

C.F. #03-1860



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August 20, 2003

The Honorable James K. Hahn
The Honorable Members of the City Council
City Hall
200 North Spring Street
Los Angeles, California 90012

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Dear Mayor Hahn and Members of the City Council:

The City of Los Angeles owns millions of square feet of buildings, hundreds of parcels of vacant land, and a downtown shopping mall--totaling billions of dollars. This audit of the Department of General Services' Asset Management Division asks the question: "How is the City overseeing its real property which it owns on behalf of the public?" The answer is, "...by the seat of its pants." This is not because of the lack of dedicated and experienced staff within the City, but because of a longstanding lack of vision and mandate in managing these valuable assets.

Many problems arise from this lack of a clear and comprehensive asset management vision. Los Angeles has been reactive, moving from transaction to transaction, often relying on month-to-month leases that are continued over long periods of time. This exposes the City to increased costs.

In addition, my audit revealed that there is no central database with an accurate record of all the City's real estate assets. Without such a database:

- How do we know what our office space needs really are...now and in future years?
- Do we already have parcels that could be used for pocket parks or for other uses that meet community needs?

AUDITS & GOVERNMENTAL
EFFICIENCY

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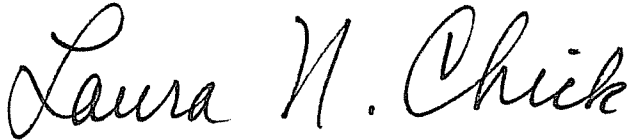
- How can we effectively consolidate properties for economic development projects or conduct land swaps that benefit the public?

The City owns many parcels of surplus land; unfortunately, it sells less than a dozen parcels per year. We have no sense of what exactly is owned by the all City Departments, including the Harbor, Airport, and Water and Power Departments. We have neither citywide policies or plans to promote the highest and best uses for these "surplus" properties.

One valuable commercial asset which is in the core of our civic center is the Los Angeles Mall. Unfortunately, there is also a lack of a strategic plan for the Mall that should focus on maximizing revenues, improving customer satisfaction, and assuring convenient public access to City offices.

It is vital that we get an accurate picture of the City's vast real estate portfolio, so that we can put these assets fully to work for the benefit of the public. I am confident, with the right direction from City leadership, the dedicated individuals in our Asset Management Division will be successful in realizing these goals.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller