BACKGROUND

The City of Redding maintains a vast inventory of diverse real estate holdings ranging from public buildings to utility infrastructure sites to parks & open space. At the same time, the City’s real estate needs for various purposes continue to evolve over time as the City grows and expands. With an inventory of over 5,500 acres of real estate owned today, and long-term needs for real estate to meet various capital improvement planning needs on an ongoing basis, it is in the interest of the City of Redding to begin to strategically manage its real estate assets.

In the context of municipal finance, publicly-owned real estate assets tend to be among the most underutilized local resources available to a municipal government. When the City’s holdings are analyzed as a “portfolio,” it is possible that the composition of the City’s real estate holdings might be modified to better serve public purposes. The same is true with respect to the City’s future needs for real estate which are largely anticipated in plans for Capital Improvements, Redevelopment, Parks, Trails & Open Space, and Utility Master Plans. While many of the City’s assets or acquisition needs are not specifically intended to generate revenue, it is nevertheless possible that revenues from real estate assets can be realized to provide financial resources to achieve the City’s goals.

The purposes of this policy are to acknowledge the value and importance of real estate assets to the City of Redding and to establish a sound framework under which the City can make strategic decisions about the real estate it owns and needs to acquire.

POLICY OBJECTIVES

The process of strategic decision-making related to acquiring, holding, and disposing of real property has evolved in the private sector as a core business activity. The fundamental approaches and techniques used by corporations to meet their goals of maximizing profits and optimizing investment returns from real estate adapt appropriately to the public sector goals of minimizing costs and maximizing public benefit. As in the private sector, the City of Redding’s real estate assets are inherently valuable and can be managed in different ways over time to meet the City’s goals and objectives. Applying strategic approaches to the City’s real estate asset management and its acquisitions will help ensure that real estate assets are achieving not only their potential for public benefit, but also their potential economic benefit to the City.

The objectives of this policy are to: (1) establish use categories for classifying public property assets; (2) set forth asset management strategies; (3) measure and evaluate asset use and performance; and (4) strategically apply asset management techniques to the City’s real estate assets.
The City, the Redevelopment Agency and the various enterprises such as the water, wastewater and electric utilities use real estate for a variety of public purposes. These uses are wide ranging and can change over time. Real property owned or to be acquired by the City typically can be viewed in light of the following general use categories.

A. Use Categories

- **Municipal** uses are those providing a basic municipal service and include facilities such as city hall and the corporation yard, fire and police stations, sewer and water treatment plants, wells, power plants and substations, and public rights of way.

- **Social** uses generally enhance the quality of life for the community and often involve a subsidy of some nature.
  
  A) **Community** uses include parks, trails & open space, recreation sites, community gardens, cultural institutions.

  B) **Development** uses include property owned for such purposes as facilitating affordable housing, economic development and redevelopment.

- **Potential Surplus** includes land in excess of current or future needs.

B. Asset Management Strategies

- **Maximize efficiency/reliability and minimize cost.** This strategy is most applicable to municipal assets utilized to provide specific, primary services to the citizens such as public safety, utilities, city administration and governance.
• **Maximize public benefit and minimize subsidy.** This strategy is applicable to social assets that are utilized to provide a broad, general benefit that enhances the community or improves the quality of life for its citizens. It is also applicable to assets utilized to implement redevelopment, economic and community development goals and plans.

• **Optimize returns.** This strategy is applicable to assets that are surplus and not critical to the provision of primary services or a key social use, within the constraints of applicable laws and regulations.

### C. Performance Measurement

The following approach is designed to help measure the performance of real estate assets or potential acquisitions. Whether applied to an asset currently owned by the City or to a potential acquisition, the approach enables the City to take a strategic view of the real estate in question and make an informed decision.

1. **Use**

First, each property is classified into one of four categories based upon the asset's use: Municipal, Social-Community, Social-Development or Potential Surplus. The table below demonstrates how each classification relates to the asset management strategies of the City. The table also shows examples of which properties would fit into each classification as well as what types of information are needed to effectively manage properties within a particular classification.

<table>
<thead>
<tr>
<th>Asset Use</th>
<th>Example</th>
<th>Asset Management Strategies</th>
<th>Information Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>City hall, fire or police stations, sewage treatment plants</td>
<td>Maximize reliability/ efficiency and minimize cost</td>
<td>Expenses, internal rent, value-in-use</td>
</tr>
<tr>
<td>Social (Community)</td>
<td>Parks, open space, trails</td>
<td>Maximize value/benefit and minimize subsidy</td>
<td>Expenses, revenues, market value</td>
</tr>
<tr>
<td>Social (Development)</td>
<td>Housing, redevelopment, economic development projects</td>
<td>Maximize value/benefit and minimize subsidy</td>
<td>Expenses, revenues, market value</td>
</tr>
<tr>
<td>Potential Surplus</td>
<td>Land lease, fee parking lots, small land/building parcels</td>
<td>Optimize returns</td>
<td>Expense revenues, market value</td>
</tr>
</tbody>
</table>
2. Utilization

Second, after the initial classification of each asset as described above, the intensity of utilization or potential utilization of each asset is contemplated and classified into the following categories:

- **Fully Utilized Property** - reflects a municipal or community use.
- **Underutilized Property** - reflects a municipal or community use with potential for expanded use.
- **Interim Use Property** - reflects a short-term, non-municipal use for a property which has a planned future municipal, community or development use.
- **Unused Property** - property with no current use, but reflects the possibility of future municipal use.
- **Excess Property** - reflects a decision that the property is no longer needed to serve a particular municipal, community or development use.

3. Implementation

The final classification involves contemplating the time, capital, and overall difficulty required to implement the asset management strategy associated with each property. Each property is rated “simple implementation” or “complex implementation” to capture factors that might include the following:

- The presence of conflicting proposals;
- The type and amount of investment proposed or necessary to implement the asset management strategy;
- Consideration of opportunities and constraints;
- The estimated fair market value of the property;
- Change in General Plan and/or zoning requirements required to implement the strategy;
- Extent of Real Property rights retained or acquired; and/or
- Community interest in the property.

D. Real Estate Review and Decision Making Responsibility

The City Manager shall be charged with responsible for overseeing the asset management process and making recommendations to the City Council regarding real estate asset management decisions. In relation to art or other displays placed within or on a real estate holding of the City, and subject to a fully executable license agreement or lease, the City Manager or designee shall be authorized to execute such license or lease on behalf of the City. Except as otherwise delegated by ordinance or policy, all final decisions to dispose, acquire, lease, or improve real estate assets shall be made by the City Council, in accordance with applicable state and/or federal regulations and guidelines.

Amended March 8, 2007, by Resolution 2007-45