Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: December 10-11, 2008

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Information Item

From: CINDY McKIM
Chief Financial Officer

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Subject: **FISCAL YEAR 2007-08 ANNUAL REAL PROPERTY SERVICES REPORT**

AIRSPACE:

Total revenue for Fiscal Year (FY) 2007-08 was $20.18 million, which was up from $19.25 million received in FY 2006-07. In FY 2007-08, airspace tenants paid local cities and counties an estimated $4.84 million in possessory interest taxes. The amount of possessory taxes owed is calculated as 24 percent of the value of the airspace lease. The California Department of Transportation (Department) continues to approve installations of wireless telecommunication sites within freeway right of way, and the number of approved sites has increased every year since the inception of the Airspace Program.

Airspace is defined as any property within the highway right of way that could support other uses without unduly interfering with the traveled way or potential expansion of the facility for future transportation uses. The Airspace Program leases qualified right of way parcels for multiple uses, including wireless communication tower sites. The goal of the Airspace Program is to maximize Department revenue from public/private joint use of the right of way, consistent with State law, Department policy, market needs, community standards and sound land-use planning. Another goal is to optimize return-on-assets consistent with the Department's overall goals and objectives.

EXCESS LANDS SALES:

In FY 2007-08, the Department disposed of 475 parcels. The return to the State Highway Account on sales for this period was $60.30 million. Director Kempton and each of the district directors have executed excess land disposal contracts. The number of parcels sold this fiscal year is 143 parcels more than the 14-year average of 332 parcels sold, per year. The sale proceeds of $60.30 million is substantially higher than the average sales of $30.56 million, or FY 2006-07 sales of $49.03 million.

The Department's Excess Lands Sales Program is responsible for identifying, clearing, and disposing of real property that is surplus to delivering Department projects. The Excess Land Sales Program is supported by the Department's Annual Real Property Retention Review, which assesses the utility of the Department's real property portfolio, and identifies properties that should be retained as well as those suitable for disposal. Once a property has been approved for disposal, the Right of Way staff satisfies all requisite statutory obligations for notification to other public entities prior to offering the property for public sale.

PROPERTY MANAGEMENT REVENUE:

For FY 2007-08, Property Management revenues were $12.96 million, which was slightly down from FY 2006-07 revenues of $13.68 million. Two apparent reasons why revenues are down are: 1) the Department has already sold many of its excess parcels; and 2) the timeframe from when a property is purchased for a project to the start of construction is less, therefore less rent revenue. Per Streets and Highways Code Section 104.6, the Department returned $3.11 million of rental revenue (24 percent) to local governments in lieu of property taxes. This “in lieu” payment is similar to a possessory tax. The vast majority of the rent revenues are generated from properties held for two projects that the Department has planned for many years-Los Angeles 710 and Alameda 238.

The Department’s Property Management activities include responsibility for the professional management of all real property from the time the property is purchased for a project, until the parcel is cleared and is turned over for construction. The Department seeks to maximize rents for these parcels until these properties are required for the project. In addition, the Department strives to maintain the properties in conformance to local or neighborhood standards.