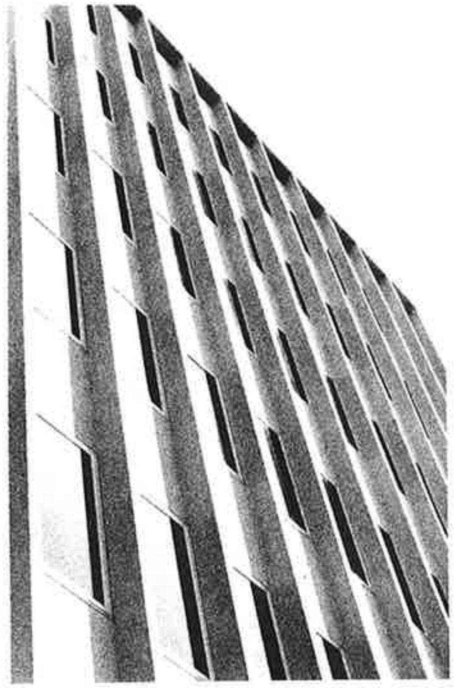

Formation of a sale and lease revenue development group to maximize revenue from underutilized public agency property

by W. Dennis Carroll, SR/WA

Both lease and sale projects are in progress. Three examples given in this article have the potential of generating ten million dollars over the next ten years.

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Government agencies struggling to maintain services in the face of increasing fixed expenditures are faced with the necessity of seeking new, alternative funding sources to property tax revenues. This is particularly true in the case where the electorate has approved a tax restrictive referendum or initiative, such as California's Proposition 13, which became effective in 1978. It effectively reduced real property tax revenues available to local agencies by approximately 50%, by returning property tax assessments to their 1975 level. What's more, annual property tax assessments cannot be increased more than 2% annually, unless a property is sold. Then, the property will be reassessed at the sale price and taxed at 1% of that figure. All local agencies previously deriving most of their revenue from the property tax base have had to make drastic cuts in their programs.

Revenue generation program

The County of San Diego, California, in an effort to generate revenues outside of property taxes for the maintenance and possible expansion of essential programs has struck an innovative approach to revenue production by soliciting private development of underutilized and surplus County-owned properties.

At the suggestion of a member of the Board of Supervisors (the County's governing body) the Board directed County staff to identify County properties, which were either "surplus to County needs" or "underutilized." Twenty-four properties were identified for their revenue producing potential. After the list was accepted by the Board, the Board established a "Sale and Lease Revenue Development Subcommittee" (SAL Committee) made up of two members of the Board. They were given the responsibility of establishing and overseeing a program of . . . "maximizing revenues from surplus and/or underutilized County properties."

To provide staff support, the SAL Committee established the Sale and Lease Revenue Development Group, referred to as the SAL Group. Through a process of evolution, the SAL Group became a part of a "Special Projects" unit within the Chief Administrative Office. Direction was provided by a project manager, administrator from the Chief Administrative Office staff with the political awareness necessary to operate in close contact with elected officials, community groups and public agencies and the expertise and experience needed to provide direction to a revenue development group. Staff now consists of two real property agents, two planners, an economist and clerical personnel.

The SAL Group, under the direction of the SAL Committee, was charged with the responsibility of producing funds to supplement tax revenue by promoting private development of underutilized and surplus public lands. No public funds were to be utilized or committed and private developers were required to provide for joint use (public and private use) whenever appropriate. High priority was given to work done on SAL projects by other County departments, such as the attorneys in County Counsel's office, so as to eliminate time constraints inherent in the bureaucratic process. In addition, innovative approaches to development of revenues and a "fast-track" procedure for the processing of projects were encouraged by the Board of Supervisors.

The SAL program is anticipated to operate for a period of three to five years or until all proposed developments come "on-line" and the routine management of activities can be handled through the County's Real Property Division. Funding comes under the Chief Administrator's Department (C.A.O.) and since the County Charter prohibits "interference" by members of the Board of Supervisors or their staff, all directions from the SAL Committee must come through the C.A.O.'s Office.

The inventory of 24 "underutilized" properties was reviewed by the SAL Group and priorities were assigned to the various properties in order of their revenue generating potential and demand for development. Five properties were then selected for development and assigned as active projects to the SAL Group. Three of those projects will be discussed in order to show the potential of a revenue development program.

Figure 1. Harbor Square

Policy guidelines

One of the first tasks undertaken by the SAL Group was modification of Board of Supervisors Policy F34, "Revenue Leasing of County Property." Board policies are official guidelines established by the County's legislators to guide County staff in day to day activity. Deviation from such established policies requires Board action to waive a policy for good cause. F34 called in part for the *sale* of property for which . . . "no existing or proposed public use is known." F34 also provided that . . . "Speculation regarding appreciation in value or the securing of income through operation of properties for private purposes are not considered an appropriate County function."

Although the City of San Diego has "Pueblo Lands" and the State and Federal Governments have public domain lands, all of which can be used to generate revenue, the Counties in the State of California have only lands acquired for specific public use. Since no law specifically prohibits generation of revenue from private use of County land, Policy F34 was modified to make revenue generation appropriate, and the SAL Group then zeroes in on properties with the highest revenue producing potential.

SAL projects

Both lease and sale projects are currently in process. The following three major projects have the potential of generating annual revenues during the next 10 years in excess of the ten million dollars.

(1) Harbor Square

A joint, mixed-use facility being proposed for development by private funds on parking lots totalling approximately 10 acres, adjacent to the County Administration Center (CAC). The site overlooks San Diego Harbor in downtown San Diego.

(2) Vauclain Point

A multiple residential zoned property on approximately 12 acres of land, located in the Hillcrest area of San Diego. This property, on a knoll with slopes on three sides is partially occupied by an unused and outdated tuberculosis hospital. Approximately six acres are suitable for development.

(3) Edgemoor

A major 375 acre, multiple use, long term development on County-owned land in the city of Santee. (Edgemoor Master Plan Development). Edgemoor is a former County Poor Farm which is currently an undeveloped block of land in the center of the newly incorporated (1980) city of Santee, California.

Harbor Square Development. Costs for this project are expected to exceed one hundred twenty million dollars. Figure #1 shows the CAC property before development. When completed, it will generate rent to the County totaling approximately four million dollars annu-