

# Memorandum

To: CHAIR AND COMMISSIONERS

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Information

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Subject: **REAL PROPERTY RETENTION REVIEW; 2009 ANNUAL REPORT**

## **SUMMARY:**

In conformance with obligations under California Department of Transportation (Department) Deputy Directive (DD) 21 R3, the Department has completed the annual review of its real estate holdings and is submitting a copy of the 2009 Real Property Retention Review (RPRR) Annual Report (Report) to the California Transportation Commission. The Report, completed in July 2009, reflects findings and recommendations associated with the parcel-specific review undertaken by each district between January 2009 and April 2009 of lands and buildings supporting transportation operations, excess land parcels on hold, and parcels needed for future projects. The review examined 4,963 parcels and determined that 1,865 parcels were required to support transportation operations; 758 excess land parcels were to be held for local public agencies, engineering or legal reasons, or environmental mitigation; 253 parcels were being used for current projects; 1,762 parcels should be held for viable future projects; and 356 parcels could be made available for sale or other conveyance. Districts and regions will actively pursue the appropriate disposal of these parcels through their Excess Land Disposal Contracts.

## **BACKGROUND:**

The Department owns real estate worth millions of dollars, which provides public transportation infrastructure and services or houses employees, equipment or materials supporting transportation operations. Government Code Section 11011.18 and Governors' Executive Order S-10-04 mandates that the Department evaluates its real estate portfolio annually and retains only those properties supporting its mission.

The RPRR process is the framework within which the Department assesses its real estate holdings and determines whether or not they are needed to meet long-term operational goals and objectives. To properly fulfill its statutory and administrative obligations, DD 21 R3 directs each District Director to annually form a RPRR Committee, comprised of senior management representatives from functional areas controlling the Department's real property holdings, to comprehensively review lands and buildings supporting transportation operations, excess land parcels on hold, and parcels being held for viable future projects. While the overwhelming majority of these properties effectively serve the needs of the public and the Department, the Department must identify properties that are underused, not required, or no longer conform to surrounding neighborhood uses and determine appropriate disposition.

Attachment

DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY RETENTION REVIEW  
2009 ANNUAL REPORT



(Lake Henshaw Maintenance Station, District 8)

Division of Right of Way and Land Surveys  
Office of Real Property Services  
July 2009



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## **EXECUTIVE SUMMARY**

***The Department possesses over 5,000 real property parcels and facilities, which support its mission to improve mobility across California.***

To support its mission of improving mobility across California, the California Department of Transportation (Department) possesses more than 3,500 real property parcels awaiting use in transportation projects and operates over 1,600 facilities supporting transportation operations. The 1,600 facilities include a wide range of assets needed to fulfill its mission, which include office buildings, maintenance facilities, equipment shops, employee housing, transportation management centers, warehouses, rest areas, vista points, park and ride lots, commercial vehicle enforcement facilities, and environmental mitigation sites.

***The Department satisfies its resource stewardship obligations through the RPRR.***

To satisfy its resource stewardship obligations, the Department conscientiously reviews its real estate portfolio during annual Real Property Retention Reviews (RPRR), identifies long-term asset needs by program, compares requirements to inventoried assets, and identifies necessary acquisitions or surplus parcels available for disposal. The RPRR is not only a prudent business practice, but it also satisfies statutory and administrative mandates that State agencies and departments conduct comprehensive annual real property reviews.

### **1. Background and Purpose**

#### **FINDINGS**

1. The Department fulfills its responsibility to regularly evaluate the utility of property in its possession.
2. The Department possesses real property consistent with its mission to improve mobility across California.
3. The Department maintains real property databases and reviews real property inventories consistent with Deputy Directive DD-21 R3.
4. District Real Property Retention Review (RPRR) committees determine which parcels may be released for disposal.
5. The trend toward significant inventory contraction is unlikely to continue.
6. Disposal contract requirements continue to ensure sufficient process-specific resources and district management support.
7. The Department disposed of 1,150 parcels with proceeds exceeding \$131 million from July 2006 through December 2008.
8. As a follow-up to its 2001 audit, the Bureau of State Audits (BSA) analyzed Department surplus property management practices.
9. The 2009 RPRR demonstrated the Department had sustained gains made since 2006.
10. The BSA's 2009 Letter Report confirmed that performance had prevailed over perception.
11. The Department needs to array its resources in a manner consistent with meeting its challenges.

## **RECOMMENDATIONS**

- Continue to hold annual district RPRR meetings and follow up on disposal recommendations throughout the year.
- Continue to identify real property surplus to project or program delivery requirements.
- Continue to develop property disposal milestones and objectives within a contract framework.

## **2. Inventory Accuracy**

### **FINDINGS**

1. Governor's Executive Order S-10-04 mandates annual property reviews.
2. Asset Management Inventory (AMI) use and maintenance has steadily improved over the last year.
3. About ninety percent of assets in the AMI support the Maintenance & Operations (M&O) Program, which has inventoried more than ninety-nine percent of facilities and ninety-two percent of structures.
4. The BSA March 2009 Letter Report found deficiencies in legacy databases that the Department has taken steps to correct.
5. The Department does not know how many parcels acquired for environmental mitigation it possesses.
6. Districts have not yet completed the independent inventory of mitigation parcels requested in January 2008.

### **RECOMMENDATIONS**

- Continue to provide district staff with regular training on Department property databases.
- Continue to use database management tools (Discoverer) to audit inventory accuracy.
- Continue to upgrade the AMI's capability to encourage greater use.
- Complete the entry of AMI improvement data for the M&O Program.
- District Directors, under their project management purview, will complete an independent inventory of district environmental mitigation parcels by June 30, 2010.

## **3. Intractable Issues**

### **FINDINGS**

1. Districts struggle with issues that, in some cases, have delayed property disposal for more than a decade.
2. The Department is obliged to dispose of excess real property at fair market value.
3. Fair market value is most easily determined in an active market with many buyers and sellers, who are not subject to duress.
4. Current market stress has, on many occasions, resulted in excess property auctions unable to generate interest.
5. With their surplus property disposal contracts in the balance, districts have faced a difficult choice: sell property at reduced prices or hold it until the market recovers.
6. It may be prudent to hold certain property through a down market.
7. The small number of remaining excess parcels should be divested as quickly as possible regardless of the marginal gains or losses anticipated.
8. To meet disposal contract objectives, districts have had to move aggressively to divest excess property.
9. Local public agencies have sought Department property for little or no compensation.

10. Districts need clear Headquarters' guidance governing excess land disposal parameters.
11. The boundary issue for parcels along Highway 86 in Imperial County remains unresolved.
12. The Bureau of Land Management will not contribute to solving Highway 86 issues.
13. There are times the Department can't give property away; local agencies refuse to accept title.
14. There is no Department strategy for timely conveyance of mitigation property.
15. Little incentive exists for external agencies to accept mitigation property as long as they believe the Department will not jeopardize project delivery because it cannot find a long-term steward.

#### **RECOMMENDATIONS**

- The Department will develop policy governing market circumstances under which it will accept auction values as "fair market".
- The Department will develop policy governing market circumstances under which it will withhold excess property from disposal.
- The Department will develop a policy governing conveyance of environmental mitigation property to external entities committed by signed agreements in advance of property acquisition.

#### **4. Legacy Projects**

##### **FINDINGS**

1. The Department's real property portfolio of parcels acquired for transportation projects has been cut nearly in half.
2. The next significant inventory decline is likely to occur as the Department divests property held for the Ala-238 and the LA-710.
3. The Department will have to dispose of properties acquired for the Ala-238 and the LA-710 in the near future.
4. The districts must determine tenants' level of interest and capacity to acquire excess residential property acquired for the Ala-238 and LA-710.
5. As the Department prepares to divest property from its most enduring legacy projects, it will have to unravel complex competing interests and outcomes.
6. The Department will confront many issues: to whom must property be offered; at what price will property be offered; how will property release be phased; will the Department function as the lender-of-last-resort.
7. Selling excess property in a bear market in real estate presents numerous challenges.
8. Roberti sales should not adversely impact local housing prices.
9. Overly optimistic expectations exist regarding proceeds to be realized from sale of LA-710 excess property.
10. District 4's property divestiture is a different and, in many respects, more complicated undertaking.
11. District 4 supports local governments' attempt to recreate flourishing neighborhoods.
12. The Department has rarely, if ever, assumed the role of master developer.
13. One significant disposal cost could be money spent making repairs mandated by institutions financing acquisition of surplus Department property.
14. While distinctive, external agency guidance governing property condition is consistent.

15. Disposal programs for the Ala-238 and LA-710 will require a surge of staff resources for proper planning and execution.
16. Roberti affordability requirements may place the Department in the position of acting as the lender-of-last-resort for eligible buyers.

**RECOMMENDATIONS**

- The Department will consider if, or under what circumstances it might be appropriate to act as master developer to facilitate development of vital neighborhoods and successfully dispose of excess Ala-238 and LA-710 properties.
- The Department will survey occupants of excess residential properties acquired for the Ala-238 and LA-710 to identify eligible buyers and establish their capacity to consummate property acquisition.
- The Department will consider if, or under what circumstances it would be prudent to serve as the lender-of-last resort and quantify the costs of doing so.

**5. Re-coupling Project Management**

**FINDINGS**

1. One lingering internal debate has been about the degree to which removing excess land disposal from the project management process adversely affected prompt divestment of excess land.
2. Department culture demands performance and accountability, which is driven by contracts, whether for project delivery or excess land disposal.
3. Disposal contracts are the reason districts conform to RPRR process requirements.
4. The Department developed two parallel yet interconnected activity management processes, one governing project delivery, the other, excess property disposal.
5. With more than ninety-eight percent of excess property acquired for transportation projects, there is no reason for these two processes to remain distinct.
6. Reintegrating excess disposal into the project management process is consistent with compressed delivery cycles.

**RECOMMENDATIONS**

- The Department will reintegrate excess land disposal into its project management process.
- The Department will continue to identify and track excess land disposition within the context of project delivery contracts.

## 2009 Real Property Retention Review Summary of Properties Evaluated

	LANDS & BUILDINGS				EXCESS LAND				UNAWARDED PROJECTS			
	TOTAL	IN-USE	HOLD	DISPOSE <sup>1</sup>	TOTAL	IN-USE	HOLD	DISPOSE <sup>1</sup>	TOTAL	IN-USE	HOLD	DISPOSE <sup>1</sup>
DISTRICT 1	142	139	2	1	10	0	7	3	33	0	33	0
DISTRICT 2	189	187	1	1	24	0	10	14	4	1	0	3
DISTRICT 3	210	209	0	1	50	0	37	13	75	3	69	3
DISTRICT 4	229	225	3	1	550	0	394	156	683	1	671	11
DISTRICT 5	87	87	0	0	33	0	18	15	34	0	31	3
DISTRICT 6	91	91	0	0	59	0	27	32	225	154	42	29
DISTRICT 7	211	206	1	4	193	0	117	76	471	32	429	10
DISTRICT 8	159	159	0	0	46	0	37	9	114	11	85	18
DISTRICT 9	59	59	0	0	49	0	42	7	5	5	0	0
DISTRICT 10	89	87	1	1	46	0	17	29	329	0	323	6
DISTRICT 11	121	120	0	1	115	2	52	61	169	46	78	45
DISTRICT 12	41	41	0	0	17	0	0	17	1	0	1	0
<b>TOTAL</b>	<b>1628</b>	<b>1610</b>	<b>8</b>	<b>10</b>	<b>1192</b>	<b>2</b>	<b>758 <sup>2</sup></b>	<b>432</b>	<b>2143</b>	<b>253</b>	<b>1762 <sup>3</sup></b>	<b>128</b>

**Footnote 1:** Disposal includes sale, other conveyance, incorporation into the right-of-way, or administrative adjustment removing a parcel from the active inventory.

**Footnote 2:** Parcels held for 7 projects comprise 56% of the property on hold in the Excess Lands Management System: ALA-80 (45 pcIs), ALA-238 (64 pcIs), ALA-880 (76 pcIs), SF-480 (103 pcIs), TUO-108 (44 pcIs), LA-105 (47 pcIs), LA-710 (44 pcIs).

**Footnote 3:** Parcels held for 8 projects comprise 80% of the property on hold for Unawarded Future Projects: LA-710 (407 pcIs), ALA-238 (414 pcIs), SBD-210 (73 pcIs), SM-1 (147 pcIs), TUO-108 (123 pcIs), STA-132 (64 pcIs), FRE-180 (103 pcIs), MER -152 (77 pcIs). Parcels for two projects, ALA-238 & LA-710, represent 47% of the total.

**General Note:** Exclusive of Lands & Buildings, parcels held for just 6 projects comprise 58% (1,449/2,520) of all property held by the Department (758+1,762 = 2,520): ALA-238 (478 pcIs), LA-710 (451 pcIs), SF-480 (103 pcIs), SM-1 (147 pcIs), TUO-108 (167 pcIs), FRE-180 (103 pcIs). Parcels for two projects, ALA-238 & LA-710, represent 37% of the total (929/2,520).

2009 Real Property Retention Review  
Parcel Summary

District	ASSET MANAGEMENT INVENTORY	EXCESS LAND MANAGEMENT SYSTEM BY CATEGORY								RIGHT OF WAY PROPERTY SYSTEM	STATEWIDE TOTAL			
		1A	2A	2B	2C	2D	3	NON INV	OPT	ACTIVE	AMI	ELMS	RWPS	TOTAL
1	142	1	4	0	3	0	0	0	3	33	142	11	33	186
2	189	1	5	0	5	6	0	3	5	4	189	25	4	218
3	210	1	5	0	30	1	0	12	2	75	210	51	75	336
4	229	23	137	0	199	26	5	51	132	683	229	573	683	1485
5	87	2	13	0	8	2	0	0	10	34	87	35	34	156
6	91	11	12	0	7	0	0	35	5	225	91	70	225	386
7	211	37	13	0	46	31	5	30	68	471	211	230	471	912
8	159	29	4	0	27	0	8	4	3	114	159	75	114	348
9	59	6	0	0	39	1	0	4	5	5	59	55	5	119
10	89	14	1	0	35	4	0	0	6	329	89	60	329	478
11	121	48	72	0	16	1	0	4	22	169	121	163	169	453
12	41	1	0	0	0	0	0	16	1	1	41	18	1	60
<b>TOTAL</b>	1628	174	266	0	415	72	18	159	262	2143	1628	1366	2143	5137

<b>AMI</b>	Facilities supporting transportation operations, which include, but are not limited to office buildings, maintenance stations, equipment shops, warehouses, laboratories, Transportation Management Centers, safety roadside rest areas, vista points, environmental mitigation sites, park and ride lots, or parcels acquired for future facility development.
<b>1A</b>	Available for immediate sale.
<b>2A</b>	On hold for engineering reasons (project use).
<b>2B</b>	On hold for a public agency.
<b>2C</b>	On hold for legal or administrative reasons.
<b>2D</b>	On hold for environmental compliance or mitigation purposes.
<b>3</b>	New ELMS entry pending category assignment.
<b>NON INV</b>	Parcel/interest acquired on others' behalf.
<b>OPT</b>	Parcel/interest under contract.
<b>RWPS</b>	Parcels acquired for routes identified as viable in a local, regional, or departmental transportation system or infrastructure planning document. Property may be conditionally retained if there is a legitimate, compelling and substantive justification for holding the subject property.

### 2009 Real Property Retention Review Parcel Disposition Summary

District	LAND AND BUILDINGS (LIST 1)							EXCESS LAND (LIST 2)							UNAWARDED PROJECTS (LIST 3)							STATEWIDE TOTAL										
	In Use	Hold	Sold	Sell 2008	Sell 2009	Sell 2010	Admin Action	In Use	Hold	Sold	Sell 2008	Sell 2009	Sell 2010	Incorp in RW	Admin Action	In Use	Hold	Sold	Sell 2008	Sell 2009	Sell 2010	Incorp in RW	Admin Action	In Use	Hold	Sold	Sell 2008	Sell 2009	Sell 2010	Incorp in RW	Admin Action	
<b>1</b>	139	2	0	0	1	0	0	0	7	2	0	0	1	0	0	0	33	0	0	0	0	0	0	0	139	42	2	0	1	1	0	0
<b>2</b>	187	1	0	0	0	1	0	0	10	3	0	1	1	0	9	1	0	0	0	0	0	0	3	188	11	3	0	1	2	0	12	
<b>3</b>	209	0	0	1	0	0	0	0	37	5	0	5	3	0	0	3	69	3	0	0	0	0	0	212	106	8	1	5	3	0	0	
<b>4</b>	225	3	0	1	0	0	0	0	394	3	0	46	106	1	0	1	671	1	0	1	4	0	5	226	1068	4	1	47	110	1	5	
<b>5</b>	87	0	0	0	0	0	0	0	18	4	0	3	8	0	0	0	31	0	0	0	2	0	1	87	49	4	0	3	10	0	1	
<b>6</b>	91	0	0	0	0	0	0	0	27	2	0	19	10	0	1	154	42	2	0	0	0	2	25	245	69	4	0	19	10	2	26	
<b>7</b>	206	1	2	0	2	0	0	0	117	12	0	3	10	7	44	32	429	0	0	0	0	0	10	238	547	14	0	5	10	7	54	
<b>8</b>	159	0	0	0	0	0	0	0	37	3	0	3	3	0	0	11	85	0	0	0	0	0	18	170	122	3	0	3	3	0	18	
<b>9</b>	59	0	0	0	0	0	0	0	42	0	6	1	0	0	0	5	0	0	0	0	0	0	0	64	42	0	6	1	0	0	0	
<b>10</b>	87	1	0	1	0	0	0	0	17	1	0	14	13	0	1	0	323	0	0	0	5	0	1	87	341	1	1	14	18	0	2	
<b>11</b>	120	0	0	0	0	0	1	2	52	24	0	5	19	6	7	46	78	1	0	0	43	1	0	168	130	25	0	5	62	8	7	
<b>12</b>	41	0	0	0	0	0	0	0	0	2	0	2	12	0	1	0	1	0	0	0	0	0	0	41	1	2	0	2	12	0	1	
<b>TOTAL</b>	1610	8	2	3	3	1	1	2	758	61	6	102	186	14	63	253	1762	7	0	1	54	3	63	1865	2528	70	9	106	241	18	126	

## **1. Background and Purpose**

*The Department fulfills its responsibility to regularly evaluate the utility of property in its possession.*

*The Department possesses real property consistent with its mission to improve mobility across California.*

*The Department maintains real property databases and reviews real property inventories consistent with Deputy Directive DD-21 R3.*

The Department of Transportation (Department) possesses diverse real estate holdings, which support wide-ranging program or service delivery obligations. The Department is responsible for accurately inventorying its real property portfolio and regularly evaluating its ongoing contribution to effectively achieving organizational goals and objectives.

With over 1,600 facilities supporting transportation operations and more than 3,500 real property parcels in its possession awaiting use in transportation projects, the Department of Transportation (Department) is acutely aware of, and is fully committed to satisfying its obligation to efficiently manage its real property inventories consistent with its mission of improving mobility across California. Guided by statute, administrative order and Department directive<sup>1</sup>, the Department systematically reviews its real estate holdings within a district-driven Real Property Retention Review (RPRR) process, which carefully examines the utility of real property assets supporting transportation operations or delivery of the Department's program or projects. Only through regular substantiation of the benefits provided the Department by property in its possession can the Department ensure it retains only those for which it has a legitimate and compelling need. Properties judged surplus will be slated for disposal consistent with state law and Department guidance.

### **PROCESS**

Department Deputy Directive DD-21 R3 governs maintenance of real property databases and review of real property holdings. The directive also articulates the framework within which districts conduct annual RPRR activities. District divisions and functions with operational control of realty must determine which, if any, property is no longer needed for project or program delivery. Responsible review requires thoughtful comparison of what is needed over time to deliver a project or program to what is in the inventory, which reveals assets no longer required. The RPRR process assumes each district has, (1) maintained accurate property databases: the Asset Management Inventory (AMI), the Right of Way Management Information System (ROWMIS), the Right of Way Property System (RWPS), and the Excess Land

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<sup>1</sup> California Government Code Section 11011.18, Executive Order 10-S-04 and Department Deputy Directive DD-21 R3

***District RPRR committees determine which parcels may be released for disposal.***

Management System (ELMS), and (2) appropriately identified short, intermediate, and long-range asset requirements.

District directors constitute RPRR committees by appointing the chairperson and members. The committee chairperson is usually someone of sufficient rank and experience to effectively represent the district director and command the trust and respect of committee members. Committees are comprised of divisional deputies or designees who review property holdings during one or more committee meetings and recommend property disposition within the context of the district's business plan. District RPRR committees review the AMI to identify underused or surplus facilities, examine ELMS to isolate disposable excess land parcels, catalog parcels in RWPS that may be released for disposal, and survey existing right-of-way to discover unneeded property suitable for decertification and sale.

***The trend toward significant inventory contraction is unlikely to continue.***

### **PORTFOLIO**

The trend toward significant inventory contraction is unlikely to continue. While counts in individual inventory segments varied slightly from 2008 to 2009, the overall parcel count hovered around 5,000 parcels. Excluding roughly 1600 items in the lands and buildings inventory, the Department's real estate portfolio has remained relatively static.<sup>2</sup> Non-lands-and-buildings parcels accounted for slightly more than 3,500 parcels of which approximately 2,500 were being held for use in future transportation projects. This proportion is unlikely to change until the eight "legacy" projects, with which eighty percent of these parcels are associated, move to construction or some other resolution.

***Disposal contract requirements continue to ensure sufficient process-specific resources and district management support.***

Excess Land Disposal Contracts between the Department's Director and district directors continue to balance the Department's institutional concentration on transportation project delivery. Disposal contract requirements maintain sufficient process-specific resources and district management support to achieve program goals. The ongoing institutional challenge is to fuse district directors' consistent RPRR involvement, Excess Land Disposal Contract objectives, and, ultimately, Departmental project delivery goals.

***The Department disposed of 1,150 parcels with proceeds exceeding \$131 million from July 2006 through December 2008.***

### **PERFORMANCE**

Surplus property disposal performance in 2008 was the culmination of an outstanding Department-wide effort. As December 2008 drew to a close, the Department had exceeded by

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<sup>2</sup> are not limited to office buildings, equipment shops, maintenance facilities, transportation management centers, roadside rest areas, laboratories, and warehouses.

ten its target of 1,140, disposing of 1,150 parcels during the target period from July 1, 2006 through December 31, 2008. Excess property disposal returned more than \$131 million to the state during this period. This achievement was made possible by the consistent commitment, oversight and control exercised throughout the initiative by district directors and their responsible subordinate staff.

***A as follow-up to its 2001 audit, the Bureau of State Audits analyzed Department surplus property management practices.***

Even in the midst of this aggressive property disposal initiative, the Department struggled to overcome external perceptions of organizational ineffectiveness in matters of real property management or disposal. The degree to which this notion was symbolized by timely disposal of excess property became more evident in May 2008 when the Legislature instructed the Bureau of State Audits (BSA) to ascertain the degree to which the Department had successfully addressed the findings and implemented the recommendations of the 2001 BSA audit report, which was critical of Department property management and disposal practices. Because of time constraints and staffing shortages, the BSA's 2008 investigation was limited to review of the Department's real property database accuracy, the RPRR process, and excess land management and disposal practices. The BSA review, published in a March 2009 Letter Report, found that the Department had appropriately implemented the 2001 BSA audit recommendations; however, the BSA also expressed concern that, despite its best efforts, the Department's real property databases were incomplete and contained inaccurate information.

***The 2009 RPRR demonstrated the Department had sustained gains made since 2006.***

These initiatives, disposal contracts put together with the BSA review, would confirm the Department's commitment to its property stewardship mandate. The property disposal effort that began in late 2006 was recognition of the need to demonstrate proficiency in order to overcome pervasive negative perceptions of property management and disposal practices highlighted in criticism from the Legislature and the news media. To meet its disposal goal and overcome these negative opinions, the Department had to renew its commitment to rigorously fulfill all aspects of managing real property assets, from inventory accuracy to timely disposal. The 2009 RPRR was the Department's first opportunity to demonstrate that it had sustained the necessary effort to preserve the gains made.

***The BSA's March 2009 Letter Report confirmed that performance had prevailed over perception.***

Performance was the key to altering external perceptions, and fundamentally changing internal accountability in the excess land disposal process was the key to performance. The key to accountability was project management discipline, which was produced by creating Excess Land Disposal Contracts with each

district director. The contracts linked parcels identified as surplus in the RPRR to measurable metrics, process management milestones and disposal dates. By achieving district property disposal objectives, district directors fulfilled fiduciary obligations, while conforming to sound property management practices. The BSA's March 2009 Letter Report confirmed the Department's achievement; performance had prevailed over perception.

### **PROSPECTS**

The Department should be proud of its recent property disposal achievements, but the 2009 RPRR provided insight into continuing issues, which complicate the Department's ability to achieve real property inventory reductions and put at risk excess land disposal contract delivery objectives. The 2009 RPRR identified a number of concerns with which the Department must successfully deal if it is to continue its real property disposal performance at a level consistent with external expectations: the Department needs to array its resources in a manner consistent with improving inventory accuracy, resolving intractable property disposal issues, planning disposal of legacy project properties, and re-coupling excess property disposal to project completion. Unlike prior Annual Reports, which have analyzed administrative and managerial practices by inventory segment (AMI, RWPS, ELMS) to identify effective means of integrating the RPRR into Department culture and psychology, this report considers policy and procedural changes critical to improving Department performance.

*The Department needs to array its resources in a manner consistent with meeting its challenges.*

### **RECOMMENDATIONS:**

- ⇒ *Continue to hold annual district RPRR meetings and follow up on disposal recommendations throughout the year.*
- ⇒ *Continue to identify real property surplus to project or program delivery requirements.*
- ⇒ *Continue to develop property disposal milestones and objectives within a contract framework.*

## **2. Inventory Accuracy**

*Governor's Executive Order S-10-04 mandates annual property reviews.*

Governor's Executive Order S-10-04 mandates that each State agency or department annually review its real property inventory and report inventory changes and surplus realty to the Department of General Services (DGS). Although Department real property acquired for use in transportation projects is exempt from reporting requirements, the Department regularly reviews the continued utility of these properties along with those in its lands and buildings portfolio and reports changes to lands and buildings holdings included in DGS' Statewide Property Inventory (SPI).

*AMI use and maintenance has steadily improved over the last year.*

### **PRECISION**

RPRR activities are based on asset information extracted from three Department databases: the AMI (lands and buildings), the RWPS (property acquired for project construction), and the ELMS (excess land). The AMI is the Department's lands and buildings inventory, which runs on a FileMaker database platform. The system provides Department personnel with access to information on approximately 1,600 Department facility assets through either licensed desktop software or a web-based application accessed via the Department's Intranet. General acceptance and use of the database has steadily improved over the last year, which is reflected in the increased number of average daily logins and the improved level of data accuracy.

*About ninety percent of assets in the AMI support the Maintenance & Operations Program, which has inventoried more than ninety-nine percent of facilities and ninety-two percent of structures.*

Somewhat more than ninety percent of assets in the AMI fall under the operational ownership or control of divisions or functions within the Maintenance and Operations (M&O) program. With a concerted effort over the last two years by M&O to ensure that all facilities and their associated improvements are properly reflected in the AMI, the program has inventoried more than ninety-nine percent of its facilities and ninety-two percent of its improvements that should be reported in the AMI. Unaccounted for facilities include material sites, with only 21 of an unquantified number of sites inventoried statewide, and vista points, about which there is continuing uncertainty as to total number. Approximately eighty-five percent of improvements that remain unreported belong to telecommunication sites, often occupying remote mountaintops, with the remainder associated with roadside rest areas. M&O will add all required facilities and improvements to the AMI by the end of the 2009 calendar year.

Over the last few years, there has been consistent concern expressed about the accuracy of information in two Division of Right of Way and Land Surveys' legacy databases, the ELMS and the RWPS. To contend with these deficiencies, the Department

***The BSA March 2009 Letter Report found deficiencies in legacy databases that the Department has taken steps to correct.***

has taken steps in each district to clarify administrative procedures, provide necessary training and implement quality control measures to improve both completeness and accuracy of real property-related information. Although these steps lead to significant qualitative and quantitative gains in overall data integrity, the BSA's database sampling for their 2008 investigation found discrepancies between hard-copy data files and electronic database records. The Division of Right of Way and Land Surveys has taken corrective action to ensure future discrepancies are minimized within the respective databases.

### **PERSEVERANCE**

***The Department does not know how many parcels acquired for environmental mitigation it possesses.***

The 2006, 2007 and 2008 RPRRs established that not all environmental mitigation parcels were being inventoried in either the AMI or the ELMS (Category 2D holds). The number of environmental mitigation parcels reflected in these databases, which should have been identical, differed by a factor of two. In January 2008, the Division of Right of Way and Land Surveys requested that the Division of Environmental Analysis have its district staff provide an independent inventory of parcels acquired/held for environmental mitigation purposes.

***Districts have not yet completed the independent inventory of mitigation parcels requested in January 2008.***

As of this report's publication, the Division of Right of Way and Land Surveys has yet to receive the requested inventory. Without comparing what the responsible district authority believes should be in the inventory to existing inventory information in the appropriate real property database(s), there is no way to determine with certainty what property the Department owns. Being unable to identify and properly inventory its land holdings is a fundamental breach of the Department's stewardship obligations, which adversely affects real property reporting compliance and could impede timely property conveyance to external resource agencies.

### **RECOMMENDATIONS:**

- ⇒ *Continue to provide district staff with regular training on Department property databases.*
- ⇒ *Continue to use database management tools (Discoverer) to audit inventory accuracy.*
- ⇒ *Continue to upgrade the AMI's capability to encourage greater use.*
- ⇒ *Complete the entry of AMI improvement data for the M&O Program.*
- ⇒ *District Directors, under their project delivery purview, will complete an independent inventory of district environmental mitigation parcels by June 30, 2010.*

### **3. Intractable Issues**

*Districts struggle with issues that, in some cases, have delayed property disposal for more than a decade.*

Even as districts labored to dispose of hundreds of surplus parcels possessing the location, size, zoning, access, physical characteristics and value to assure relatively easy disposal, they struggled with a number of enduring issues, which inhibit or delay surplus property disposal; many of the parcels having awaited disposal for more than a decade. Although districts often confront these challenges separately, their character and complexity is universal and warrants consistent statewide policy guidance and support to facilitate sale or other conveyance of property interests. The Department's inability to effectively resolve these matters has adversely affected districts' ability to dispose of far too many parcels, which has jeopardized achievement of disposal contract objectives and impaired the Department's ability to effectively reduce its surplus property inventory to zero.

*The Department is obliged to dispose of excess real property at fair market value.*

#### **VALUE**

Outside specific legal prohibitions, the Department is obliged to dispose of surplus property at "fair market value". To this end, it has taken prudent steps to protect the value of its marketable holdings whenever practicable and has implemented sensible policies to enhance property value (up-zoning) when feasible. A property's fair market value, or appraised value, is derived using an objective analytical framework based on federal and state statute and regulation, case law and well-defined standards of professional practice.

*Fair market value is most easily determined in an active market with many buyers and sellers, who are not subject to duress.*

Fair market value is most easily determined in a marketplace experiencing numerous transactions between willing and able buyers and sellers not subject to duress. Active markets efficiently reflect increased or decreased value over time providing general economic conditions do not interject significant volatility, which destabilizes market equilibrium. In the current environment, market forces have dramatically increased supply while radically reducing demand. The Department must revisit policies governing excess land disposal to ensure they account for changes in both market psychology and economics, which have adversely affected property disposal. It must take into account all tangible costs and financial trends, which may affect property value, net return or state savings. Once the Department has evaluated real estate market forces and their probable impact on fair market value, it can confidently develop disposal policies supporting the tough decisions needed to divest difficult-to-dispose-of surplus property.

***Current market stress has, on many occasions, resulted in excess property auctions unable to generate interest.***

For the Department, current market stress has, on many occasions, resulted in excess property auctions unable to generate interest, where, if anyone has participated, they have not approached the minimum bid. In instances of this kind, appraisals have become effectively meaningless. Real estate market demand has decreased due to increased foreclosure-driven supply and radically reduced demand caused by investor illiquidity, which has been exacerbated by tightened credit underwriting standards. The Department will have to consider if, or when and how, it will participate in a real estate market that has experienced thirty-five to fifty percent price declines over the last year-and-a-half. Market values have receded to levels unseen in a decade, and experienced analysts are not sure when they will reach bottom. Many believe the residential real estate market still has fifteen percent of its value to give, which may not be unreasonable as real estate values return to levels more consistent with long-term income growth, with which they have been closely aligned over the last six decades.<sup>3</sup>

***With their surplus property disposal contracts in the balance, districts have faced a difficult choice: sell property at reduced prices or hold it until the market recovers.***

With their surplus property disposal contract objectives in the balance, districts have faced a difficult choice: sell excess property at reduced prices or hold it until the market recovers. During the 2009 RPRR, districts revisited significant numbers of parcels for which one or more auctions had been conducted (with no interest), the only buyer was unwilling to pay appraised value (adjacent landowner, tribal government, local agency, etc.), or there were no buyers at any price (remote location) and struggled to rationalize, quite literally, conveying property for a dollar – essentially, giving it away. Without specific permissive guidance from headquarters, districts could not act “creatively” to divest property of this kind. Nevertheless, to meet its surplus property disposal goals and relieve itself of the fiscal burdens of liability, maintenance, and administration associated with problematic properties, the Department will have to consider market prices for many parcels determined via auction with no minimum bid or conveying property effectively for free or, in some cases, incorporating property into the right-of-way.

***It may be prudent to hold certain property through a down market.***

While divesting certain holdings in a down market makes sense, it may be prudent to hold others. Districts expressed reluctance to bring some properties to market making the economic argument that property values would appreciate with broader market recovery, thus increasing Department return, if they are held just a bit longer. Justifications of this kind, particularly within a context of developing district disposal contract objectives, require district staff to perform complex value analyses based on inflation-

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<sup>3</sup> Income drives value: residentially, as a factor of financing; commercially, as a factor of rents.

***The small number of remaining excess parcels should be divested as quickly as possible regardless of the marginal gains or losses anticipated***

***To meet disposal contract objectives, districts have had to move aggressively to divest excess property.***

***Local public agencies have sought Department property for little or no compensation.***

adjusted time series for economic drivers like real estate market values, household income growth and property carrying costs. Moreover, the marketplace, battered by the volatility of current recessionary conditions, lacks certainty. Exactly when will values return to normalized conditions suggested by long-term trend lines? How long should property be held; until what price-point?

Real property acquisition occurs in up markets and down markets. The vast majority of property acquired is used in the transportation infrastructure project for which it was acquired. The small number of remaining excess parcels should be divested as quickly as possible regardless of the marginal gains or losses anticipated. In this respect, property acquisition and disposal is like buying stock using dollar cost averaging: one buys consistently over time regardless of price, which averages investment cost and blunts negative affects of disposal during cyclical market down-turns. Viewed in this way, disposing of relatively limited numbers of now-surplus properties acquired during the period of inflated real estate prices from 2003-7 is more than offset, on average, by divesting excess property acquired during periods when property values were far lower.

To meet disposal contract objectives, districts have had to move aggressively to divest excess property. Economic conditions have driven real estate values below historic value trend lines, and, as the economy rebounds, market analysts agree real property values will not return to 2003-7 levels any time in the foreseeable future. Districts grasped this new reality and incorporated it into their marketing strategies. Districts have considered holding selected realty off the market until values are again consistent with historic trends. However, they also recognized that when state budget deficits, carrying and opportunity costs, adverse impacts to local tax rolls, and residual market volatility were factored into the analysis, it made economic sense to quickly dispose of property rather than hold it for an indeterminate period.

Complicating matters even further, local public agencies have sought to have excess Department property conveyed at below market value or for no compensation at all. If their demands are not met, they have threatened discriminatory zoning; down-zone the desired property or diminish its value through other regulatory means.<sup>4</sup> When other stratagems have proved unsuccessful, local governments have pursued specific legislation to obtain desired property, which may result in reduced or deferred sale proceeds subsidizing local initiatives rather than returning market value sale proceeds to the State Highway Account.

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<sup>4</sup> Right of Way Manual Chapter 16.01.12.00; referred to Legal for investigation, which may result in filing of a lawsuit.

*Districts need clear Headquarters' guidance governing excess land disposal parameters.*

To help salvage disposal contract performance, districts need clear, concise and consistent articulation from headquarters' management of value parameters within which the Department will pursue/accept excess land disposal.

*The boundary issue for parcels along Highway 86 in Imperial County remains unresolved.*

### **SURVEYS**

One issue that remains unresolved after more than a decade is survey boundaries for Highway 86 parcels in Imperial County (District 11). The original Bureau of Land Management (BLM) survey boundaries were off by hundreds of feet, which has complicated mapping and stalled property conveyance (rights) for years. While numbering fewer than twenty properties, these parcels account for over six hundred acres of excess land in the Department's inventory. The property is remote desert land of little or no value to anyone. Even with corrected boundary lines, it is unlikely the Department could give the property away. While the district indicated during this year's RPRR that it would like to hold a couple of parcels for future interchange development, there are no prospects for divesting the remaining property.

*The Bureau of Land Management will not contribute to its solution.*

The BLM, which completed the original survey, will not invest the resources to fix the problem. District 11 Right of Way Engineering does not have the resources to correct the boundary problem. Most of the parcels are discontinuous with the travelled way, and incorporating/maintaining the land would place even more demand on stretched Maintenance resources. This property is the definition of intractable.

*There are times the Department can't give property away; local agencies refuse to accept title.*

### **CLOSING THE DEAL**

There are actually times when the Department cannot give property away. Two noteworthy examples of this phenomenon are parcels associated with the Transbay Transit Terminal in San Francisco and assorted property interests for the Los Angeles County Flood Control District (LACFCD). In the former case, a local agency partner, although agreeing to record title to 47 parcels on a given date, would not accept title to the property until a later time to defer maintenance costs, which caused the district to miss its delivery commitment. The latter instance involved approximately 35 parcels subject to the terms of an agreement in place for more than a dozen years. The LACFCD would not consummate the agreement and accept title to the property because the Department neglected to involve it in the design, construction, inspection or acceptance of drainage improvements during the course of project development and delivery. Before accepting title to the property, LACFCD expects the Department to bring all improvements up to current LACFCD specifications at the Department's expense. Given the state of the Department's

budget, these items could remain in limbo until funds are allocated (or discovery of a creative solution; quit claims and encroachment permits).

### **CONVEYING MITIGATION PROPERTY**

There continues to be no consistent Department-wide strategy or policy for timely conveyance of property acquired for environmental mitigation. Districts continue to struggle with the problem of getting mitigation parcels out of the Department's real property inventory because no agency will accept the property. There is consensus within and among district RPRR committees and program staff that binding "conveyance" agreements should be executed with "receiving agencies" before the Department acquires environmental mitigation property. A December 2000 Department report titled "*Improving Caltrans Environmental Planning, Management and Mitigation; Moving From Compliance to Stewardship*" recommended convening a mitigation site conveyance team to develop agreements with resource agencies to accept mitigation properties prior to Department acquisition. The team was never formed, and the problem continues to plague every district.

*There is no Department strategy for timely conveyance of mitigation property.*

*Little incentive exists for external agencies to accept mitigation property as long as they believe the Department will not jeopardize project delivery because it cannot find a long-term steward.*

Little incentive exists for State or federal departments, local agencies or non-profit conservancies to accept environmental mitigation sites as long as they believe the Department will not jeopardize project delivery because it cannot find a long-term "steward". Additionally, third-parties are reluctant to accept small "stand-alone" mitigation sites because of proportionally higher costs over larger contiguous tracts. The Department's ability to convey mitigation parcels with sufficiently large "endowments" to offset costs of property supervision and management was addressed at length in the above-mentioned stewardship report. Just as conveying mitigation property at no cost acknowledges its value has been received in delivery of the project, an endowment is also a "sunk" project-delivery cost, which should be budgeted and expended accordingly. Mitigation parcel budgeting, identification, acquisition, management, conveyance and endowment should be addressed in route concept reports and freeway or cooperative agreements, which commit parties to a project.

**RECOMMENDATIONS:**

- ⇒ *The Department will develop policy governing market circumstances under which it will accept auction values as “fair market”.*
- ⇒ *The Department will develop policy governing market circumstances under which it will withhold excess property from disposal.*
- ⇒ *The Department will develop policy governing conveyance of environmental mitigation property to external entities committed by signed agreements in advance of property acquisition.*

## **4. Legacy Projects**

*Over the last five years, the Department has cut nearly in half the number of parcels in its real property portfolio acquired for transportation projects.*

Over the last five years, the Department has nearly cut in half the number of parcels in its real property portfolio acquired for transportation projects.<sup>5</sup> The dramatic reduction was achieved through committing more projects to construction and processing more unneeded property for disposal. The inventory level in ELMS was reduced from almost 1,550 parcels to around 900, and the RWPS inventory contracted from a bit more than 5,500 parcels to about 2,100. Of approximately 2,500 parcels being held for future use in transportation projects, property for six projects represented fifty percent of the total inventory: over 900 parcels are held for just two projects, LA-710 and Ala-238. Data suggest the majority of relatively straightforward inventory reduction has occurred; the Department has picked the “low hanging fruit.” While inventories will experience small net reductions as projects go to construction, the properties remaining in this inventory segment are those associated with complex, politically sensitive projects, beset by complex local issues, and supported on all sides by highly motivated provincial interests, which has delayed construction for many years.

*The next significant inventory decline is likely to occur as the Department divests property held for the Ala-238 and the LA-710.*

The next significant inventory decline is likely to occur over the next two to five years as the Department disposes of property held for the Ala-238 and the LA-710. While other challenging projects will also be resolved during this period, none will have as dramatic an impact on reducing Department inventories as these two projects. The RPRR committees in District 4 (Ala-238) and District 7 (LA-710) identified significant policy issues and administrative concerns germane to property divestiture, which will affect configuration of the Department’s disposal methodology.

### **PLANNING**

*The Department will have to dispose of properties acquired for the Ala-238 and the LA-710 in the near future.*

The Department recognizes that it will have to dispose of properties acquired for the Ala-238 and the LA-710 in the not-too-distant future. For the Ala-238, statute dictates that net proceeds from Department excess property sales are to be placed in a separate account used to fund the locally developed alternative transportation project.<sup>6</sup> While resolution of the LA-710 impasse is less clear, only two options are being seriously considered: build a tunnel or do nothing. In either case, the Department will dispose of its existing excess parcel inventory: if a tunnel is constructed, surface rights; if no project is built, all rights.

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<sup>5</sup> Exclusive of lands and building holdings, the inventory has been reduced from about 6,600 to just over 3,500.

<sup>6</sup> Government Code Section 14528.5(c).

***The districts must determine tenants' level of interest and capacity to acquire excess residential property acquired for the Ala-238 and LA-710 in the near future.***

***As the Department prepares to divest property from its most enduring legacy projects, it will have to unravel complex competing interests and outcomes.***

***The Department will confront many issues: to whom must property be offered; at what price will property be offered; how will property release be phased; will the Department function as the lender-of-last-resort..***

Because of current law and public expectations, the only reasonable approach for responsible districts entails surveying current tenants and local housing agencies in communities or neighborhoods where excess residential property is located to determine the level of interest and the capacity to acquire excess property if or when it becomes available. The capacity to acquire takes on added significance in the current financial environment since many "eligible" occupants and housing agencies may have difficulty arranging financing. Under these circumstances, it is possible that individuals, community interest groups, local governments, the Legislature, and the Governor's Office will expect the Department to function as "lender-of-last-resort", which is consistent with its authority.<sup>7</sup>

As the Department prepares over the next few years to divest property from each of its most famous legacy projects to meet its excess land disposal objectives, it will have to unravel complex, competing interests and outcomes. Because of the significant damage done to major real estate developers by recent events in the finance and real estate industries, District 4 may have to assume the role of master developer working with local governments, transportation agencies, other public institutions (school and park districts), and interested community groups to balance desires for updated zoning and land use (new neighborhood specific plans), phased property release (parcel assembly, property mix, neighborhood impact, price stability), and maximized sale proceeds (funding the local project alternative).

District 7 faces a similar challenge as it pursues sale of excess property held for the LA-710 under the rubric of Government Code Section 54235, also known the Roberti Bill. While proceeds from excess parcel sales won't be used to fund a subsequent project, District 7 will confront similar issues to those faced by District 4: to whom must excess residential property be offered (first refusal); at what price will property be offered (low or moderate income buyers); how will property release be phased (sustain market prices); will the Department function as the lender-of-last-resort.

## **PRICE**

Selling excess property in a bear market in real estate presents more challenges for District 4 than District 7. Regardless of current market prices or trends, District 7's excess LA-710 residential property sales will probably occur in a tightly governed price range determined by a complex calculation comprised of

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<sup>7</sup> Streets and Highways Code 118 (a)(1)(2).

***Selling excess property in a bear market in real estate presents numerous challenges.***

***Roberti sales should not adversely impact local housing prices.***

***Overly optimistic expectations exist regarding proceeds to be realized from sale of LA-710 excess property.***

***District 4's property divestiture is a different and, in many respects, more complicated undertaking.***

***District 4 supports local governments' attempt to recreate flourishing neighborhoods.***

Median Family Income (Los Angeles County) and HUD adjusted gross monthly income allowances for very low-income and low-income households. The cumulative affect is sale of the majority of LA-710 excess to Roberti-qualified buyers at about ten cents on the fair market dollar. Roberti's affordable housing requirements mean the state's proceeds will suffer a relatively small fractional reduction over those it would have realized had the property sold at their 2006 values.

To the extent District 7 sells excess LA-710 properties to qualifying Roberti buyers, it does not have to worry about phasing property sales, which may adversely impact local housing prices. Low sales prices and special conditions governing Roberti transactions will be discounted by local real estate professionals, whose clients or properties are not subject to statutory constraints. Similarly, residential property sold to participating local housing agencies at less than fair market value will also have little adverse impact on broader market values.

Given the effective real estate price controls mandated by Roberti requirements, expectations of proceeds to be realized from sale of LA-710 excess property are overly optimistic. Until Roberti is significantly modified or superseded by new legislation, it should be clearly understood that probable returns will approximate ten percent of non-Roberti market potential.

District 4's property divestiture (staging, parcel assembly, phasing) is a different, and in many respects, more complicated undertaking. Sound asset management practice might suggest having District 4 withhold property from the marketplace and release it in phases so as not to precipitate a supply glut and drive down prices.<sup>8</sup> Local transportation partners, however, have an interest in accelerating property sales to generate project funds to take advantage of lower construction costs. But, even they realize that pushing too much product into the housing market too soon, thus lowering price and potential proceeds, may have the unintended result of starving the project of desperately needed funds. The Department needs to work closely with its local transportation partners to synchronize property release and subsequent sale with release of project phases.

Successfully disposing of District 4's excess Ala-238 property also includes supporting local governments' attempt to recreate flourishing neighborhoods from those adversely affected by over 40 years of significant community development challenges attributable in large measure to contentions surrounding the

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<sup>8</sup> Many lenders have begun holding foreclosed properties off the market to help stabilize prices and dampen the market freefall in value. This trend warrants watching through the summer of 2009.

***The Department has rarely, if ever assumed the role of master developer .***

***One significant disposal cost could be money spent making repairs mandated by institutions financing acquisition of surplus Department property.***

***While distinctive, external agency guidance governing property condition is consistent.***

original Ala-238 project. Before events over the last two years in the real estate and finance industries, cities solicited large private-sector developers as partners in initiatives of this kind. Those days are gone for the foreseeable future, and local governments must look elsewhere for a partner with sufficient power and authority to help them achieve their goals.

Assuming the role of master developer is not something the Department has regularly, if ever, done. But it has the authority, and, in close collaboration with the city and county, possesses the capacity and expertise to assemble, map and rezone parcels within a community-controlled planning framework. Collaborating in this way could stabilize (or improve) local real estate values and stimulate “context-sensitive” excess land disposal, which achieves both city and Department objectives. Moreover, under existing statute, Department costs would be defrayed by proceeds from excess parcel sales.

Because of the Department’s battered maintenance reputation for properties originally acquired for the LA-710 and Ala-238 projects, one significant disposal cost could be money spent making property repairs mandated by institutions financing acquisition of surplus Department property. While District 7 may experience increased LA-710-related expenditures, which would negatively impact the district’s property management budget, District 4’s funding for the local project alternative would be reduced one dollar for every dollar spent on property repairs. To minimize repair cost exposure, the Department must emphasize that state law mandating decent, safe and sanitary dwellings<sup>9</sup> is consistent with property underwriting requirements of the three agencies dominating residential finance: the Federal Department of Housing and Urban Development (HUD), the Department of Veterans’ Affairs (VA), and the Federal National Mortgage Association (FNMA).<sup>10</sup>

While individual agency guidance governing property condition is distinctively stated, the collective intent is consistent. HUD wants safety (health and safety of the occupants), security (security of the investment), and soundness (correct physical deficiencies or conditions adversely affecting structural integrity); FNMA requires preservation of property livability, soundness, and structural integrity; the VA’s Minimum Property Requirements (MPR) rely on state or local building codes, Federal Regulations or HUD requirements.<sup>11</sup> A defect-free property that doesn’t jeopardize occupant well-being is the common denominator

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<sup>9</sup> California Civil Code Section 1941.1 and Health and Safety code section 17920.3 & 17920.10.

<sup>10</sup> While other investors control about one-third of the market, their guidance closely follows HUD, VA, and FNMA.

<sup>11</sup> These requirements are incorporated into the standard residential appraisal forms.

linking “decent, safe and sanitary” and “safety, soundness, and structural integrity”, and maintaining property soundness and physical integrity is the predicate of maintaining a healthy living environment. Therefore, sale of excess residential property that has been maintained pursuant to Department guidelines should not expose the districts to unwarranted expenditures for lender-mandated repairs.

### **PERPETUITY**

***Disposal programs for the Ala-238 and LA-710 will require a surge of staff resources for proper planning and execution.***

As the Department divests real property managed for over 35 years, there is an expectation that excess land and property management staff, primarily in District 4 and District 7, can be redirected to other district Right of Way functions, which will reduce overall division administrative costs. This is improbable; a surge of staff resources will be needed in both districts to properly plan and execute what are likely to be multi-year phased property disposals.<sup>12</sup> Department expenses incurred assisting local agencies structure, stage or administer Ala-238 property sales may be reimbursed from transaction proceeds,<sup>13</sup> but LA-710 disposal costs would be borne solely by the Department. Both disposal initiatives would require increased staffing; excess land staff working with local agencies and individuals to sell project property; property management staff inspecting property to insure its integrity; relocation assistance working with displaced tenants to secure replacement housing; appraisers determining fair market values; engineering preparing new maps and deeds.

***Roberti affordability requirements may place the Department in the position of acting as the lender-of-last-resort for eligible buyers.***

Two variables could indefinitely defer prospective administrative savings from Ala-238 and LA-710 property divestiture: loan servicing and loan administration. Because of Roberti’s housing affordability requirements, eligible low and very low-income buyers, or housing agencies serving those populations, may have great difficulty securing conventional financing for acquisition of excess property within the LA-710 project area. Given this situation, it is possible the community, the Legislature and the Governor’s Office would expect the Department to exercise its statutory authority and serve as lender of last resort. The Department would need to develop a program and redirect and train Property Management (and some Accounting) staff in loan servicing and administration, while investing in the requisite loan servicing technology. Moreover, financing management activities could compliment and facilitate the Department’s forty-five year

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<sup>12</sup> Right of Way Agents, Right of Way Engineers and Right of Way Appraisers.

<sup>13</sup> Government Code Section 14525.5(c).

obligation to track properties originally sold at below-market value.<sup>14</sup>

**RECOMMENDATIONS:**

- ⇒ *The Department will consider if, or under what circumstances it might be appropriate to act as master developer to facilitate development of vital neighborhoods and successfully dispose of excess Ala-238 (LA-710) properties.*
- ⇒ *The Department will survey occupants of excess residential properties acquired for the Ala-238 and LA-710 to establish identify eligible buyers and establish their capacity to consummate property acquisition.*
- ⇒ *The Department will consider if, or under what circumstances it would be prudent to serve as the lender-of-last resort and quantify the costs of doing so.*

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<sup>14</sup> Code of Civil Procedure Section 1245.245.

## **5. Re-coupling Project Management**

*One lingering internal debate has been about the degree to which removing excess land disposal from the project management process adversely affected prompt divestment of excess land.*

One lingering debate within the Department has been about the degree to which removing excess land disposal from the project management process has adversely affected the Department's ability to promptly divest surplus holdings and satisfy statutory requirements, legislative intentions, and expectations of external control agencies. The argument was made (and won) that separation of excess land disposal from project management freed project managers to focus on construction, moving quickly from one project to another, without being subject to the "long tail" of excess land divestiture, which might negatively impact achievement of delivery contract goals. Others argued that breaking the link and removing project managers' process oversight (milestone focus) and project delivery imperatives (measures and goals) precipitated a shift in focus, which had the unintended consequence of separating excess land disposal from management support and needed resources. Successes achieved through recent use of managing excess land divestiture through disposal contracts reconfirmed the project management nexus and suggested a course of action.

*Department culture demands performance and accountability, which is driven by contracts, whether for project delivery or excess land disposal.*

### **DISCIPLINE**

Department culture demands performance and accountability, which is driven by delivery contracts, whether for transportation infrastructure or excess land disposal. When accountability was removed, performance suffered. For more than a decade, no one was responsible for RPRR outcomes; no one was held accountable for following-through on disposal recommendations, and there were no metrics created with which to measure success. One could argue this was a direct result of the Department's decision to decouple excess land management and disposal from project management, which relieved project managers of the responsibility to supervise excess land matters through project completion. Effectively, once projects were completed, project managers' responsibility ended prior to excess land disposal. Once projects could be closed before the excess was divested (or mitigation lands conveyed), no one remained accountable. It took the better part of a decade for the Department to recognize the issue and return accountability to the RPRR and surplus property disposal.

*Disposal contracts are the reason districts conform to RPRR process requirements.*

Developing excess land disposal contracts and achieving their objectives is the singular reason districts have successfully conformed to the RPRR process over the last three years. The RPRR struggled with a lack of participation and little or no

management support for the better part of a decade until the Department Director instituted disposal contracts tied to the RPRR in 2007. Nothing about the RPRR process itself changed; the organizational framework was unaffected, the mandates remained, and potential rewards from sound business practice were constant. The critical change entailed not only the sustained focus on contract objectives, but also the persistent attention to achieving milestones responsible for timely and efficient execution. The first steps were taken to return project management discipline to the RPRR and excess land disposal. One result was Department disposal of 1,150 parcels in thirty months: it's time to close the circle.

### **RESOURCES**

*The Department developed two parallel yet interconnected activity management processes, one governing project delivery, the other, excess property disposal.*

The Department developed two parallel yet interconnected activity management processes, one governing project delivery, the other, excess land disposal. While the Project Development Procedures Manual (PDPM), the Project Development Workflow Tasks Manual (PDWT), the Work Breakdown Structure (WBS), and the Resource Breakdown Structure (RBS) describe elements of the Department's project management and delivery framework, nothing of a similar character was developed to define the operational attributes and context for the RPRR or the associated excess land disposal process. This process created to cure excess property disposal deficiencies was developed outside (excluded from) the Department's "official" project management process and was, therefore, without comparable guidance documentation within which the Department formally recognized the relationships, procedures and obligations incumbent in the process.

*With more than ninety-eight percent of excess property acquired for transportation projects, there is no reason for these two processes to remain distinct.*

With more than ninety-eight percent of Department excess property holdings acquired for delivery of transportation projects, there is no reason for these two processes to remain distinct. Excess land disposal was originally decoupled from project delivery because project managers were concerned that waiting to officially close projects until disposal of excess land could delay project completion, which could adversely impact measurement of their performance. With separation, the Project Delivery Program instituted lump-sum resource allocations to address statewide disposal needs, which further insulated project delivery from excess land divestiture. This shift resulted not only in under-resourcing districts' property disposal efforts, but it also had the unintended consequence of establishing a zero-sum-game of competing, rather than collaborating, interests within project delivery functions. Right of Way excess land managers competed from outside project delivery for property disposal resources

(Right of Way engineers, appraisers), which lead to fragmented management, higher administrative costs and excess property disposal deficiencies.

***Reintegrating excess disposal into the project management process is consistent with compressed delivery cycles.***

### **SYNERGY**

An excess land disposal process reintegrated into the project management process is consistent with compressed delivery cycles. In fact, property divestiture is well served by aggressive project delivery schedules that demand sufficient resources and rigorous oversight consistent with superior performance expectations. Project delivery contracts between the Department Director and district directors would, by definition, include an excess land disposal component, which would benefit RPRR committee chairs and district functional managers since project managers would be incentivized to commit resources in sufficient time and quantity to meet disposal milestones, which served their delivery contract objectives. Project managers who remained concerned that hard-won progress compressing project delivery cycles would be jeopardized by reincorporating excess land disposal into the project management process could petition Department management to measure project completion at project acceptance or some other milestone, which would acknowledge construction completion yet allow projects to remain open through excess property disposal. This arrangement would strengthen overall Department performance, and it would help assure that property is offered for sale within one year of being declared excess.<sup>15</sup>

### **RECOMMENDATIONS:**

- ⇒ *The Department will reintegrate excess land disposal into its project management process.*
- ⇒ *The Department will continue to identify and track excess land disposition within the context of project delivery contracts.*

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<sup>15</sup> Satisfying both the letter and intent of Streets and Highways Code Section 118.6.

**Attachment A**

2008 REAL PROPERTY RETENTION REVIEW

DISTRICT SUMMARIES

**2009 Annual Report  
Real Property Retention Review Committee  
District 1**

District Director: Charles C. Fielder  
RPRR Committee Chair: Douglas Bortz

District 1's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management, and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

The department owns two properties currently under lease to the Yurok Tribal Government: The former Klamath maintenance yard and the former Weitchpec maintenance yard. In the past, the Tribe has expressed interest in purchasing the properties back from Caltrans. Cost to the Tribe has been one barrier for the Tribe both in purchasing the land and providing environmental studies. Cost to Caltrans to complete environmental studies is projected to be significant and estimated to far exceed the potential value of the land itself. The land would only be of value to the Yurok Tribe, who is currently satisfied with their leases of the property. Excess Land will continue to work with the Native American Liaison for resolution to transfer land to the Yurok Tribe. Lastly, the Middletown Park and Ride is currently in contract for sale and scheduled to be reviewed at the April 2009 CTC meeting.

Excess Lands Holds

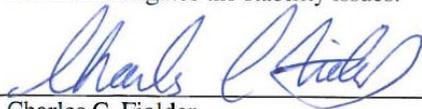
There are eight (8) properties on hold this year, although three (3) of those properties could be released from their hold and sold pending actions occurring in the calendar year. Two (2) are the properties mentioned involving the Yurok Tribe. Two (2) properties are cleared for sale after the city of Eureka approves the final relinquishment plans (expected in the summer of 2009). One (1) property is a mitigation site in this Cleone area. One (1) is an RE Office in Nice, Lake County that is expected to be in use for the next calendar year. One (1) property is being held as part of an exchange in the Willits Bypass between adjoining owners, as the excess parcel would be landlocked otherwise. One (1) property is being held in Fort Bragg, Mendocino County, until the completion of the widening project. Once the project is certified as completed by the project manager, excess lands will commence with the sale of the property.

Property Held for Unawarded Future Projects

There are sixty-five (65) parcels included in seven (7) entries in this report. All sixty-five (65) parcels are recommended for continued hold for unawarded projects.

Property Held for Future Projects Incorporated Into the Right-Of-Way

There is only one entry for this year in the Westhaven area of Humboldt County. Geotechnical reviews were to occur according to previous years reports, but never completed. There are a total of nine (9) parcels associated with the area. These properties will continue to be held while Excess Lands investigates the stability issues.



Charles C. Fielder  
District Director

April 10, 2009  
Date

**2009 Annual Report  
Real Property Retention Review Committee  
District 2**

District Director: John Bulinski  
RPRR Committee Chair: Douglas Bortz

District 2's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management, and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

This list contains two (2) properties. The former Buckhorn Maintenance Station Employee House is being held until completion of a culvert project that will extend the right of way 20' into the property. Completed construction is anticipated in fall of 2009. Excess lands will commence with the sale of the property after construction is complete. The Second property is the former Newell Maintenance Station. On 12/5/08, a Presidential Proclamation included this property as part of a National Historic Monument, thereby circumventing the previous process of passing Federal Legislation. The property is still being cleared of Hazardous Waste, but thereafter, excess lands will coordinate with BLM and NPS.

Excess Lands Holds

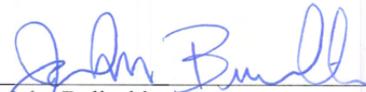
This list contains ten (10) properties that will be held. Two (2) properties with two parcels each, Goose Lake and Viewland Pit, involve extensive environmental archeological site expenses. *Cost to Caltrans to complete environmental studies is projected to be significant and estimated to far exceed the potential value of the land itself.* One (1) property is being held for mitigation purposes. Four (4) properties are being held for the completion of a local development study that involves the Shasta 273 corridor that could include a bike lane. Four (4) items on the list are present because they are within the Excess Land Management System in error, and will be removed. Two (2) properties listed are currently active decertification of access rights. They cannot be considered a sale until they enter into a contract. One (1) property, Bunker Hill, is moving into the second year of waiting for the Bureau of Indian Affairs to provide a certificate of acceptance of the property. There are two (2) properties that were sold. One (1) property listed is in the process of being conveyed per a right of way contract exchange. Lastly, one (1) property will be sold to an adjoining owner, however, if the owner is not interested, it will be incorporated into the right of way.

Property Held for Unawarded Future Projects

All three (3) of the properties listed are airspace lease and will be removed from this system.

Property Held for Future Projects Incorporated Into the Right-Of-Way

There are two (2) entries on this list. There has been expressed interest in one property by a local Tribal government. The second property is being held for the completion of a local development study that involves the Shasta 273 corridor that could include a bike lane.

  
\_\_\_\_\_  
John Bulinski  
District Director

  
\_\_\_\_\_  
Date

2009 Annual Report  
Real Property Retention Review Committee  
District 3

District Director: Jody Jones  
RPRR Committee Chair: Wendy Bishop

District 3's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Building Inventory

The list contains one (1) facility, Williams Maintenance Station. The Maintenance station was sold on 11-13-08.

Excess Land Holds

There are forty-four (44) entries in this report. Of which, twenty-two (22) are a part of the Live Oak/Gridley Bypass. This route was rescinded by the CTC in December 2007 but the parcels cannot be sold for two years pending the local government agencies having a first right of refusal. Five (5) parcels have been sold. Two (2) parcels are waiting approval from Department of Water Resources to accept the deeds. One (1) parcel we are waiting acceptance for Fish & Game. The remaining fourteen (14) parcels are under various holds.

Property Held for Un-awarded Future Projects

There are seventy-five (75) parcels included in the projects listed in this report. Six (6) entries are for projects that are currently or will be soon in construction, these entries should fall off of List 3. Three (3) of the entries are leases of operating right of way, and should be removed from List 3- HQ is working on this. Two (2) entries are waiting approval of SB 146 and will be relinquished to the City of Downeyville. Two (2) entries have been updated and will fall off the list. Two (2) entries for the intersection of Hwy's 99 & 20; they are being held in conjunction with the City's General Plan and SACOG's long-term plan. Three (3) more entries are for other construction holds. Two (2) entries are for Lincoln Bypass, and one (1) entry for Live Oak/Gridley Bypass.

Property Held for Future Projects Incorporated Into the Right-of Way

There is one (1) entry on this list. Maintenance needs to enter it into AMI and then it will be removed from this list.

  
\_\_\_\_\_  
JODY JONES, District Director

  
\_\_\_\_\_  
Date

2009 Annual Report  
Real Property Retention Review Committee  
District 4

District Director: Bijan Sartipi  
RPRR Committee Chair: R. A. Macpherson

District 4's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

The District identified four (4) operational facilities in the Lands and Building inventory. The Ettie Street Maintenance Station is closed and cannot be used until hazardous materials are cleaned up. Excess Land Sales is working with Environmental Engineering in developing a disposal plan. With the completion of construction of the new South Oakland Maintenance Station, scheduled for October 2009, the Department will be able to close and dispose of both the old South Oakland Maintenance Station and the Hayward Maintenance Station. The District is currently in negotiation to sell the former South San Francisco maintenance station to the City of South San Francisco for the relocation of the existing Caltrain Station.

Excess Land Holds

The District has 550 parcels in the Excess Lands Hold Inventory. Of the 550 parcels, there are 71 parcels held for the Ala-92/238 project and 27 parcels held for the SCI-87 project. Three (3) parcels have been sold. Four (4) parcels are in escrow. 103 parcels are to be transferred to the City & County of San Francisco and Transbay Joint Powers Authority for the SF Transbay Terminal project. 21 parcels are to be transferred to local agencies per cooperative agreement for the Guadalupe project. The remaining ELMS inventory shows 78 parcels are being held for direct sales to local agencies, 49 parcels are being used for construction and maintenance activities, 35 parcels are being held for environmental issues, and five (5) parcels are being held for possible environmental mitigation projects. The remaining 154 parcels have been conditionally retained for various reasons such as exchanges, site stability, and cooperative agreements.

Property Held for Unawarded Future Projects

The District has 683 parcels purchased for future projects. Of these 683 parcels: One (1) is in use, Four (4) are identified for sale. The remaining 678 parcels are being retained for various current or future projects. A majority of the parcels being held for projects are on Ala-238, Mrn-101, Son-12, and SM-1.

Property Held for Future Projects Incorporated Into the Right-of-Way

The District identified four (4) areas of extra-wide operating right of way and is investigating with Design and Transportation Planning for their ultimate disposition.

  
BIJAN SARTIPI  
District Director

3-24-09  
Date

2009 Annual Report  
Real Property Retention Review Committee  
District 5

District Director: Richard Krumholz  
RPRR Committee Chair: Jamie Lupo

District 5's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, and Asset Management worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

List one has no reported holdings.

Excess Land Holds

List two contains twenty-eight (28) Disposal Units comprised of thirty-three (33) parcels. One (1) Disposal Unit with (2) two parcels will continue to be held for Environmental purposes. Fourteen (14) Disposal Units with sixteen (16) parcels are to be held for project purposes. Four (4) Disposal Units with four (4) parcels have been sold this fiscal year. Three (3) Disposal Units with three (3) parcels will be sold in 2009. Six (6) Disposal Units with eight (8) parcels will be sold in 2010.

Property Held for Unawarded Future Projects

List three contains sixteen (16) Disposal Units comprised of thirty-four (34) parcels. Thirteen (13) Disposal Units with thirty-one (31) parcels are being placed on hold for future unawarded projects. Two (2) Disposal Units with two (2) parcels will be sold in 2010. One (1) Disposal Unit with one (1) parcel will require an administrative action.

Property Held for Future Projects Incorporated Into the Right-of-Way

List four contains four (4) Disposal Units comprised of twenty-four (24) parcels are being placed on hold for future projects incorporated into the right-of-way.

District Director Approval

  
RICHARD KRUMHOLZ

3/20/09  
DATE

2009 Annual Report  
Real Property Retention Review Committee  
District 6

District Director: Malcolm X. Dougherty  
RPRR Committee Chair: Jamie Lupo

District 06's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

List one has no reported holdings.

Excess Land Holds

List two contains forty-four (44) Disposal Units comprised of fifty-nine (59) parcels. Twenty-three (23) disposal units with twenty-seven (27) parcels will continue to be held for future projects. Twelve (12) disposal units with nineteen (19) parcels are to be sold this year and are on the 2009 Director's Excess Land Disposal Contract. Seven (7) disposal units with two (10) parcels are to be sold in 2010. One (1) disposal unit with two (2) parcels has been sold. One (1) disposal unit with one (1) parcel will require administrative action.

Property Held for Unawarded Future Projects

List three contains thirty-two (32) Disposal Units comprised of two hundred twenty-three (223) parcels. Thirteen (13) Disposal Units with one hundred fifty-four (154) parcels are presently in use for operational needs. Fifteen (15) Disposal Units with forty-two (42) parcels are being held for future projects. Two (2) Disposal Units with two (2) parcels have been sold. Two (2) Disposal Unit with twenty-five (25) parcels will require administrative action.

Property Held for Future Projects Incorporated Into the Right-of-Way

List four contains three (3) disposal units with four (4) parcels are to be held for Caltrans operational needs.

District Director Approval   
MALCOLM X. DOUGHERTY

3/19/08  
DATE

2009 Annual Report  
Real Property Retention Review Committee  
District 7

District Director: Doug Failing  
RPRR Committee Chair: Richard Chiang

District 7's District Director supports the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R3.

### **Summary of Significant Issues**

#### **General**

The improvement made this year in D7's RPRR review process is having the parcel information and reference posted on the intranet. One can access the aerial photos, review comments and R/W maps through the intranet simply by clicking links provided. This improves the efficiency of the process as it eases the dissemination and accessibility of archived/updated parcel information. Furthermore, this can provide for future reference, beyond the RPRR review, for these parcels.

Currently, this intranet posting and information updating are done manually. The goal is to minimize manual work and allow for on-line statusing and updating in the immediate future.

#### **Lands and Buildings Inventory**

Five (5) facilities were reviewed by the District. Four (4) facilities have been disposed or are earmarked for disposal. One facility is being conditionally retained.

Two (2) facilities, Boyle Avenue Maintenance Station (MS) and Route 105/Wilmington Avenue Northwest Park and Ride (P&R) have been sold. Two (2) facilities, Arroyo Seco MS and Moorpark MS, are targeted for disposal in 2009. The Route 105/Vermont P&R West was identified as being under utilized and it is surplus to the District's operational and project needs. However, this P&R is not cleared for disposal due to requirements of the Route 105 Consent Decree. District Office Legal advised that a formal court dismissal is needed before the facility is to be disposed. Currently, Legal is evaluating the adequacy of the August 4, 1999 Order of Dismissal from the Century Freeway Consent Decree.

2009 Annual Report  
Real Property Retention Review Committee  
District 7

**Excess Land Holds**

District reviewed 132 disposal units (193 parcels) per 2009 RPRR List 2. This consists of 80 fee title property disposal units (113 parcels) and 52 easement disposal units (80 parcels). District proposed to dispose 25 units (36 parcels) and conditionally retain 107 units (157 parcels).

The 25 units are proposed to be disposed through the methods summarized in the table below:

	Total	Method of Disposition				
		Sell 2009	Sell 2010	Sold	Incorp in R/W	*Admin Action
# of Disposal Units	25	3	6	7	5	4
# of Parcels	36	3	10	12	7	4

\*Admin Action = remove from Excess Land Management System (ELMS)

The 107 units to be conditionally retained are summarized and grouped in the tables below:

Total Recommended Retention		Total	Hold	**Admin Action
Conditionally Retained	# of Disposal Units	107	83	24
	# of Parcels	157	117	40

\*\*Admin Action = Sale/conveyance approved by CTC. Property retained for agreement resolution or reassessment of need for conveyance.

Grouping of Retention		Total	Hold	**Admin Action
Rte 710 Gap Closure	# of Disposal Units	31	31	0
	# of Parcels	33	33	0
Projects	# of Disposal Units	8	7	1
	# of Parcels	9	7	2
Haz Waste Matters	# of Disposal Units	12	12	0
	# of Parcels	21	21	0
LACFCD	# of Disposal Units	20	6	14
	# of Parcels	40	15	25
Utilities	# of Disposal Units	11	7	4
	# of Parcels	14	8	6
‡Misc	# of Disposal Units	25	20	5
	# of Parcels	40	33	7

‡ Misc: Retention due to Legal, Mitigation, Conveyance Reassessment or agreement resolution matters.

2009 Annual Report  
Real Property Retention Review Committee  
District 7

Out of the retained disposal units, 31 disposal units (33 parcels) are linked to Route 710 Gap Closure Project. These disposal units were retained either due to the South Pasadena Law Suit or retained due to not having a final environmental document for the Gap Closure Project. The majority of the retained disposal units under the Los Angeles County Flood Control District (LACFCD) and Utilities are easements. Other disposal units are being retained due to on-going or future projects, hazardous waste, legal, agreement resolution and conveyance reassessment matters.

**Property Held for Unawarded Future Projects**

This report segment is comprised of 12 Expenditure Authorizations (EAs) containing 471 parcels.

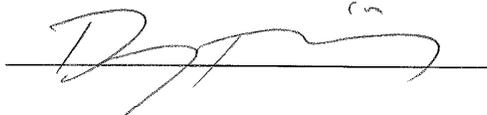
Two (2) construction contracts are currently in progress in which 32 parcels are in use. The District will follow-up on the disposition of these parcels upon the completion of the construction contracts.

There are 429 parcels being held in this report segment for 4 future projects. Of these held parcels, 404 parcels (94.2%) are committed to the I-710 Gap Closure Project in Los Angeles County.

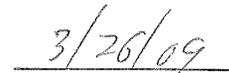
There are 6 completed construction projects listed, involving 10 parcels. RWMS will be updated accordingly.

**Property Held for Future Projects Incorporated Into the Right-of-Way**

A vacant parcel located in the vicinity of Route 405, Post Mile 16.5, is listed for review. This parcel was identified in the 2008 RPRR review. It is located in the southeast quadrant of Artesia Boulevard and Prairie Avenue in the City of Torrance in Los Angeles County, and is bounded by the southbound Route 405 on-ramp on the northeast. This parcel was previously declared excess (DD 056058-01-01) and subsequently re-incorporated back into the right of way for a proposed P&R project. Due to oppositions from the local community and elected officials, the proposed P&R project was abandoned. It is cleared and recommended for disposal in the 2008 RPRR. This property was sold at the 10/16/08 auction.



DOUG FAILING  
DISTRICT DIRECTOR



DATE

2009 Annual Report  
Real Property Retention Review Committee  
District 8

District Director: Raymond W. Wolfe, PhD  
RPRR Committee Chair: Jackie Williams

District 08's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

List #1 – Surplus Lands and Buildings Inventory

No properties/facilities of this type in District 08.

List #2 – Excess Land Holds

46 parcels were reviewed of which 37 parcels are to remain on hold. Of the 37 parcels on hold, 3 parcels are future easements to utility companies; 13 parcels are for exchange with San Bernardino County Flood Control; 1 parcel is for a future project (EA 0G840) on Route 15; 12 parcels are to be held until completion of Route 58 project; 1 parcel is held until negotiations are complete with the City of Barstow; 5 parcels are being held awaiting new mapping; 1 parcel is to be sold as part of the 2008/2009 Excess Lands contract to the City of Rancho Cucamonga; and, 1 parcel is on hold to be sold as a Direct Sale to the Adjacent Owner. 3 parcels are scheduled to be, or have been sold in 2009. 3 parcels are to be disposed of in 2010, 0 parcels to be incorporated into the right of way, and 0 parcels require administrative action by district personnel.

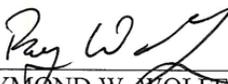
List #3 – Property Held for Unawarded Future Projects

114 parcels were reviewed of which 85 parcels are to remain on hold for projects that are currently or will soon be in construction, 0 parcels are to be sold/disposed of, 0 parcels have been sold, 11 parcels are in use, 0 parcels are to be incorporated into the right of way, and 18 parcels required administrative action by district personnel which will remove these parcels from this list.

List #4 – Future Project Parcels Incorporated Into the Right-of-Way

No properties/facilities of this type in District 08.

District Director Approval

  
RAYMOND W. WOLFE, PhD

2009 Annual Report  
Real Property Retention Review Committee  
District 9

Date: March 18, 2009

District Director: Tom Hallenbeck  
RPRR Committee Chair: Nancy Escallier

District 09's District Director supported the efforts of the RPRR Committee. Meeting and committee members worked closely to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

We held our meeting on Wednesday March 11, 2009. In attendance where; Tom Hallenbeck, District Director; Gayle Rosander for Planning; Brian Wesling for Design; Craig Holste, DDD Maintenance and Operations; Nancy Escallier, Sr. RW Agent.; Lora Rischer, RW Agent; and by phone, James Gonzalez, CR Senior for Excess Lands and Property Management.

### **Summary of Significant Issues**

- 1) Lands and Buildings Inventory:** The 2007-08 Lands and Building Inventory sheet was not changed during the 2009 meeting.
- 2) List 1 – Surplus Lands and Buildings Inventory:** No holdings of this kind were identified in the district.

2008 Annual Report  
Real Property Retention Review Committee  
District 9

**3) List 2 - Excess Land Holds, pulled from the Excess Land Management or ELM system (excess land being held before selling):**

- a) DD 000450-02-01, Inyo 190. Was identified as needing to stay in a 2-D Hold Status. Hold Request documents updated and sent to the Excess Land Section, Fresno Office.
- b) DD 003153-01-02, Kern 58. The D-9 Mtc Crews are responsible for maintaining this parcel so Tom Hallenbeck needs to be updated as to the status of this parcel. Hold type to remain as OPT ; the Option Agreement is still in litigation.
- c) DD003405-01-01, Kern 202/Tehachapi Blvd. This strip of land is required for access purposes by D-9 Mtc Dept. It is used to inspect the Hwy 202 over-crossing of the RR. This parcel should be incorporated back into the operating right of way and should drop off this list in the future. On 3/26/07 Excess Land Branch took parcel out of the ELM system. We have requested memo from Mtc so that RW Engineering has record of said request to change the rw record mapping.
- d) DD003304-01-01, Kern 58 (one of the 46 noted Hwy 58 Bypass Disposal units, containing 1 parcel). This parcel has been identified by D-9 Maintenance Dept. as being needed for their purposes, per the clearance performed by Excess Land Branch 11/2006, and should be incorporated back into operating right of way, dropping off of this list in the future. On 2/27/08 Excess Land Branch took parcel out of the ELM system. We have requested memo from Mtc so that RW Engineering has record of said request to change the rw record mapping.
- e) DE 005767-01-03, Mono 203. This parcel was the easement portion and it was sold and deed recorded 1/18/06. Excess Land Branch has updated this parcel info in ELMS, it should not show up on the 2009 lists.
- f) DD 005767-01-02, Mono 203. This parcel was the underlying fee portion and it was sold and deed recorded 10/2007. Excess Land Branch has updated this parcel info in ELMS, it should not show up on the 2009 lists.

**4) List 3 – Property Owned by the State (state is owner of record) being Held for Unawarded Future Projects, pulled from the RW Property Management or RWPM system:**

- a) Under project EA 09-280101 “Topaz/Larson Lane Turn Pockets/Lanes” one parcel has been identified -- 3752, as being owned by the State (recorded deed). To date this project should go to Construction in Spring/Summer 2009. This parcel is “In use”.
- b) Under project EA 09-214801, now EA 2144u1 “Indy-Manzanar 4-lane” one parcel has been identified – 3811, as being owned by the State (recorded deed). This project has been certified by RW and should go to Construction in Summer/Fall 2008. This parcel is “In use”.

2008 Annual Report  
Real Property Retention Review Committee  
District 9

**5) List 4, for District awareness purposes, - Property in the RW Which is Possibly Not Needed or which is being Held for Future Projects or which could be Incorporated Into the Right-of-Way:**

We reviewed the 4 East Kern, Hwy 58, parcels identified in 2006 and 2007 reports (3149-1, 3153-1, 3154-1, and 3411-1).

- a) It was identified that Parcel 3154-1 could have excess. John Beischel in D-9 RW Engineering will work out a map depicting what the State needs to keep for hwy purposes and what can actually be conveyed as excess. This will then go to Excess Lands Branch, Fresno Office, for proper handling.
- b) It was identified that Parcel 3411-1, purchased for the Mojave Bypass project, now has a current "reseeding" type project on it, under EA 06-OE3700. So it remains active and "in use" at this time and should become excess once the revegetation work is completed.
- c) It was identified that the status of both Parcel 3149-1 and 3153-1 cannot be declared excess at this time. Tom Hallenbeck would like to be kept in the loop on the status of these 2 parcels because D-9 Mtc Crews are responsible for them, and they should become excess once revegetation work is complete.
- d) It was identified that we did not know the status of parcel 3676. Tom Hallenbeck wants to be kept informed of all parcels that D-9 Mtc Crews are responsible for. As noted in the 2007 RPRR Report: "Kern 14, Parcel 3676 has been identified as being purchased just for drainage purposes and needs to be placed on List 4. Parcel 3676 also needs to be re-engineered to capture the exact areas of the parcel that are required for drainage. What remains would therefore be excess to the project and could be sold. It is requested that a portion of this parcel be decertified." Nancy Escallier will initiate this process for 2008.
- e) It was identified that Parcel 5001 (easement), DWP as fee owner, is too large for our needs with the upcoming 4-lane project EA 09-2144u2 "Indy-Manzanar". A portion of the easement was decertified during the RPRR Meeting and will be disposed of. RW Engineering, Jeff Thompson, will process and update rw record maps.

Recommended by:

  
\_\_\_\_\_  
NANCY ESCALLIER date  
Field Office Chief, Right of Way  
Central Region - Bishop Office

District Director Approval:  4/23/08  
\_\_\_\_\_  
THOMAS P. HALLENBECK date  
District 9 Director

**2009 Annual Report  
Real Property Retention Review Committee  
District 10**

District Director: Tony Tavares  
RPRR Committee Chair: Michael Rodrigues

District 10's District Director supported the efforts of the RPRR Committee. Right of Way Excess Lands, Property Management, Asset Management and Land Surveys worked closely and in full cooperation with RPRR Committee members to comprehensively review the District's real estate portfolio and fully comply with the intent of Deputy Directive 21 R2.

**Summary of Significant Issues**

Lands and Buildings Inventory

List 1 contains two (2) Disposal Units with two (2) parcels. Item 1 is being placed on Environmental hold. Item 2 is being submitted for clearance by Environmental, and to be sold in 2009.

Excess Land Holds

List 2 contains forty-two (42) Disposal Units comprised of forty-six (46) parcels. Fourteen (14) Disposal Units with seventeen (17) parcels are being placed on hold. One (1) Disposal Unit with one (1) parcel has been sold. Thirteen (13) Disposal Units with fourteen (14) parcels are to be sold in 2009. Thirteen (13) Disposal Units with thirteen parcels are to be sold in 2010. One (1) Disposal Unit with one (1) parcel will require administrative action.

Property Held for Unawarded Future Projects

List 3 contains twenty-two (22) Disposal Units comprised of three hundred twenty-nine (329) parcels. Seventeen (17) Disposal Units with three hundred twenty-three (323) parcels are presently being held for future projects. Four (4) Disposal Units with five (5) parcels are to be sold in 2010. One (1) Disposal Unit with one (1) parcel will require administrative action.

Property Held for Future Projects Incorporated Into the Right-of-Way

List 4 contains one (1) disposal unit with sixteen (16) parcels. This Disposal Unit with sixteen (16) parcels is being held for a co-operative agreement with City of Los Banos.

District Director Approval

  
TONY TAVARES

3/23/09  
DATE

**2009 Annual Report  
Real Property Retention Review Committee  
District 11**

District 11 Director: Pedro Orso-Delgado  
RPRR Committee Chair: Janet Schaffer, Deputy District Director Right of Way

District 11 is pleased to submit the following 2009 Annual Report, and takes this opportunity to acknowledge the engaged and cooperative spirit of staff and management to make this a successful, productive process. Particular recognition is awarded to the D-11 Surveys Division for streamlining the process by adding electronic R/W map and aerial overview/GIS Google Earth photo links for each parcel on the Lists. (The team received a Superior Accomplishment Award in 2007 for this innovative concept.) This major improvement has reduced meeting times by 75 percent as Committee members are better prepared to make informed and strategic asset management recommendations. We are pleased to learn that other districts are now implementing this effective strategy.

**Summary of Significant Issues**

**LIST 1 SURPLUS LANDS AND BUILDINGS INVENTORY**

The Ramona and Bostonia Maintenance Stations remain on List 1 hold: Bostonia due to necessary remediation efforts and Ramona as D-11 continues to pursue an alternate site.

**EXCESS LAND HOLDS**

The RPRR reviewed 115 holdings. The following chart reflects the disposition of those parcels:

	In Use	Hold	Sell 2008	Sell 2009	Sell 2010	Sold	Incorp R/W	Admin. Action	TOTAL
<b>Disposal Easements</b>		4			8	5		4	21
<b>Directors Quitclaims</b>		1			1	13			15
<b>Directors Deeds</b>	2	48		5	10	6	5	3	79
column totals:	2	53		5	19	24	5	7	115

As indicated above, 48 parcels (42%) were either sold or are scheduled for sale in the 2010 Disposal Plan. 27 parcels in the Hold column are for future projects, with 17 relating specifically to the State Route (SR) 86 title/boundary issues. While D-11 developed a disposal plan for these during the 2008 RPRR, the low value combined with funding/staffing shortfalls made these a lesser priority, thus they remain on the list. This worked advantageously, however, as a new freeway agreement with the County of Imperial mandate an interchange every two miles. Traffic Ops will now be evaluating all SR 86 holdings for future projects.

**PROPERTY HELD FOR UNAWARDED FUTURE PROJECTS**

The RPRRC reviewed 22 project EA's consisting of 169 parcels. 124 are valid project holds and/or are under construction. The pending recission of SR 54 allowed the team to evaluate use of a portion of the 43 parcels for park replacement needed for SR 125. The team agreed to release DD 20533, 20536 and a portion of 20542-1 as replacement park land along with a trail easement over the remaining adjoining property.

  
Pedro Orso-Delgado  
DISTRICT DIRECTOR

4/20/09  
DATE

**NO 2009 DISTRICT 12 ANNUAL REPORT  
WAS SUBMITTED FOR INCLUSION IN  
THIS DOCUMENT**

## **Attachment B**

2008 REAL PROPERTY RETENTION REVIEW

RPRR POLICY GUIDANCE

## Real Property Retention Review Guidelines

### **1. History and Mandates**

The California Department of Transportation (Department) understands the importance of effectively managing state-owned real property assets. The Department owns or leases real property worth billions of dollars, which is used for a variety of public purposes consistent with the construction, operation, maintenance or management of transportation infrastructure. While the overwhelming majority of this property effectively serves the needs of both the public and the Department, some properties no longer conform to surrounding neighborhood uses, are underused or unneeded, or are being retained for future projects. In order to identify and properly dispose of real property not needed to meet its long-term operational goals and objectives, the Office of Real Property Services in the Department's Division of Right of Way and Land Surveys manages the Real Property Retention Review (RPRR) process through which the Department evaluates its real estate in a district-driven, parcel-specific examination of real property requirements and holdings.

California Government Code section (GC) 11011, excerpted below, mandates annual real property inventory reviews for all but specifically exempted State agencies or departments, of which the Department is one. GC 11011 states:

- (a) On or before December 31st of each year, each state agency shall make a review of all proprietary state lands, other than...land held for highway purposes...over which it has jurisdiction to determine what, if any, land is in excess of its foreseeable needs.... These lands shall include, but not be limited to, the following:
  - (1) Land not currently being utilized, or currently being underutilized, by the state agency for any existing or ongoing state program.
  - (2) Land for which the state agency has not identified any specific utilization relative to future programmatic needs.
  - (3) Land not identified by the state agency within its master plans for facility development.

Although GC 11011 exempts the Department from reviewing real property acquired for "highway purposes," GC 11011.18 does instruct the Department to annually report its inventory of real property supporting transportation operations, maintenance or management to the Department of General Services. Moreover, the mandates of the Governors' Executive Orders excerpted below creates an expectation the Department will conduct annual real property reviews to identify underused or unneeded holdings, which would be subject to alternative use or disposal.

Executive Order D-77-89 states:

WHEREAS, improved management of State land and property can generate revenue through such means as sale, lease or trade...

- 3. All agencies, departments, boards, and commissions, in recognition of the benefits to be derived from the proactive asset management function shall:
  - b. Employ such methods as lease, sale or trade of unused or underused State land or property...in order to ensure maximum public benefit;

- d. Develop specific proposals for managing unused or underused property for the benefit of State programs and organize those proposals in an annual plan to be submitted to appropriate agencies for approval.

Executive Order W-18-91 states:

WHEREAS, it is in the public interest for the State to manage its real estate under a clear and consistent policy direction and a coordinated central administrative process to identify property that is vacant, unused, underused or inefficiently used;

1. It is the policy of the State to achieve the comprehensive planned management of the State's diverse portfolio of real estate to ensure optimum use for the State's operations and maximum value from the excess.

Executive Order S-10-04 states:

WHEREAS, California state government is entrusted with managing the entirety of this asset inventory in a way that maximizes the public benefits without unnecessary expense, and

WHEREAS, this responsibility for management and efficient stewardship includes insuring proper utilization and maintenance of the assets, acting judiciously to increase the holdings in the inventory as necessary to meet increased needs for services to the public, and acting prudently to decrease the inventory when assets are surplus to the needs of serving the public...

3. All state agencies, departments, boards and commissions shall review the current and anticipated programmatic need for the state-owned and leased property that they occupy or have under their stewardship, identify and report any property surplus to their current or future needs, and insure that information is developed that completely and adequately describes and justifies existing and future programmatic needs for real property assets...

Establishing the Real Property Retention Review:

In September 1994 Director James W. van Loben Sels issued a memorandum to all District Directors establishing the RPRR process. The Director's memorandum affirms Deputy Directive 21, and the findings of the Property Retention Task Force by stating.

I am directing each of the Districts to review all property being held for future projects, and determine if it is absolutely necessary that we retain the property...As District Director, your first responsibility for insuring implementation is to appoint a Real Property Retention Review Committee and a committee chairperson to evaluate and guide the properties through a review process.

Deputy Directive DD-21-R3; June 2007 (originated 1994); Real Property Retention Review:

DD-21-R3 Asserts Department RPRR policy and specifies District and Division responsibilities as follows:

The California Department of Transportation (Department) demonstrates good stewardship of its real estate portfolio by determining which lands and buildings are required to meet transportation-related needs consistent with the Department's System

Planning vision and articulated in documents including, but not limited to Regional Transportation Plans, the Transportation System Development Program, a District System Management Plan, Route Transportation Concept Reports or Transportation Corridor Reports, District or Division Twenty-Year Facility Master Plans, local General Plans or current statute and by assessing the development potential of non-conforming, underused or unneeded lands and buildings owned by the Department.

## **2. Information Gathering**

To meet Real Property Retention Review Committees' (RPRRC) needs, data about the Department's real property portfolio is collected from several sources:

1. The Asset Management Inventory (AMI) lists the Department's Lands and Buildings holdings.
2. The Right of Way (R/W) Excess Lands Management System (ELMS).
3. The Right of Way Property System (RWPS).
4. The Integrated Right of Way System (IRWS).
5. The Right of Way Management Information System (ROWMIS).
6. The prior year's RPRR reports.
7. Review of project histories and R/W route maps.

Information is refined into reports distributed for review by district divisions:

- List 1 identifies surplus Lands and Buildings holdings.
- List 2 catalogs excess land parcels.
- List 3 identifies properties associated with unawarded future projects.
- List 4 identifies land incorporated into operating R/W for proposed (unfunded) projects.

## **3. Determining Status: In-Use or Not In-Use**

Through its analyses, the RPRRC attempts to identify opportunities or incentives for redirecting, exchanging, or disposing of surplus, underused, or nonconforming real estate holdings. To facilitate this determination, the RPRRC chairperson distributes inventory information and process instructions to district divisions'/functions' committee representatives via e-mail or committee meeting, and district functional managers review the properties in each of the inventories to determine if properties are In-Use or Not In-Use.

## **4. In-Use Property**

During the annual RPRR, district divisions/functions review parcels in its real estate portfolio subset to verify actual/intended uses support departmental goals, division strategies or district plans within the context of each district's corridor and facility planning horizons.

Property is considered In-Use if it meets any of the following criteria:

1. The property provides or supports transportation services.

This category of property rarely converts to Not In-Use status; however, to the extent that property turns out to be no longer used, it should be reclassified as Not In-Use.

2. The property provides or supports facilities for employees, equipment, or materials.

The Department has over 1,600 different properties that provide facilities for the traveling public, employees, equipment or materials. Many different types of events occur that can change the status of these properties to Not In-Use,<sup>16</sup> for example:

- Consolidation within functional operations.
- Consolidation between functional operations.
- Acquisition of new facilities to replace old facilities.
- Department policy reducing/eliminating the need for the facilities.

Few incentives exist for divisions to voluntarily relinquish property no longer required to meet district or division requirements. District divisions must verify the accuracy of AMI lands and buildings information, ensure that lands and buildings holdings are consistent with the district's Facility Master Plan or Transportation System Development Program, and provide a list of any surplus lands and buildings property to the RPRRC chairperson for inclusion in List 1.

3. The property is needed for a programmed project.

The RPRRC must confirm that properties reflected in Lists 2 and 3 are being held for viable projects. Many parcels included in these reports were acquired for currently programmed, but as-yet unawarded projects. Others were acquired for projects whose funding/programming status has changed, but they continue to be viable projects within the district's (local transportation planning agency's) longer-range planning. Retention of properties for these projects, if properly documented, is consistent with departmental policy. However, changing priorities may result in properties within these inventories being reclassified as Not In-Use.

Programmed projects may be identified from any of the following State and federal sources:

- State Transportation Improvement Program (STIP)
- Regional Transportation Plan (RTP)
- State Highway Operation and Protection Program (SHOPP)
- Ten-Year SHOPP Plan
- Statewide System Management Plan (SSMP)
- Federal Transportation Improvement Program (FTIP)
- Federal Statewide Transportation Improvement (FSTIP)

Suggestions for confirming parcels' programming status by using expenditure authorization (E.A.) numbers:

- Search for the EA in the Project Management Control System (PMCS). Does the project have a STIP number (Planning Program Number or "PPNO")? If so, it's a programmed project.
- Search for the EA in the district Status-of-Projects (hardcopy or district Web page). Many districts' Status-of-Projects includes a PPNO number.
- Search for the EA within hardcopy programming documents. Each district's Office of Program-Project Management maintains hardcopies of these

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<sup>16</sup> A facility's operational utility should be determined within the framework of a Division and District Facility Master Plan, which provides the context within which objective resource allocation decisions may be made.

documents. They may also be obtained from Headquarters (HQ) Transportation Programming.

## **5. Not In-Use Property**

Property is considered Not In-Use if:

1. It no longer provides or supports transportation services.
2. It no longer provides facilities for the public, employees, equipment, or materials.
3. It is not needed for viable transportation projects.
4. It is a property on hold in List 2, which no longer meets any conditional retention criterion.

Properties found to be Not In-Use will be identified as such, disposition determined, and recommendations noted in the appropriate List.

## **6. Treatment of Not In-Use property**

The RPRRC chairperson distributes Lists 1, 2, 3, and 4, process instructions, and Conditional Retention Criteria (See Step 7) to each Deputy District Director. Through e-mail, memo, or RPRRC meeting, the chairperson outlines the RPRR process and describes the responsibilities of parties requesting conditional property retention. Functional unit review should take no more than two weeks.

The district RPRR committee will determine the appropriate disposition of Not In-Use real property, whether conditional retention or disposal. Conditional Retention Criteria and Disposal Criteria (Step 9) assist functional managers and RPRRC members to determine the disposition of Not In-Use properties. Divisions/functions requesting conditional retention of a specific property must develop an action plan, assign someone to coordinate desired property disposition, and provide regular written project status reports to the RPRRC chairperson.<sup>17</sup>

## **7. Conditional Retention Criteria**

District RPRR committees review RPRR Lists to determine the appropriate disposition of Not In-Use properties. Each RPRRC uses the following Conditional Retention Criteria to test the soundness of conditional retention requests for Not In-Use property. **Requestors must demonstrate a legitimate, compelling, and substantive justification for conditionally retaining Not In-Use property.**

There are two categories of property eligible for retention:

*Category 1: Potential disposal predicated upon completion of interim actions.*

- Retained until completion of a construction project.
- Retained until property can be exchanged for another property.
- Retained until contamination can be cleaned (and the property certified).
- Retained until legal issues are resolved.

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<sup>17</sup> Reporting frequency associated with specific parcels will be determined by the RPRRC based on the nature of the individual retention request; however, the reporting frequency will not be less than once per quarter.

*Category 2: Potential project use.*

- Retained until incorporated into a programmed transportation project.
- Retained until incorporated into an operational facility.
- Retained for purposes of environmental mitigation.

There are six primary “Conditional Retention Criteria” used to classify parcels (regardless of category):

1. USE IN A TRANSPORTATION OR FACILITY PROJECT

Is the property likely to be required for a viable project? Each of the following questions must be answered and the responses supported with pertinent details.

- a) Is there a high probability the project will be funded?
- b) Is the project a Department or local transportation agency priority?
- c) Is the project consistent with the Department’s goals?

To substantiate the response, the project should be mentioned in one or more of the following:

- Adopted Regional Transportation Plan
- District/Division Facility Master Plans
- 10-Year SHOPP
- Circulation Element of the Local General Plan
- Corridor Protection Plan
- Regional Rail Plan
- Caltrans Route Concept Report
- Legislation
- Pending Environmental Documents/Reports
- Other non-Department funding sources/programs-local, other governmental agencies, private, etc.
- Conditional Retention Agreement<sup>18</sup>

2. POLITICAL OR LEGAL ISSUES

Are there political or legal issues, which make immediate disposal impractical?

- a) Is the property subject to pending litigation?
- b) Is the property subject to existing or pending legislation?
- c) Are there strong local political positions-of-record supporting retention of the property/project?

3. TEMPORARY CONSTRUCTION NEED<sup>19</sup>

Is the property needed until a construction project is completed?

- a) Does the property abut the project in question?

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<sup>18</sup> An agreement between the Department and local entities, developed as a result of property being conditionally retained, stipulating obligations, necessary action, and commitment for the project in question.

<sup>19</sup> Without a Temporary Construction Easement (TCE).

- b) If sold prior to completion of construction, will the use of the property be disrupted, significantly reducing its marketability or value?
- c) Will safety be compromised as a result of property disposal?
- d) Are there unresolved design or utility issues, which may adversely impact disposal?

#### 4. ENVIRONMENTAL HOLD/MITIGATION SITES

Is the property being held for environmental mitigation purposes?

- a) Are there identifiable project mitigation requirements consistent with the type property being held for a programmed project?
- b) Are funds programmed (or available) for the anticipated mitigation use?
- c) Is the property likely to be included in a “conservation land bank”?
- d) Will disposal of the parcel adversely impact, directly or indirectly, adjacent or nearby parcels containing critical or important habitat?

Is the property contaminated with hazardous waste?

- a) Is remediation required for disposal and, if so, what is the anticipated cost?
- b) If remediation is required, are funds programmed (or available)?
- c) What is the course of action if no funds are programmed (or available)?

Are there other constraints associated with the parcel?

- a) Are there identifiable resource values (e.g. architectural, archaeological) associated with the project?
- b) Are community or environmental justice issues associated with the parcel?
- c) Are legal or regulatory constraints associated with the parcel (e.g. Coastal Zone restrictions [PRC30609.5], State Highway Code restrictions [Section 118.6])?

#### 5. EXCHANGES

Will the retained property be exchanged for property or improvements required for transportation purposes?

- a) Do exchange agreements/commitments currently exist?
- b) Is an agreement imminent? How long have exchange negotiations been in progress?
- c) Are the exchange agreements or desired property part of a programmed project? (If not, apply criteria under item 1.)

#### 6. FINANCIAL CONSIDERATIONS

- a) Does the Department currently own, or could it acquire lower-valued property to meet the same need satisfied by the property proposed for retention?
- b) Since no funds may exist to remediate a contaminated property, where remediation is required, disposal may not be possible.
- c) Will disposal proceeds exceed disposal costs?

For requests justified under Criterion #7, the following information must be provided in the conditional retention request:

- An estimate of property value.

- An estimate of potential replacement property value.
- Documentation of significant up-front costs and potential funding sources.

## **8. Conditionally Retaining Not In-Use Property**

Once the requesting program believes the property in question meets one or more of the six Conditional Retention Criteria, a written retention request (and justification) is forwarded to the RPRR committee chairperson. If, after reviewing the request, the District RPRRC approves conditional retention of a property, the responsible functional manager must do all of the following:

1. Assign a transaction coordinator to the property.
2. Prepare an action plan culminating in the parcel's use or disposal for RPRRC approval.
3. Commit to provide periodic written status reports to the RPRRC (chairperson).

## **9. Disposal Criteria**

In order to determine which properties are to be retained, the District RPRRC chairperson asks all district divisions and programs to review the Lists 1, 2, 3, and 4 (Step 6). Property not conditionally retained will be properly accounted for in the departmental real property inventory databases and disposed of according to the RPRRC's direction.<sup>20</sup> Real property interests will be recommended for disposal when:

1. They fail to meet any Conditional Retention Criteria.
2. They no longer meet the objectives of previous action plans (for properties currently on hold).

If either disposal criterion is met, the RPRRC will recommend disposal of the property in question; however, renegotiation and approval of revised action plan objectives may prevent immediate disposal.

A special note regarding property retained for financial reasons.

One of the six Conditional Retention Criteria is "Financial Considerations." If no funding allocation yet exists to clean a property, a time extension may be granted by the RPRRC once the property coordinator's revised action plan is reviewed and approved.

### The Property Disposal Process

Each district's Right of Way Excess Lands unit generally handles real property disposal; however, in unique situations, other Department divisions may take the lead in property disposal.

Route Rescissions: Transportation Planning has responsibility for obtaining the rescissions.

Desertification: Right of Way, Right of Way Engineering, and Project Development have responsibility for obtaining desertification.

## **10. RPRR Committee Meetings**

Each year, district RPRR committees meet to consider disposition of Not In-Use parcels. **Committees will approve conditional retention only after determining there is a legitimate,**

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<sup>20</sup> Property earmarked for disposal will generally be included in annual Excess Land Disposal Contracts executed between the Department Director and each District Director.

**compelling, and substantive reason for so doing.** During meetings, committees consider the following:

- Candidates for conditional retention.
- Narrative responses to the Conditional Retention Criteria.
- Property-specific action plans.
- Verbal presentations on newly retained properties.
- Property transaction coordinators' reports on existing conditionally retained properties.

The RPRRC will either recommend extending conditional retention or outline conditions for property disposition.

## **11. Preparation and Submission of District Annual Reports**

Following the last RPRRC meeting, each district RPRRC chairperson prepares an annual report comprised of a brief narrative summary of issues and accomplishments and updated Lists 1, 2, 3, and 4. The report is routed through all RPRRC members for concurrence before being forwarded to the District Director for review and approval. The chairperson coordinates responses to questions, comments or issues raised by committee members or the District Director.

Each District Director-approved report<sup>21</sup> is forwarded to HQ R/W for incorporation into the statewide report submitted to the Department Director and the California Transportation Commission (CTC). Lists 1, 2, 3, and 4 have been formatted to simplify the reporting process, provide consistency among and between districts, and assure year-to-year continuity; therefore, no changes to the existing report format will be allowed during the current-year cycle. Suggestions for format improvement or revision are welcome for out-year application.

## **12. Post RPRR Review & Preparation of Annual Report**

HQ R/W reviews and compiles all 12 district Annual Reports narratives and sets of Lists (1-4) into a statewide survey. District/region representatives are invited to attend a post-RPRR process review in which participants identify ongoing Department challenges, share best practices information, and identify new metrics or performance improvement measures.

The accomplishments, insights, and challenges identified during the review meeting, along with the data in the district Lists, is used to develop the RPRR Annual Report, which is submitted to the Department Director and the CTC.

## **13. Annual Report Submission to the Director**

HQ R/W's goal is to submit the RPRR Annual Report to the Department Director by the date specified in the calendar published at the beginning of each RPRR cycle. To actively support this process, the Department Director wants each district to all of the following:

- Adhere to the process guidelines outlined herein.
- Retain property only if absolutely necessary, especially parcels for unawarded projects.
- Involve local partners where transportation corridors (and measure parcels) are involved.

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<sup>21</sup> Each District Director signifies his/her Annual Report approval by signing the narrative page and each page of submitted Lists.

- Support HQ R/W in sustaining the statewide RPRR process.

The Annual Report submitted to the Department Director will summarize:

- The number of parcels reviewed, In-Use, Not In-Use, conditionally retained, and recommended for disposal.
- Recommendations made, actions taken, and significant issues engaged by each district.

#### **14. Annual Report Submission to the California Transportation Commission**

Once the RPRR Annual Report has been submitted to the Department Director, the report is placed on the CTC calendar as an information item for commissioners' review.

#### **15. Following Through and Managing Property**

Each district's RPRRC chairperson works closely with responsible functional units to manage disposition of property reviewed by the committee and recommended for conditional retention or disposal.

##### Conditionally Retained Properties

1. Within 30 days of the District Director's approval of the final district report, the RPRRC chairperson will confirm the assignment of property transaction coordinators and completion of property-specific action plans with the managers of each division requesting conditional retention of one or more parcels.
2. The RPRRC chairperson will review action plan implementation and achievement of goals and objectives with property coordinators on a quarterly basis (at minimum).
3. The RPRRC chairperson will work with property coordinators to achieve the desired property-related outcomes and report quarterly to the District Director, and HQ R/W on the general progress toward the goals embodied in retained-parcel action plans.

##### Properties Awaiting Disposal<sup>22</sup>

1. District R/W Excess Lands will monitor and report quarterly to the district RPRRC chairperson, the District Director and HQ R/W on progress toward disposing of real estate interests consistent with RPRRC recommendations.
2. District R/W Excess Lands will track the transfer (to ELMS) and disposal of real estate interests consistent with RPRRC recommendations. These parcels may not currently be in the ELMS and may require additional action before transfer to the ELMS may occur: examples include decertifications and route rescissions.
3. District RW Excess Lands will quantify the number of properties transferred to ELMS as the result of RPRRC actions and track properties until they are removed from the ELMS. Property coordinators, the RPRRC chairperson, and the district's R/W Excess Land unit work together to ensure that all necessary steps are taken to put parcels in a disposable condition (environmental clearances, etc.) and that previously held and released, decertified, or rescinded parcels are sold or otherwise appropriately conveyed.

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<sup>22</sup> Since much of the property identified for disposal in the RPRR will populate Excess Land Disposal Contracts, districts should integrate post-RPRR and Disposal Contract-related administrative activities to enhance efficiency, streamline property management and speed property disposal wherever possible.

## **16. Review of New Excess Land Hold Requests**

District RPRRC chairpersons work closely with district R/W Excess Lands units to review new excess land hold requests on an ongoing basis throughout the year (as required between annual RPRR cycles). In response to conditional retention requests made after the annual RPRRC review (as part of a round-robin), the RPRRC chairperson may:

1. Approve interim holds for up to one month after the next annual RPRRC meeting.
2. Convene a special RPRRC meeting in response to a substantial number of hold requests.