

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 31, 2016

CAO File No. 0150-10143-0000

Council File No. 15-1521

Council District: All

To: Members of the Ad Hoc Jobs Committee

From: Miguel A. Santana, City Administrative Officer 

Reference: Ad Hoc Comprehensive Job Creation Plan Committee Meeting of January 12, 2016

Subject: **CAO ASSET MANAGEMENT GROUP ROLES AND RESPONSIBILITIES AND
UPDATE ON WORK PERFORMED BY THE GROUP**

SUMMARY

In December 2015, the Council approved a Martinez-Krekorian Motion which instructed various City departments to report through the Ad Hoc Committee on Comprehensive Job Creation Plan with recommendations on a Citywide asset management plan and improved operational recommendations regarding City assets as well as on how to better leverage City properties for economic development and job creation (C.F. 15-1521). The Office of the City Administrative Officer (CAO) was further instructed to provide an overview of the work done by its Asset Management Strategic Planning (AMSP) unit. This report accordingly provides an overview of the roles and responsibilities of the AMSP unit relative to other City departments and stakeholders, and a summary of the progress made toward the City's objectives regarding re-use of City property.

BACKGROUND

In December 2012, the Council with concurrence from the Mayor, established the CAO AMSP unit and provided the necessary resources to staff the unit and begin work (C.F. 12-1549). The main focus of the unit was to identify opportunities, provide a framework on how real estate assets could be evaluated and perform preliminary analysis on various asset management planning needs in the City. Specific Council-identified responsibilities and charges of the AMSP unit are:

1. Partner City asset management needs with economic development opportunities;
2. Identify highest benefit options for the disposition/development of surplus property;
3. Evaluate consolidation of City operations into appropriate space to reduce City costs;
4. Develop and implement multiple long-term strategic plans for municipal use; and,
5. Work with other governmental entities and the private sector on economic development as it applies to real estate assets.

Role of AMSP and Other City Stakeholders

The “life-cycle” of a project is comprised of various phases, beginning with a proposal to re-use a City property, and continuing through the evaluation of various options, proposed recommendations, a Council determination, implementation of the transaction, and ongoing compliance. The AMSP’s role is most significant in the initial stages, as the City identifies opportunities and evaluates potential outcomes to re-use City properties to yield benefits to the City and its communities. As described in the AMSP Framework policy in Attachment 1, the AMSP unit coordinates this process of identification and evaluation with City stakeholders including elected offices, the Chief Legislative Analyst, GSD, and departments such as Economic and Workforce Development (EWDD), Housing and Community Investment (HCID) and others. Departments including EWDD, HCID, and others participate in the evaluation process, and are most central to the implementation phases including negotiations, transactions, and compliance. EWDD is currently in the process of requesting additional resources and is fully developing its real estate asset management functions.

This strategic planning effort balances other City needs, market trends, opportunities for public and private partners, and the availability of other funding sources that can be leveraged. AMSP can also engage third-party consultant expertise to validate assumptions, provide market analysis, and assist in feasibility analysis. AMSP presents the results of this coordinated evaluation through the Municipal Facilities Committee to Council with recommendations. Once Council actions provide direction, AMSP’s responsibilities continue in an ongoing oversight role, as Council-identified departments lead implementation. It should be noted that AMSP and other CAO staff have provided transactional assistance as well as its defined strategic oversight since 2012 pending full implementation and staffing of the economic development entity. AMSP took the lead and was at the forefront of these efforts because it was the first entity approved by the Council once the decision was made for the City to focus on economic development. It is envisioned that CAO AMSP staff along with CLA and Mayor will retain more of an oversight role as was fully intended over the process once the other support departments such as EWDD and GSD are fully staffed and trained.

GSD continues to be the City’s designated property manager, handling all day-to-day maintenance work, leasing, and most transactional activities regarding real property. AMSP has worked closely with GSD to supplement and enhance the GSD real estate management portfolio functions since 2012, by providing ongoing oversight and additional expertise in portfolio management, redevelopment, and strategic planning. Over time, coordination through working groups and a new asset management database system are expected to enhance GSD’s ability to efficiently operate as the City’s property manager.

AMSP Achievements/Accomplishments since 2012

The AMSP unit has worked collaboratively with City stakeholders to respond to and make progress on existing opportunities to re-use City property, and also to enhance the City’s capacity to proactively identify and implement the re-use of City property to achieve economic development and other community benefits. Notable work efforts to date include the following:

- AMSP engaged and managed a consultant team to prepare a review of the City's asset management functions and make recommendations for restructuring and best practices. The report and an updated Real Estate Strategic Plan were adopted by Council on March 25, 2015 (C.F. 14-1647).
- AMSP developed a proposed Asset Management Framework to guide the City's evaluation of properties for economic development, housing, recreational and other uses, and to provide a clear path to implementing Council-approved re-use of City properties. The Framework was adopted by the Municipal Facilities and the Information Technology and General Services Committees in October 2014, and is currently pending further consideration in Economic Development Committee (C.F. 12-1549-S3).
- AMSP established a Council-approved prequalified list of consultants in October 2014 to assist the City in strategic planning, asset management, and economic development. The prequalified list has been utilized to date by multiple departments in approximately twenty streamlined procurements (C.F. 12-1549-S2).
- AMSP has managed and been central to the negotiations and City's receipt of former redevelopment properties including 35 Government Use properties, 10 Future Development properties, two For Sale properties, and \$84 million in redevelopment bond proceeds (C.F. 13-1482, 14-0425, 15-1194, and 14-1174).
- AMSP provided oversight in negotiations of the direct sale of various properties slated for economic development and established a framework for determining the community benefits analyses for use of City facilities by non-profits.
- AMSP provided oversight and continues to participate in the efforts of the General Services Department (GSD) and multiple City stakeholders to develop criteria and select a service provider for an Asset Management System database to provide an accurate, centralized, searchable resource for information on all City facilities and properties.

Specific projects AMSP completed or is currently managing and/or funding include:

- Transaction of City and County property to enable the LA Plaza Cultura Village Project and consolidate City-controlled property in El Pueblo for potential redevelopment (C.F. 15-0165-S1, CD14).
- Sale of surplus property at 6000 Jefferson Boulevard for development of a consolidated headquarters and processing facility that will employ at least 150 living wage workers (C.F. 12-0709, CD10).
- Market rate direct sale of Old Fire Station #78 at 4230 Coldwater Canyon Avenue to facilitate redevelopment and expansion of the adjacent commercial property (C.F. 14-0138-S1, CD2).

- Managed open solicitations and/or negotiated leases to fill formerly vacant City-owned commercial spaces including Pacoima Beautiful and Cafecito Organico in CD7 Neighborhood City Hall at 13520 Van Nuys Boulevard (C.F. 14-0291, CD7), Senor Fish in the Police Administration Building at 155 S. Main Street (C.F. 14-0717, CD14), and Rocio's Mole de los Dioses in El Pueblo de Los Angeles State Historic Park.
- Site planning and financial feasibility planning for a catalytic mixed-use project in Reseda (C.F. 14-1174-S5, CD3).
- Structural needs analysis, environmental and other studies, development of a Request for Interest and Request for Proposals for re-use of the Lincoln Heights Jail (CD1).
- Market study to identify opportunities for residential and hotel development on City- and Port-owned properties in San Pedro and Wilmington (C.F. 14-1330-S2, CD15).
- Market and parking studies for Transit Oriented Development opportunity sites in Leimert Park (C.F. 15-0640, CD10).
- Market study and redevelopment recommendations for a disused animal shelter facility (C.F. 14-1633, CD11).
- Managing appraisals of significant City real property assets including Figueroa Plaza, Public Works Building, and Police Administration Building to inform debt financing and refunding opportunities.
- Managing the peer review of a study proposing a development in-lieu fee for child care facilities pursuant to the Vermont/Western Transit Oriented District Specific Plan (C.F. 16-0033-S1, CD13).
- Working with City stakeholders to negotiate and finance the purchase of the 40-acre Taylor Yard G2 property from Union Pacific Railroad (C. F. 13-1642, CD1), part of a larger proposed Los Angeles River Ecosystem Restoration project with Unites States Army Corps of Engineers (C.F. 10-0270-S4, CDs 1, 4, 13, 14).

In 2016, the CAO's office reorganized the AMSP Unit into a discrete operating unit called the Asset Management Group (AMG). While AMG is focused primarily on the use of City properties for economic development, housing, and other community purposes, it also continues to coordinate with CAO's Municipal Facilities group to advise on the use of property for traditional municipal purposes.

RECOMMENDATIONS

That the Council, subject to the concurrence of the Mayor,

1. Instruct the Asset Management Group to present semi-annual reports to the Council via the Municipal Facilities Committee on the City's economic development efforts related to City property; and
2. Receive and file.

FISCAL IMPACT STATEMENT

Funding for AMSP staff and contractual services are included in the annual budget, and there is no additional impact on the General Fund from the approval of this report.

Attachment – CAO Framework Report October 28, 2014 (C.F. 12-1549-S3)

MAS:JR
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REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

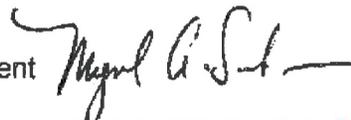
Date: October 28, 2014

CAO File No. 0220-04736-0007
Council File No. 12-1549-S3
Council District: ALL

To: The Honorable Members of the City Council

From: Miguel A. Santana, City Administrative Officer
Chair Municipal Facilities Committee

Reference: Citywide Strategic Planning for Asset Management



Subject: **ASSET MANAGEMENT STRATEGIC PLANNING – RECOMMENDATIONS FOR
EVALUATION OF CITY PROPERTIES FOR CITY USE AND ECONOMIC
DEVELOPMENT**

SUMMARY

At its meeting of July 31, 2014, the Municipal Facilities Committee (MFC) approved a report from the Asset Management Strategic Planning (AMSP) unit in the Office of the City Administrative Officer (CAO) containing recommendations intended to help advance the City's economic development efforts by establishing a procedure to evaluate and designate City-owned properties for economic development opportunities and other City purposes. The report also contained a discussion and recommendations related to dedicating eligible sale proceeds from economic development properties for future economic development purposes, and consideration of additional staff resources for the Economic and Workforce Development Department (EWDD) to assist with implementation of the City's economic development goals concerning City property. This report amends the original in order to clarify approval authorities per the City's Administrative Code, and to remove proposed ordinance changes related to EWDD.

After the dissolution of the CRA/LA, the City initiated a number of efforts to enhance the City's capacity to support economic development projects and programs to meet its larger economic development goals of creating new jobs, attracting new businesses and industries, maximizing the City's assets, and increasing General Fund revenue. Such initiatives have included formation of the AMSP unit in the CAO's Office, establishment of EWDD, preparation of a comprehensive study of the City's Asset Management practices, and a proposed contract with an economic development non-profit to coordinate with City efforts. Substantial progress has been made on each of these initiatives.

Given the City's ongoing challenge of providing funding for economic development programs, the City's real property portfolio currently represents its most significant asset to be leveraged to achieve economic development goals. Accordingly, the City has established the capability to sell or lease properties for economic development purposes to generate economic development benefits in addition to sale proceeds, as an alternative to the traditional surplus property process. Council has also vested AMSP with the role of strategic planning for City property, and EWDD with the role of managing and implementing economic development transactions. However, the City has not yet exercised this ability to sell properties for economic development, and clear procedures for doing so have yet to be adopted. The recommendations

contained in this report are intended to advance the City's economic development efforts by establishing procedures for the City's evaluation and designation of properties for economic development or other uses for City benefit. This evaluation process is proposed for all requests for the re-use of City properties, including improvements to existing municipal facilities, subsidized leases for non-profit entities, traditional sale of surplus properties, and use of properties for economic development.

Proposed Evaluation Process

The procedures described here have the objective of establishing a transparent vetting process for the re-use of City properties, providing information crucial for Council consideration, and validating City decisions to ensure the City maximizes the public benefit of its real property assets. The following procedures are proposed for considering re-use possibilities for City properties:

1. **Request.** Council motions regarding the proposed re-use of a City property for economic development or other purposes are transmitted to AMSP for evaluation.
2. **Evaluation.** AMSP, in consultation with EWDD, the Office of the Chief Legislative Analyst (CLA), the General Services Department (GSD), the Council office, the Mayor's office, and the affected departments, evaluates properties for economic development potential, considering current and potential future uses. On an as-needed basis, AMSP can draw on third-party consultant expertise to validate assumptions and assist in feasibility analysis. AMSP's evaluation of properties will be guided by industry best management practices and the portfolio optimization framework provided by the PA Consulting Asset Management Study described in greater detail in this report's Background. AMSP recommendations to MFC will be supported by documented findings. Factors for evaluation of any property for potential re-use include, but are not limited to;
 - Municipal uses currently operating on site
 - Whether uses are necessary at this location, or can be relocated
 - Viable opportunities for relocation or co-location with other City uses
 - Whether the existing facility meets the needs of the City and community
 - Condition of existing facility
 - Opportunities to co-locate municipal uses with private uses
 - Marketability of property for private development
 - Comparable land values and likely development product types for private development
 - Utilization of property (available Floor Area Ratio)
 - Adjacent properties with development potential or plans
 - Availability of other funding sources for improvements
 - Potential for re-use to support City sector-based or community-based economic development goals
 - Opportunity for transit-oriented development (TOD)
3. **Committee and Council Determination.** MFC, composed of representatives from the CAO, the CLA, the Office of the Mayor, and, upon adoption of the current recommendations, EWDD, reviews AMSP recommendations and makes a determination based on consideration of factors regarding current uses on the property and future opportunities for development. MFC's recommended actions are forwarded to Council for consideration.
4. **Designated uses.** Designated future uses could include continued use and investment in the property for City purposes, a traditional surplus procedure leading to auction or direct sale, a lease

by a qualified non-profit entity, proposed joint-use of the property with both City and private uses, and sale or lease of the property for economic development. In addition, a number of properties owned by CRA/LA may be optioned for purchase by the City and designated as Future Development properties, for Council consideration under separate cover (C. F. #14-0425).

5. **Implementation.** Based on the nature of the proposed re-use of the property, MFC recommendations will assign project management and oversight roles to appropriate City departments or entities for implementation. Assigned departments will return to MFC and Council for approvals, subject to the approval of the Mayor, as appropriate, for investment in or conveyance of property.

These procedures are graphically represented with more detail in Attachment A. This proposed process would not apply to transactional leases for City departments or space assignments for municipal use, to "remnant" properties pursuant to Administrative Code Section 7.27.1, or to properties that have already been designated for a particular use pursuant to the requirements of a funding source used for acquisition or improvements.

Dedication of Proceeds for Economic Development Trust Fund

Since the formation of EWDD, the City has struggled to provide a dedicated funding source for economic development projects and programs. Although Council has considered providing an on-going funding stream from the annual return of former CRA/LA tax increment funds (C. F. #13-1090), to date those funds have been used to address General Fund budget needs. Our office, in conjunction with the CLA, has been directed to report back on this issue under separate cover. The proposed actions in this report would create an Economic Development Trust Fund (EDTF), and would direct eligible sale or lease proceeds into this new EDTF. Creation of such a dedicated funding source for economic development is consistent with national best management practices, as identified in an HR&A consultant report on Economic Development in Los Angeles, commissioned by the City (C. F. #08-3050).

Proceeds from properties purchased with special funds, such as the Special Parking Revenue Fund or Solid Waste Resources Revenue Fund, which are required to be repaid in full to those sources, would be ineligible for the EDTF. The EDTF would collect proceeds only from the sale of economic development properties. Proceeds from the sale of surplus properties would continue to be split evenly between the General Fund and the Council District Real Property Trust Fund, per existing policy.

EDTF revenues shall be expended solely on public infrastructure, development subsidies, operational subsidies, or technical assistance that supports economic development projects or programs. EDTF monies will be administered by EWDD, whose recommendations for expenditures shall be authorized by the Council. This report recommends that EWDD prepare guidelines for expenditure of EDTF funds.

Amendments to Ordinance

Council Ordinance 182500 established EWDD and gave the department the authority to control and convey City properties that are intended for purposes that achieve the City's economic development goals. These recommendations establish a process through which the City will identify the economic development properties over which EWDD will have jurisdiction. The original July 31, 2014 report recommended several revisions to the ordinance to clarify some provisions and provide flexibility regarding the City's disposition of properties for economic development. Those proposed ordinance changes do not appear to be necessary at this time, therefore the current report recommends no changes

to the ordinance.

Staffing Resources

AMSP intends to develop a comprehensive strategic asset plan aligning with the citywide economic development strategy being developed by EWDD, in collaboration with each Council District. However, at the current staffing levels in AMSP and EWDD, the City's capacity for development of such comprehensive plans is limited. Until additional staffing resources can be identified, AMSP will work closely with Council offices to develop priorities and to concentrate on projects with the most significant development potential in alignment with citywide goals, Mayoral initiatives, and Council District objectives.

In consideration that EWDD is assuming responsibilities to utilize appropriate City properties for economic development that are new to the City family, this office recommends consideration of additional or reorganized staff resources in EWDD's economic development division, to increase capacity to assist with evaluation of properties, and to implement the disposition and development of economic development properties.

RECOMMENDATIONS

That Council, subject to the approval of the Mayor:

1. Authorize the Municipal Facilities Committee to designate qualified City properties for economic development or other use, and to assign to appropriate City departments for implementation, subject to Council approval, all in conformance with the procedures described in this report;
2. Appoint the General Manager of the Economic and Workforce Development Department (EWDD), or designee, as an ex-officio, non-voting member of the Municipal Facilities Committee; and

That the Council:

3. Instruct heads of all departments, with the exception of the Harbor, Airports, and Water and Power, to submit all requests for utilization, acquisition, relocation, transfer or disposition of City property to the Municipal Facilities Committee through the Asset Management Strategic Planning (AMSP) unit, for consideration as outlined in this report;
4. Request the City Attorney's Office to prepare an ordinance to establish a new interest-bearing Economic Development Trust Fund (EDTF), to be administered by EWDD, to receive eligible proceeds from the sale or lease of City property for economic development purposes, in accordance with expenditure guidelines prepared by EWDD;
5. Request EWDD to prepare guidelines for the expenditure of EDTF monies, for consideration and approval by the Municipal Facilities Committee;
6. Authorize the Controller to establish an account in the new EDTF authorized to collect the appropriate portion of sale or lease proceeds from the sale of economic development properties, pursuant to the guidelines outlined in this report and Controller instructions to be provided by EWDD;

7. Authorize EWDD to serve as Fund Administrator of the new EDTF and to administer the disbursement of such funds for economic development projects and programs, in accordance with the EBTF ordinance to be drafted and considered under separate cover;
8. Instruct the Office of the City Administrative Officer (CAO) and EWDD to report to Council and Mayor with proposed staffing recommendations to assist with implementation of the City's economic development goals concerning City property; and
9. Direct the CAO AMSP unit and EWDD to report annually to the Mayor and Council detailing property evaluations requested, under review, and completed, and an update on the status of all properties being reused or redeveloped for non-municipal purposes.

FISCAL IMPACT STATEMENT

The recommendations have no immediate impact on the General Fund. The recommended actions do propose that future proceeds from properties sold or leased for economic development purposes be dedicated to a new Economic Development Trust Fund. To the extent that City properties may be sold for economic development purposes rather than as surplus properties, General Fund and Real Property Trust Fund revenues would be proportionately reduced, as the balance of proceeds would be dedicated to the Economic Development Trust Fund.

The recommended actions also instruct CAO and EWDD to prepare a report considering potential additional or reorganized staffing resources to evaluate and implement the disposition and development of City properties for economic development. That report will include a discussion of any cost implications associated with staffing recommendations.

BACKGROUND

Asset Management Strategic Planning Unit

Council established the Asset Management Strategic Planning (AMSP) unit in the Office of the CAO to identify opportunities, provide the framework for, and perform preliminary analysis on asset management planning needs (C. F. #12-1549). Distinct from the role of GSD, which acts as the City's property manager and performs real estate transactional functions, AMSP's role is to develop and implement a strategic planning framework to advise City decisions on the potential re-use of City-owned property for municipal or economic development purposes. Specific responsibilities/charges of the AMSP Unit are:

1. Partner City asset management needs with economic development opportunities;
2. Identify highest-benefit options for the disposition/development of surplus property;
3. Evaluate consolidation of City operations into appropriate space to reduce City costs;
4. Develop and implement multiple long-term strategic plans for municipal use; and
5. Work with other governmental entities and the private sector on economic development as it applies to real estate assets.

AMSP's work is performed in conjunction with EWDD, the CLA, Mayor's Office and other City departments as appropriate.

Since formation in Summer 2013, AMSP has filled its authorized positions, developed a work program of strategic planning projects including, among others, the Los Angeles Mall and former Parker Center site, Lincoln Heights Jail, and the West LA Civic Center, represented the CAO in the City's efforts to receive Government Use and Future Development properties, tax increment bond funds and transferrable development rights from the former redevelopment agency, and initiated a request for qualifications to establish a city-wide pool of economic development consultants. Moving forward, the current recommendations will facilitate AMSP's work with Council Offices, EWDD, and CLA to identify priority re-use opportunities, and help establish the framework within which the City will identify economic development opportunities and move toward implementation.

Asset Management Study

AMSP has engaged consultant team PA Consulting and Cushman and Wakefield to provide an analysis of the City's current asset management procedures and capacity, and to provide recommendations for improvements. One of the critical deliverables of the Asset Management Study is a framework for optimization of the City's real estate portfolio, including industry best practices, and proforma templates and other tools for analysis of City redevelopment opportunities. The Asset Management Study was completed in September 2014.

Assignment to EWDD, City-wide Economic Development Non-Profit Entity, and other Departments

Council has indicated support, with Mayoral concurrence, for the development of a new economic development structure that combines City resources (primarily EWDD) with those of a non-profit Citywide economic development non-profit entity (CEDN) (CF#08-3050). The strength of this model lies in combining City staff's institutional knowledge of established processes with the flexibility and market-orientation of a separate non-profit entity. While EWDD exists today as a functioning City Department, the CEDN is currently in development.

For properties designated for economic development use, it is anticipated that implementation may be performed by teams represented by EWDD and the CEDN, in addition to other appropriate City entities such as AMSP (for projects with joint uses with municipal uses), Housing and Community Investment Department (for projects with an affordable housing component), or Public Works Bureau of Engineering and or General Services Construction Forces Division (for municipal projects in which facilities will be rehabilitated or constructed) or CLA. Accordingly, each MFC and Council approval to designate a property for economic development purposes will assign a lead and cross-departmental team for implementation. Any proposals for future transactions will return to MFC and Council for consideration.

Consultant Support for AMSP and other City Economic Development Efforts

In February 2014, AMSP released a Request for Qualifications (RFQ) to develop short lists of pre-qualified consultants in five service categories related to asset management and economic development, including 1. Real Estate Services and Brokerage, 2. Project Feasibility and Underwriting, 3. Economic Development Analysis, 4. Community Outreach, and 5. Master Planning and Site Planning. A total of 37 submissions were received and evaluated by a review panel of real estate and economic development professionals from EWDD, Housing and Community Investment Department, City Planning, Public Works Bureau of Engineering, Harbor Department, and CAO. Firms deemed "prequalified" will be placed on a short list, to provide services on an as-needed basis through individual contracts awarded after a request for bids. Shortlisted firms will be available to provide services to all City Departments engaged in asset management and economic development. A report from this office with recommendations on this topic was released in July 2014, approved by Council Committees in August and October 2014, and is pending

Council consideration on October 28, 2014.

Alignment with Economic Development Recommendations from HR&A

In December 2012, the City engaged a consultant, HR&A Advisors, Inc., with support from ICF International and Renata Simril (HR&A Team), to help the City develop the tools and organizational structure to meet the City's larger economic development goals of creating new jobs, attracting new businesses and industries, maximizing the City's assets, and increasing General Fund revenue. The HR&A Team report, provided to the Ad Hoc Committee on Economic Development Implementation on December 11, 2012 (C. F. #08-3050) recommended that the City "align its real estate assets with its economic development responsibilities, develop significant real estate expertise, and make a concerted effort to clarify policies, leadership, and authority related to the sale, lease, and redevelopment of City assets, including better coordination with proprietary departments. Assets with economic development potential need to be inventoried, and resources devoted to transforming them into revenue-generating projects for the City." This report's recommendations align closely with and are designed to implement these key findings by the HR&A Team.

by:



Josh Rohmer, Principal Project Coordinator

MAS:JR:22004736

**ATTACHMENT A: Asset Management Strategic Planning
Asset Evaluation Framework**

