

REVISED LEGISLATIVE DIGEST
(Amended in Board, 6/7/2016)

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

Ordinance amending the Administrative Code to require appraisals and appraisal reviews for certain City jurisdictional transfers, 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 City jurisdictional transfers and certain City real property acquisitions, conveyances and leases. It requires the Director of Property to appraise the fair market value of any City real property subject to a proposed jurisdictional transfer or conveyance.

In addition, except for leases under the exclusive jurisdiction of the City's Public Utilities Commission, the Recreation and Park Commission, Port 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 anticipated revenue is expected to be 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 jurisdictional transfers and 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 certain jurisdictional transfers, acquisitions, conveyances, and leases of real property by or for City, but would not apply to acquiring real property that is either donated to the City or has a fair market value of \$10,000 or less. 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 jurisdictional transfer, 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, unless the proposed lease is for Port property and the Executive Director of the Port determines the rental rate for the proposed lease meets or exceeds the Port Commission's annually adopted parameter rental rate for such Port property. Appraisal reviews would also be required if the appraisal for a covered jurisdictional transfer, 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.

Unless the Board of Supervisors determines that a lesser sum would further a proper public purpose or otherwise reflects fair market value, any jurisdictional transfer or conveyance of City property subject to the appraisal requirements must be for no less than the value established in the appraisal. 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 unless the applicable Exclusive Jurisdiction Department commission or agency determines the appraised market rent would interfere with a core function, the Board of Supervisors determines that a lesser rent would further a proper public purpose, or the applicable Exclusive Jurisdiction Department commission or agency determines, with Director of Property concurrence, that an independent, appropriately qualified real estate economic expert is better suited than an appraiser to perform the rental analysis.

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

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Supervisors and the proposed ordinance is a law of general application that does not interfere with their respective core functions.

On May 19, 2016, the Government Audit and Oversight Committee adopted an amendments to this ordinance.

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