

REVISED LEGISLATIVE DIGEST
(Substituted, 4/26/2016)

[Administrative Code - Appraisals for the Acquisition, Conveyance, and Lease of Real Property]

Ordinance amending the Administrative Code to require appraisals and appraisal reviews for certain City acquisitions, conveyances and leases of real property; requiring that appraisals conform to the Uniform Standards of Professional Appraisal Practice and be prepared by qualified appraisers; and increasing the rent limits for the Director of Property's existing authority to enter into leases for the City.

Existing Law

Administrative Code Chapter 23 governs certain City real property acquisitions, conveyances and leases. Under Chapter 23, the Director of Property must appraise the fair market value of any City real property in which the City will convey a fee or easement interest.

In addition, except for leases under the exclusive jurisdiction of the City's Public Utilities Commission, the Recreation and Park Commission, Port Commission, Airport Commission, and the Municipal Transportation Agency (the "Exclusive Jurisdiction Departments"), the Director of Property must arrange for the lease of City property to the highest responsible bidder through a competitive bidding process unless the Board of Supervisors authorizes an alternative process. Chapter 23 further authorizes the Director of Property to (i) lease City property for a year-to-year or shorter term if the City property has a fair market monthly rental value of \$5,000 or less, or if the lease term will not exceed 31 days, and to (ii) lease property for the City for a year-to-year or shorter term if the monthly rent to be paid by City is \$5,000 or less, or if the lease term will not exceed 31 days. Any other lease by the Director of Property must be authorized by the Board of Supervisors.

Current City policies require that all leases of City property, including those by the Exclusive Jurisdiction Departments, be awarded through competitive bidding procedures unless the proposed lease is expected to produce revenue of less than \$2,500 per month or the competitive bidding procedures are impractical or impossible. They also require that leases of City property be for no less than fair market value if the lease is expected to produce revenue of less than \$2,500 per month or if the lease is not awarded through competitive bidding procedures, unless there is a public purpose finding for the lower value.

All conveyances of a fee or easement interest in City real property require the approval of the Board of Supervisors. Exclusive Jurisdiction Departments must also obtain the approval of the Board of Supervisors for any acquisitions or leases that exceed the limits of City Charter Section 9.118.

Amendments to Current Law

This ordinance would require appraisals for most acquisitions, and all conveyances or leases, of real property by or for City if the transaction requires approval of the Board of Supervisors. The acquisition of real property that is either donated to the City or has a fair market value of \$10,000 or less would be exempt from the appraisal requirement. Appraisals would be required if the City's Director of Property determines the fair market value of the real property is more than \$10,000 for a covered acquisition or conveyance, or the fair market rent of a lease is determined to be more than \$45 per square foot per year as base rent. Appraisal reviews would also be required if the appraisal for a covered acquisition or conveyance determines that fair market value of the real property is more than \$200,000, or determines the market rent of the lease is more than \$60 per square foot per year as base rent.

Any conveyance of City property subject to the appraisal requirements must be for no less than the value established in the appraisal, and any lease of real property by or for City subject to the appraisal requirements shall be for no less than the market rent established in the appraisal.

This ordinance would also increase the Director of Property's authority to (i) lease City property for a year-to-year or shorter term if the City property has a fair market monthly rental value of \$15,000 or less, or if the lease term will not exceed 31 days, and to (ii) lease property for the City for a year-to-year or shorter term if the monthly rent to be paid by City is \$15,000 or less, or if the lease term will not exceed 31 days.

Background Information

Chapter 23 requires the Director of Property to appraise the fair market value of any City property subject to a conveyance, but it does not specify standards for that appraisal. It is also silent about valuing real property proposed for City's acquisition or to be leased by or for City.

The Exclusive Jurisdiction Departments have exclusive jurisdiction over certain real property acquisitions and leases and will not be subject to the proposed appraisal requirements except to the extent the transactions require the approval of the Board of Supervisors and the proposed ordinance is a law of general application that does not interfere with their respective core functions.

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