M e m o r a n d u m

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 26-27, 2011

Reference No.: 3.7
Information Item

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Ref: **2011 ANNUAL REAL PROPERTY SERVICES REPORT**

AIRSPACE

In Fiscal Year (FY) 2010-11 total revenue was $26.2 million, up from $25.0 million last year. Airspace revenues can be broken down between ground leases that generated approximately $19.8 million, with the wireless component generating an additional $6.4 million.

Possessory interest taxes paid by airspace tenants to the local cities and counties this FY is estimated at approximately $5.0 million. The possessory interest tax is assessed by the local governments and is based upon the in lieu value of the tenants leasehold interest.

The Airspace Program anticipates a marginal but positive growth in this FY assuming existing staffing levels remain and staff is not re-directed to other duties. At present, the California Department of Transportation (Department) is struggling to meet a unique opportunity for potential increased revenues from wireless site placements. With the recent boom in high-end cell phones such as the Blackberry and IPhone; cell providers are aggressively expanding their networks to provide the network coverage demanded. This has resulted in more requests to site cell towers on the Department’s properties. With the tight project delivery schedules, last year’s employee furloughs and new employee hiring freezes the Department has struggled to answer all of these proposals.

EXCESS LAND SALES

For FY 2010-11, the Department's Excess Land Sales units disposed of 327 parcels from its surplus inventory, valued at $23.5 million. The return to the State Highway Account on these parcels was $24 million.

This production is below the ten-year average of 363 parcels and $29.9 million, but represents an improvement over the preceding year. Several factors continue to present challenges to the Department's disposal program: (1) higher priority of project delivery; (2) staff reductions from attrition with limited ability to backfill; (3) depressed real estate economy statewide; and (4) local agency partners lack funds to purchase and maintain properties from the Department.

PROPERTY MANAGEMENT

Property Management revenues for FY 2010-11 were $12.9 million. This is up slightly from FY 2009-10 revenues of $12.4 million. The reason for the incremental growth in revenue is that more properties are moving to construction projects and stagnant rents as a result of the recent financial and real estate market crash. A significant element of the property management inventory is the Alameda 238 and Los Angeles 710 corridor properties that were purchased for these transportation projects in the 1970s. The Alameda 238 project is nearing resolution and construction of an expressway will be the end solution. Any parcel excess to this project will be sold for the benefit of the locals.

Per Streets & Highways Code 104.13, twenty-four percent of gross revenues of properties held for future projects are returned to the local governments. For FY 2010-11, this amounted to $3.0 million.

ASSET MANAGEMENT

The Department completed the 2011 Real Property Retention Review (RPRR) consistent with mandates of Governors' Executive Orders W-18-91 and S-10-04 and Deputy Directive 21 R3. The RPRR process assesses Department real estate holdings and determines whether or not they are needed to satisfy Department operational goals or objectives. This parcel-specific review, conducted by each district between January and March 2011, examined more than 5,000 parcels to determine if they were required for future projects or transportation operations or should be conditionally retained for local public agencies, engineering or administrative reasons, or environmental mitigation. As a result of this review, 700 property interests were identified as available for disposal.