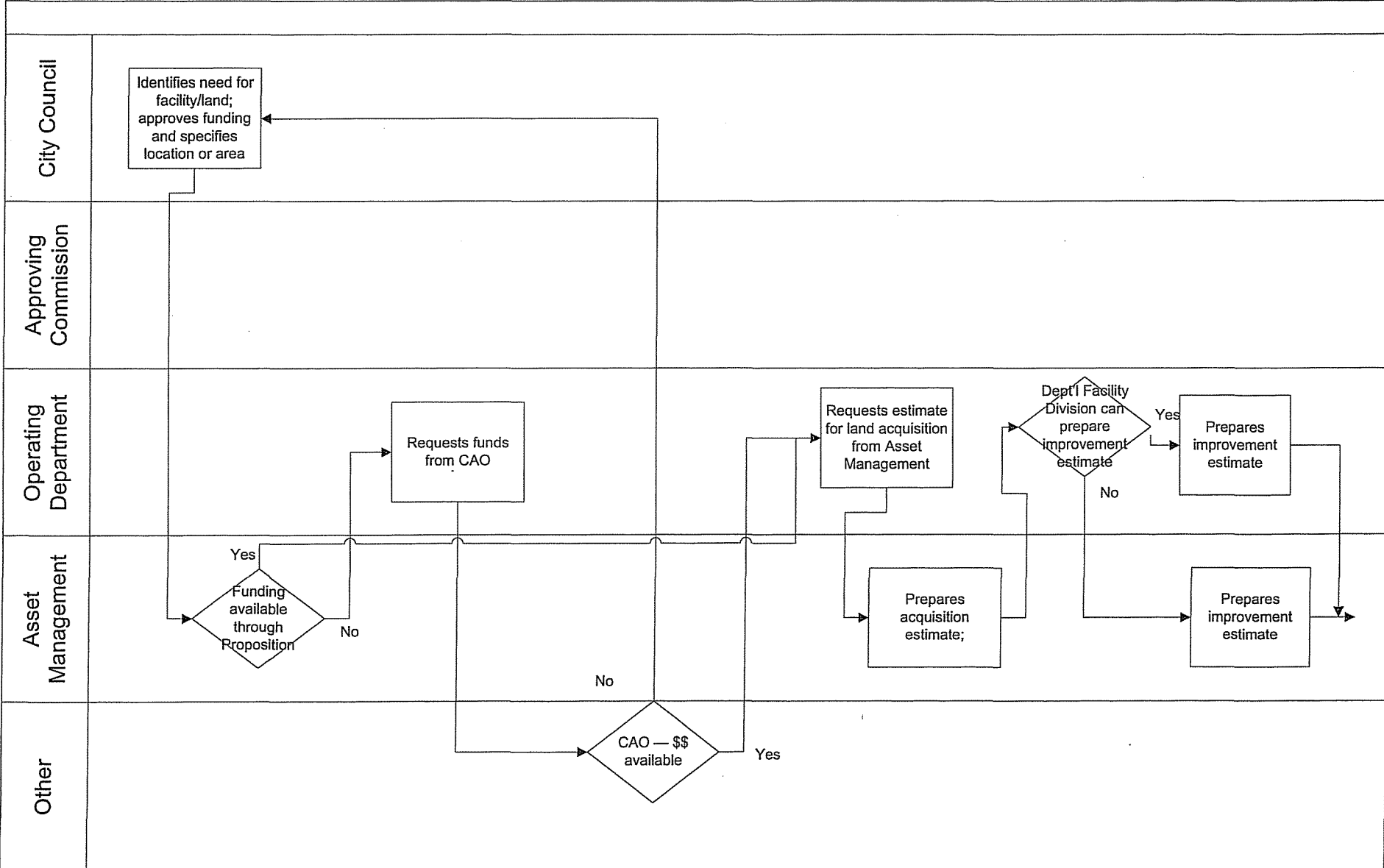
General Manager, GSD signs for City

City Clerk assigns contract number

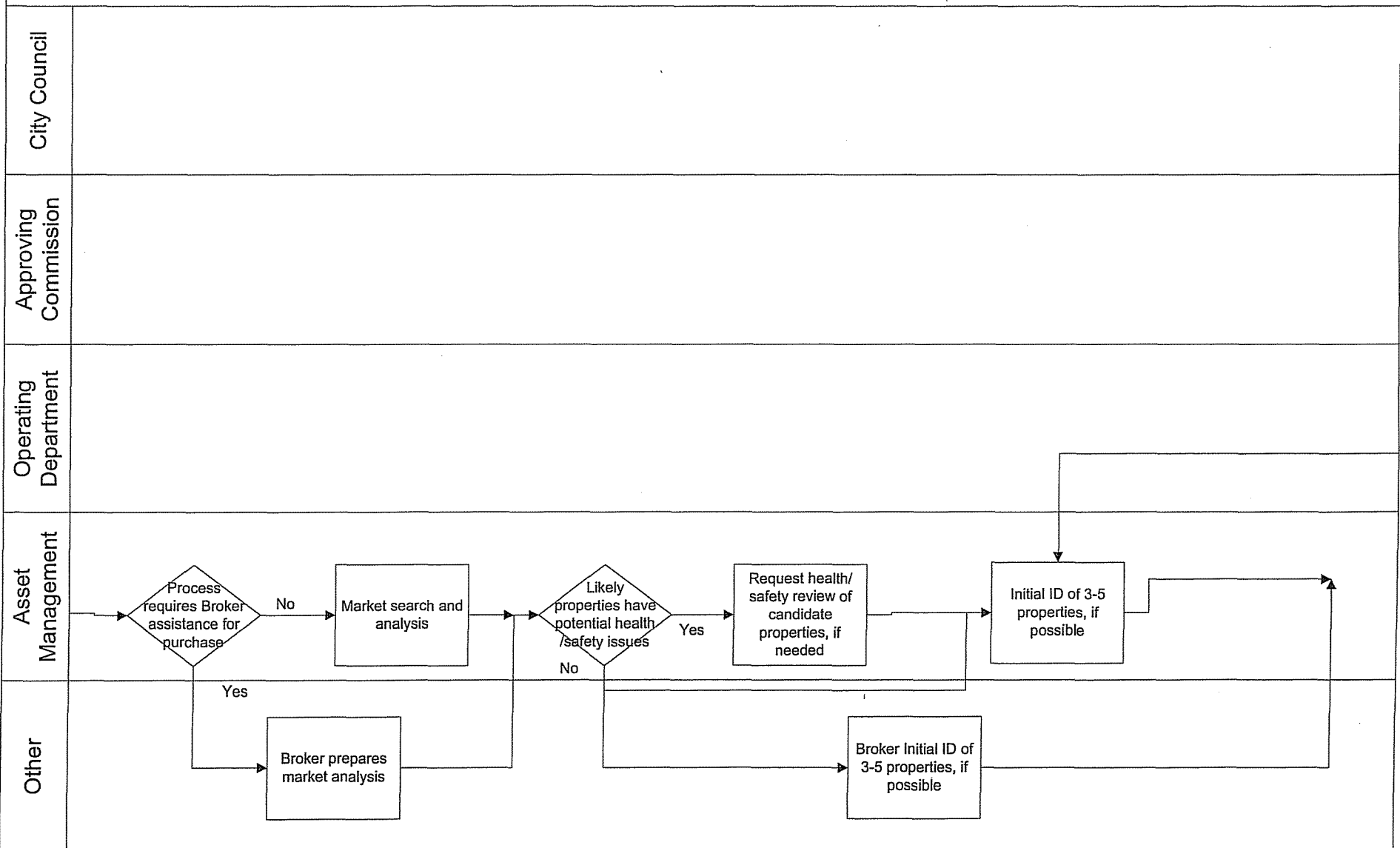
Sends copy to lessor

Go to Office Space Design and Move flow chart

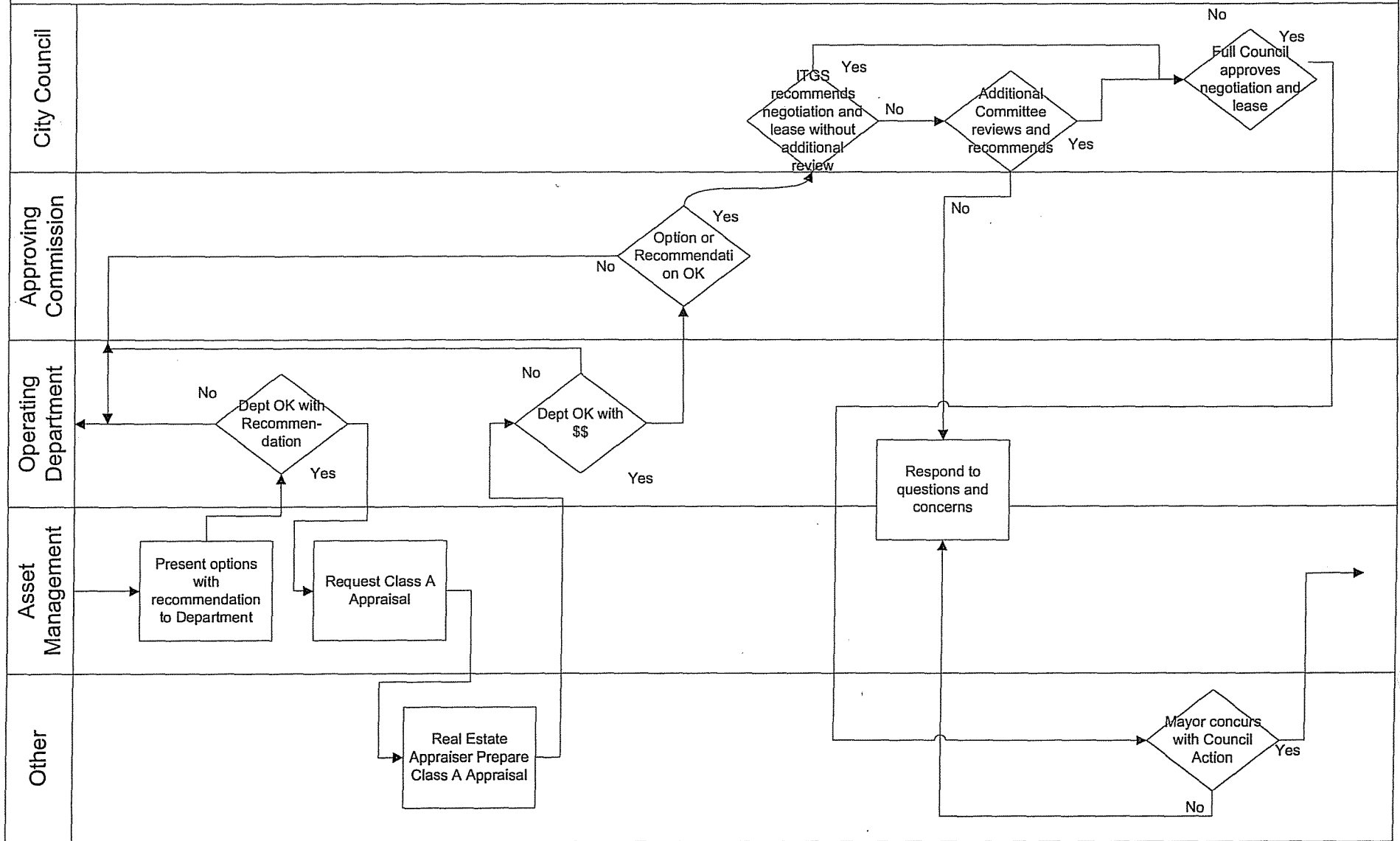
ACQUIRING NEW PROPERTY, Section 4 Page 1



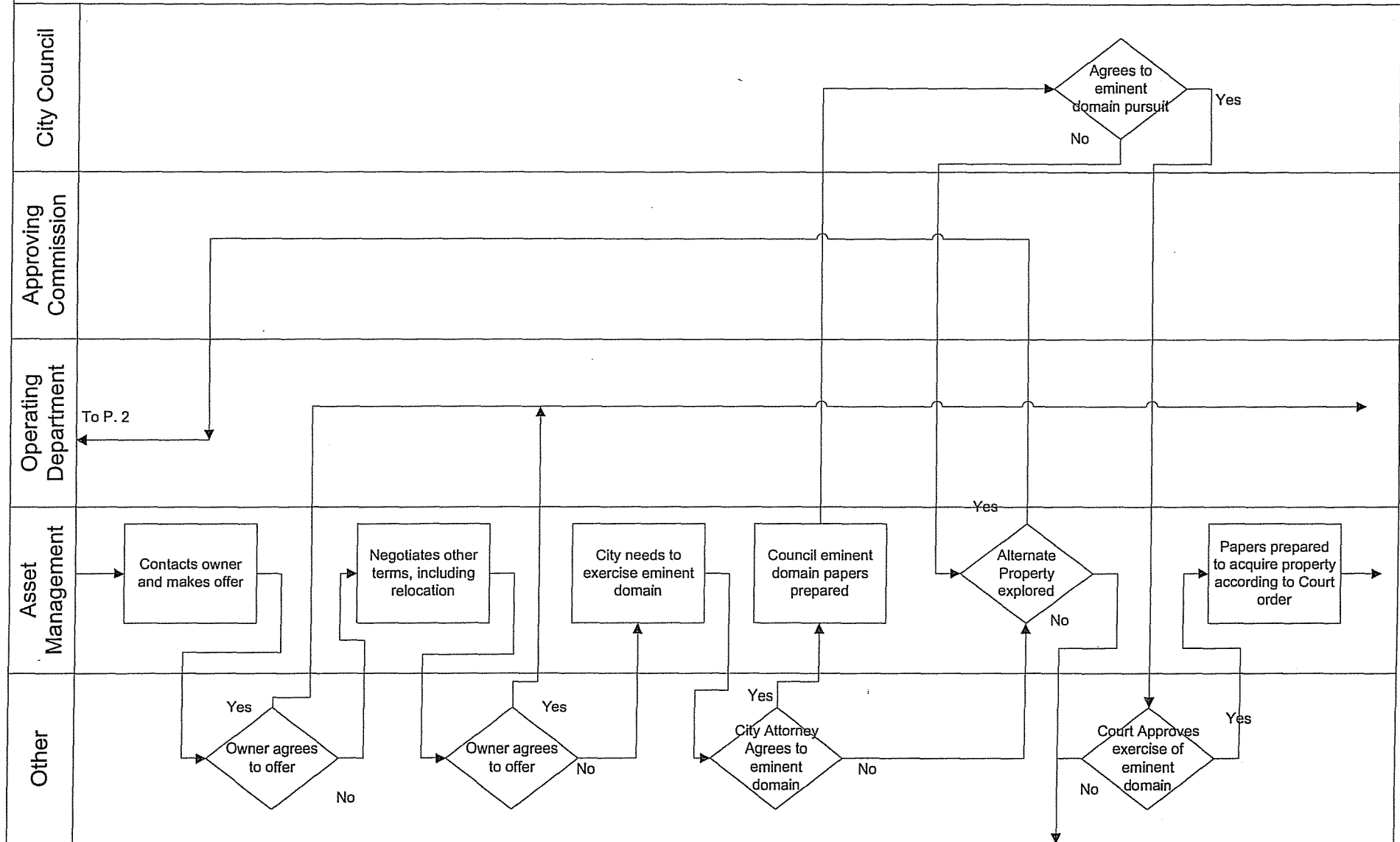
# ACQUIRING NEW PROPERTY, Section 4 Page 2



# ACQUIRING NEW PROPERTY, Section 4 Page 3

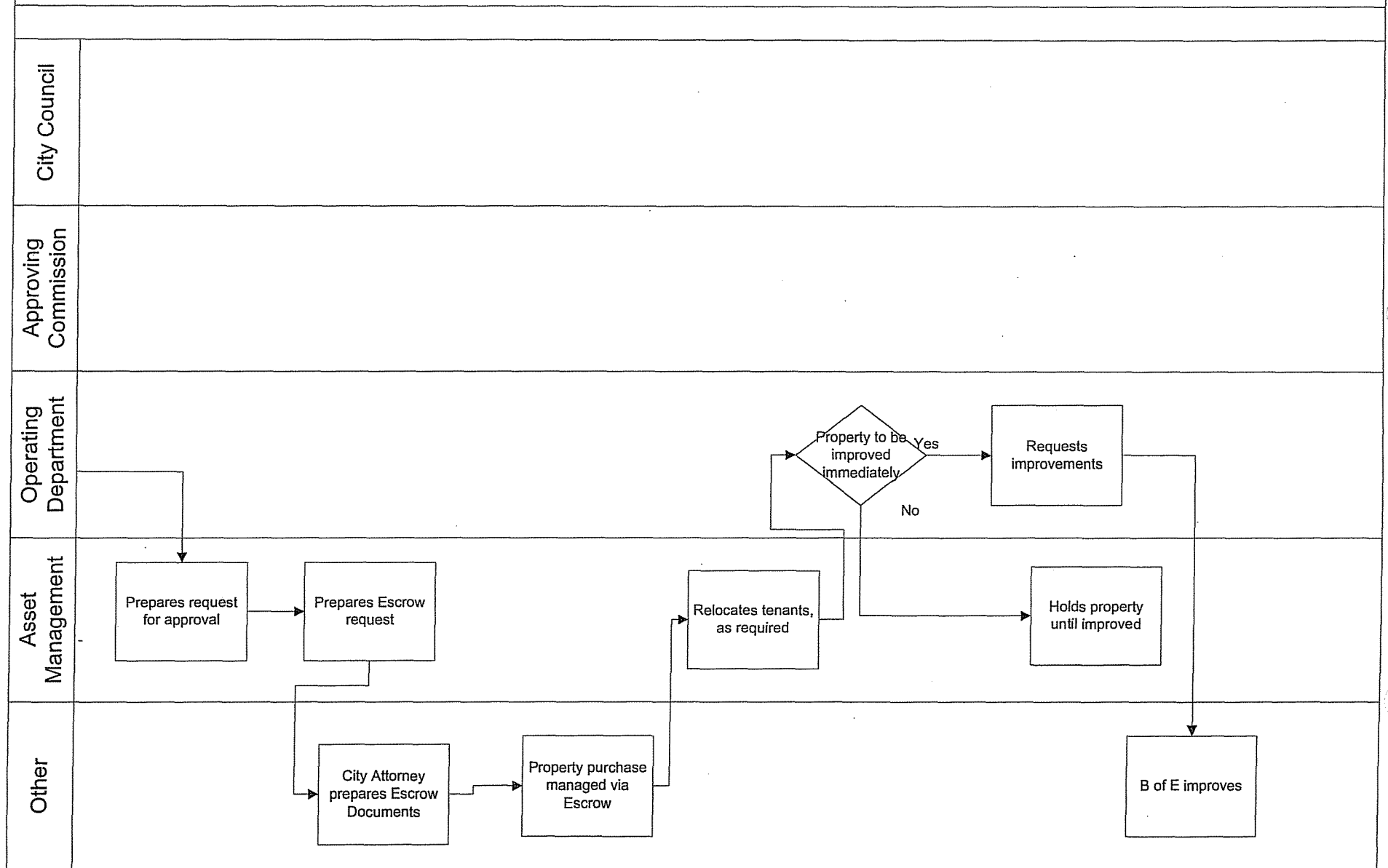


# ACQUIRING NEW PROPERTY, Section 4 Page 4



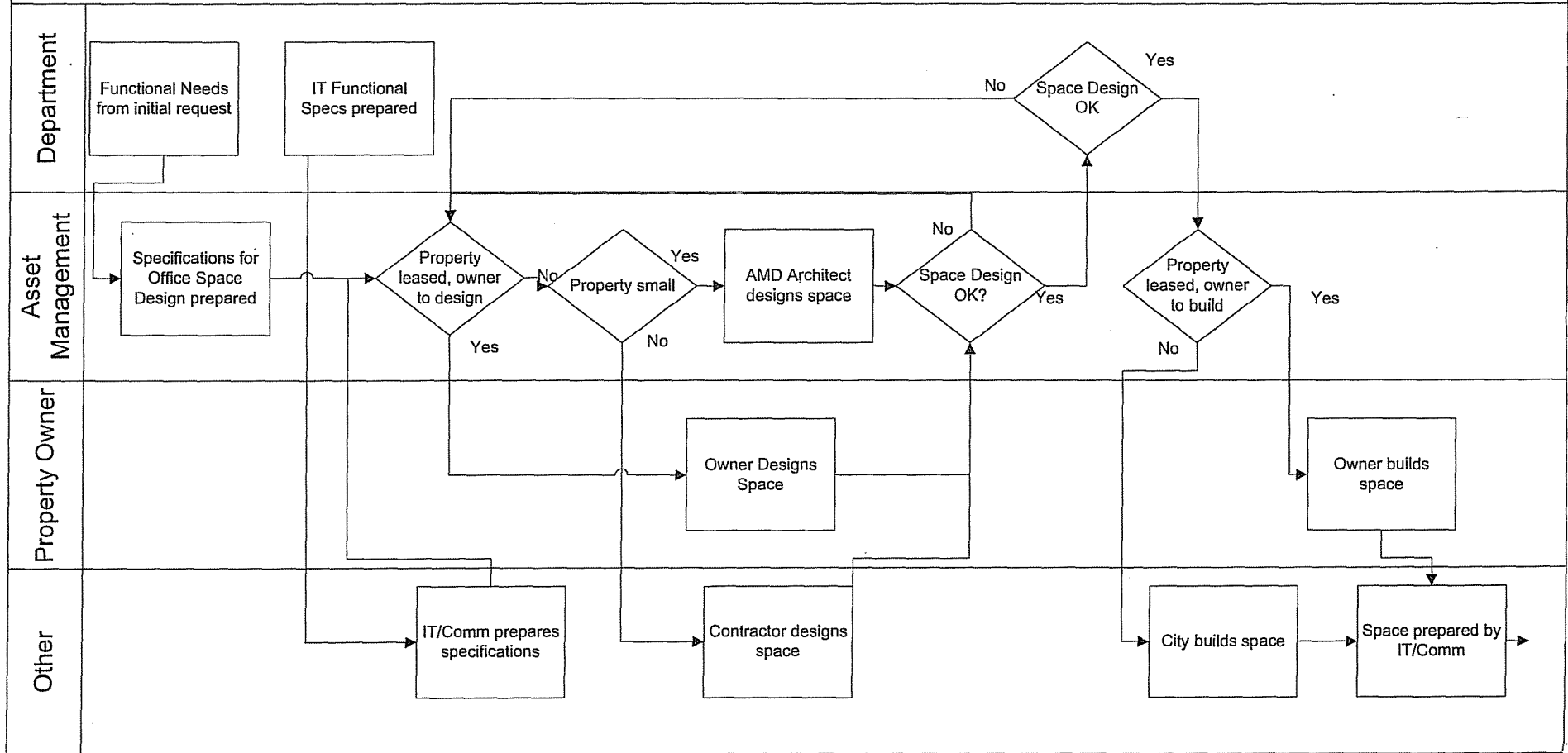
Acquisition abandoned

# ACQUIRING NEW PROPERTY, Section 4 Page 5

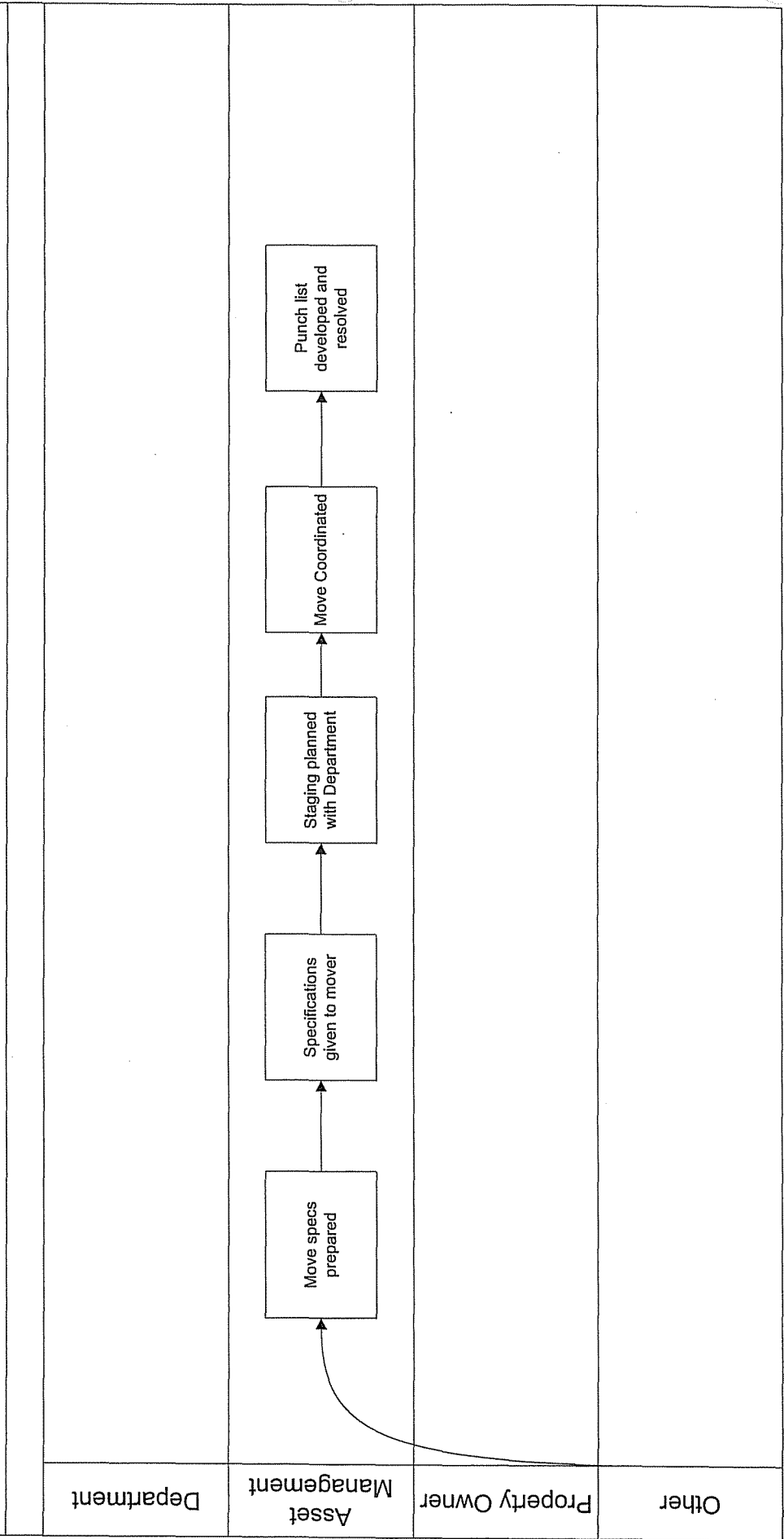




# OFFICE SPACE DESIGN AND MOVE, Section 5 Page 1



# OFFICE SPACE DESIGN AND MOVE, Section 5 Page 2



**APPENDIX F:  
RESULTS OF CUSTOMER SURVEY**

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PERFORMANCE AUDIT OF  
THE ASSET MANAGEMENT DIVISION,  
GENERAL SERVICES DEPARTMENT,  
CITY OF LOS ANGELES

## APPENDIX F – RESULTS OF CUSTOMER SURVEY

AMD CUSTOMER SATISFACTION SURVEY, DEVELOPED BY KH							
AMD SERVICE SURVEYED FOR CUSTOMER SATISFACTION	VERY EFFECTIVE	EFFECTIVE	INCONSIS- TENTLY EFFECTIVE	NOT EFFECTIVE	AMD NOT INVOLVED	N/A/ DON'T KNOW	RESPONSE AVERAGE
<b>Citywide planning effectiveness: AMD addresses the following:</b>							
Citywide needs analysis? (e.g., What should the real estate portfolio of the City look like, or how can the City maintain or maximize the value of the portfolio?)	8% -1	8% -1	31% -4	23% -3	8% -1	23% -3	3.20
Citywide alternatives development? (e.g., Should the City lease, buy, or build to address its anticipated needs for office space and other property?)	8% -1	25% -3	42% -5	8% -1	0% -0	17% -2	2.60
Citywide planning? (e.g., What are the anticipated needs for office space and other property over the next five to ten years?)	8% -1	25% -3	58% -7	8% -1	0% -0	0% -0	2.67
<b>Department planning: AMD addresses the following:</b>							
Department alternatives development? (e.g., How should my Department fill its needs for additional space or property?)	9% -1	27% -3	27% -3	36% -4	0% -0	0% -0	2.91
Department-specific needs analysis? (e.g., How much space or property does my Department/Office need, or how does this change in staff or responsibility affect departmental space or property needs?)	10% -1	0% -0	40% -4	40% -4	10% -1	0% -0	3.40

AMD CUSTOMER SATISFACTION SURVEY, DEVELOPED BY KH						
AMD SERVICE SURVEYED FOR CUSTOMER SATISFACTION	AGREE	AGREE SOMEWHAT	DISAGREE SOMEWHAT	DISAGREE	DON'T KNOW	RESPONSE AVERAGE
<b>Purchasing effectiveness</b>						
My organization was presented with reasonable alternatives for our property needs	0% -0	36% -4	18% -2	18% -2	27% -3	2.75
Asset Management's negotiation with the property owner resulted in timely acquisition of usable property	9% -1	27% -3	9% -1	9% -1	45% -5	2.33
Asset Management effectively coordinated the process of acquiring the property	9% -1	9% -1	27% -3	9% -1	45% -5	2.67
Asset Management effectively coordinated the process of relocating the tenants on the property	27% -3	9% -1	9% -1	9% -1	45% -5	2.00
My organization is satisfied with the property	36% -4	18% -2	0% -0	9% -1	36% -4	1.71
<b>Leasing effectiveness/tenant</b>						
My organization was presented with reasonable alternatives for our property needs	27% -3	18% -2	36% -4	18% -2	0% -0	2.45
Asset Management's negotiation with the property owner resulted in timely acquisition of usable property	9% -1	55% -6	18% -2	18% -2	0% -0	2.45
Asset Management effectively coordinated the process of leasing the property	27% -3	36% -4	18% -2	9% -1	9% -1	2.10
My organization is satisfied with the property	27% -3	36% -4	27% -3	9% -1	0% -0	2.18
<b>Leasing effectiveness/landlord</b>						
Asset Management effectively negotiated with the tenant	0% -0	0% -0	25% -1	50% -2	25% -1	3.67
Asset Management protects the City's interests by ensuring that tenants meet their obligations	0% -0	0% -0	50% -2	25% -1	25% -1	3.33
Asset Management effectively coordinated the process of leasing the property	0% -0	0% -0	50% -2	25% -1	25% -1	3.33



AMD CUSTOMER SATISFACTION SURVEY, DEVELOPED BY KH						
AMD SERVICE SURVEYED FOR CUSTOMER SATISFACTION	EXCELLENT	VERY GOOD	ADEQUATE	POOR	N/A	RESPONSE AVERAGE
<b>Move effectiveness; How well AMD:</b>						
Promptly identified my need for new or additional space	13% -2	0% -0	53% -8	20% -3	13% -2	2.92
Promptly responded to my request for new or additional space	13% -2	13% -2	40% -6	33% -5	0% -0	2.93
Effectively developed a good office space plan	13% -2	0% -0	47% -7	27% -4	13% -2	3.00
Effectively coordinated IT/Communications needs	20% -3	33% -5	20% -3	20% -3	7% -1	2.43
Effectively coordinated all other move needs	20% -3	27% -4	27% -4	13% -2	13% -2	2.38
Rapidly resolved the "punch list" of open items at the end of the move	20% -3	13% -2	27% -4	33% -5	7% -1	2.79
	AGREE	AGREE SOMEWHAT	DISAGREE SOMEWHAT	DISAGREE	N/A	RESPONSE AVERAGE
<b>Leased space repair</b>						
I know whom to call about repairs that are needed to my building or its systems	56% -5	22% -2	0% -0	11% -1	11% -1	1.63
The building systems (e.g., heating, air conditioning, elevators) operate well	44% -4	22% -2	11% -1	11% -1	11% -1	1.88
If building systems break, they are rapidly repaired	33% -3	11% -1	22% -2	11% -1	22% -2	2.14
If building systems break, they are repaired right the first time	33% -3	22% -2	11% -1	11% -1	22% -2	2.00
Building systems do not break down very often	33% -3	22% -2	22% -2	11% -1	11% -1	2.13
<b>Owned space repair</b>						
I know whom to call about repairs that are needed to my building or its systems	50% -3	50% -3	0% -0	0% -0	0% -0	1.50
The building systems (e.g., heating, air conditioning, elevators) operate well	0% -0	50% -3	17% -1	33% -2	0% -0	2.83



AMD CUSTOMER SATISFACTION SURVEY, DEVELOPED BY KH						
	AGREE	AGREE SOMEWHAT	DISAGREE SOMEWHAT	DISAGREE	N/A	RESPONSE AVERAGE
If building systems break, they are rapidly repaired	17% -1	17% -1	17% -1	50% -3	0% -0	3.00
If building systems break, they are repaired right the first time	17% -1	17% -1	33% -2	33% -2	0% -0	2.83
Building systems do not break down very often	17% -1	17% -1	50% -3	17% -1	0% -0	2.67