



RON GALPERIN
CONTROLLER

October 27, 2016

Honorable Eric Garcetti
Mayor of Los Angeles
200 N. Spring Street
Los Angeles, CA 90012

Honorable Members of the City Council
% City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Re: Los Angeles City Real Estate Portfolio Management

Dear Mayor Garcetti and Members of the Los Angeles City Council:

The City of Los Angeles — on behalf of its residents and taxpayers — owns a vast portfolio of real estate, encompassing nearly 9,000 distinct parcels within the County of Los Angeles alone. These include parks; libraries; municipal facilities; parking lots, and commercial, industrial, retail, office and residential buildings and vacant land.

It is now more vital than ever that the City maximize the value and opportunity of our real property assets. Properties owned by the City serve many community needs and benefits. There are, however, many properties that are underutilized, and which could better serve the public — be it as public space, revenue-producing income property, low-income housing ... and much more. Some properties might benefit from being repurposed by the City, while others could generate more value for Angelenos by being leased, sold or developed by the City, or in public/private partnerships.

Accordingly, I today launched a new online site and tool mapping all of the City's properties — along with a call for the City to engage a Chief Asset Manager with public- and private-sector real estate expertise to develop a comprehensive strategy to capitalize on, to direct and to manage the City's real estate portfolio.



PropertyPanel.LA

To improve transparency over asset management, my office has posted the most comprehensive map ever produced of city-owned properties — 8,974 within the County of Los Angeles alone. PropertyPanel.LA is intended as an informational tool, as a resource for the City, for community stakeholders and potential investors to achieve a more organized, professional and strategic approach to our valuable shared public assets.

Properties may be searched and filtered by address, Assessor's Parcel Number, Council District or by drawing one's own map. Users can choose from multiple views - including satellite and street views. And, both the maps and the raw data can be downloaded and printed. PropertyPanel.la is also intended to complement the City forthcoming Asset Works platform, which is currently under development.

Chief Asset Manager

The engagement of a Chief Asset Manager is necessary to provide direction on all aspects of real estate management, construction, sales, leases, development, joint ventures and more. Further a Chief Asset Manager would be charged with developing and executing a strategic master plan for the development, use, and reuse of selected city-owned properties in support of economic development, housing, and various other City initiatives.

There are various models of how a Chief Asset Manager might best function within the City of Los Angeles. Crucially, such a Chief Asset Manager will need real authority and resources. What's clear is that by not investing in the right expertise, the City will continue to lose out on myriad opportunities.

The City's Currently Decentralized Approach

Currently, there is no one party or entity with both the responsibility for, and the authority over, the City's real estate. City Departments (and notably our three Proprietary Departments) exercise varying levels of responsibility and control. The City has a Municipal Facilities Committee made up of representatives of the CAO, the CLA and the Mayor. The CAO conducts numerous property-related inquiries and analysis.

The primary responsibility for real estate in the City, however, rests with the Real Estate Division of the City's General Services Dept. (GSD) — which is charged with providing review, analysis and advice regarding City real estate to the Mayor, City Council, City departments and the general public. Its stated mission is "to ensure optimal use of all Council-controlled City owned vacant and improved properties and maximize the value of each of these assets". The City relies on GSD for acquisitions, appraisals, sales,

relocations, leasing, title research, negotiations and property management. GSD has long had an outdated process of updating asset management records referred to as its 'Building Book'. In reviewing the information from the Building Book, my office found it to be incomplete, inadequate, outdated, and in some cases incorrect. Moreover, while GSD has personnel charged with handling the City's real estate, there is, unfortunately, a general dearth of private sector expertise or of any real strategy.

Regrettably, the City's decentralized approach to its real estate has not served us well. And, notably, GSD lacks the staffing and the expertise needed to properly execute its mission. Hence, the need for a truly empowered Chief Asset Manager.

Positive Developments

The Mayor's Office's Operation and Innovation Team, in conjunction with the CAO's office, has been working to develop and implement a centralized asset management system— which will include zoning, use, value, and condition — (C.F.15-1521) (C.F.14-1647), The latest budget included a total of \$2.4 million in GSD's budget to support this effort. This effort, better known as AssetWorks, will be an important tool for the City family as we move forward. We must make sure, however, that it serves as much more than a better database — but, rather, a catalyst for change

The Council has also adopted the Asset Management Framework (C.F. 12-1549-S3) that outlines a new process for the disposition of properties for economic development. This new framework will expedite and streamline the process once properties are able to be identified. Subsequent to that, the CAO's office has also developed its own property review and evaluation process for use as affordable housing opportunity sites (C.F. 16-0600-S145).

In addition, in support of the City's homeless strategic plan, the FY 2016-17 Adopted Budget proposed leveraging City-owned land — eight properties worth approximately \$47 million — to begin a multi-year effort to increase the availability of permanent supportive and affordable housing (C.F. 15-1138-S1).

A Way Forward

It is clear that the City lacks the expertise, accountability and centralized effort to manage and maximize its real estate portfolio. The efforts underway by both the Mayor's Office and the City Council are important steps to create a more central real estate management system, but what's needed is more central authority and strategy.

Many other jurisdictions have taken the initiative of creating a Chief Asset Manager — with very positive results. The Executive Vice President of Real Estate Transactions for the New York City Economic Development Corporation, for example, has executed

Honorable Eric Garcetti, Mayor
Honorable Members of the Los Angeles City Council
October 27, 2016
Page 4 of 4

transformative public-private redevelopment projects on behalf of the City. Successes include the Seward Park Mixed-Use Development and the creation of the Cornell University Tech campus on Roosevelt Island.

Replicating other successful asset management models in Los Angeles will ensure we capitalize on underutilized properties, and help to achieve financial and community benefits for the City and for all Angelenos.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Galperin". The signature is stylized with a large initial "R" and a long horizontal stroke at the end.

Ron Galperin
City Controller

Cc: Miguel Santana, City Administrative Officer
Sharon Tso, Chief Legislative Officer