

Memorandum

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CALIFORNIA TRANSPORTATION COMMISSION

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Subject: **REAL PROPERTY RETENTION REVIEW: 2010 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 2010 Real Property Retention Review (RPRR) Annual Report (Report) to the California Transportation Commission. The Report, completed in July 2010, reflects findings and recommendations associated with the parcel-specific review undertaken by each district between January 2010 and April 2010 of lands and buildings supporting transportation operations, excess land parcels on hold, and parcels needed for future projects. The review examined 4,469 parcels and determined that 1,624 parcels were required to support transportation operations; 590 excess land parcels were to be held for local public agencies, engineering or legal reasons, or environmental mitigation; 208 parcels were being used for current projects; 1,509 parcels should be held for viable future projects; and 538 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 the Governors' Executive Order S-10-04 mandate 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 its 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

2010 ANNUAL REPORT



(Chilao MS Employee Housing, District 7)

Division of Right of Way and Land Surveys
Office of Real Property Services
August 2010



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EXECUTIVE SUMMARY

The California Department of Transportation operates more than 1,500 facilities, which help it accomplish its mission of improving mobility across California.

The mission of California's Department of Transportation (Department) is to improve mobility across California. To accomplish its mission, the Department allocates resources across a wide array of initiatives. Of these, two program areas comprise the core of its purpose: delivering projects increasing transportation system capacity and system maintenance and operations, which provides transportation system monitoring and evaluation while maintaining and preserving transportation infrastructure. To successfully achieve goals consistent with its mission, the Department uses an extensive assortment of real estate resources ranging from approximately 3,400 parcels acquired for construction or repair of transportation-related infrastructure, to more than 1,500 facilities supporting transportation operations. These facility assets include holdings as diverse as office buildings and environmental mitigation sites, maintenance stations and rest areas, traffic management centers and sand storage bunkers, equipment shops and employee housing, warehouses and vista points, or park and ride lots and commercial vehicle enforcement facilities.

The Department conducts its business in a manner consistent with the highest standards of performance and accountability.

The Department performs its duties as a fiduciary of the public trust, and, as such, conducts its business in a manner consistent with the highest standards of performance and accountability. Managing its real estate holdings to optimize the public utility of its diverse portfolio is an essential responsibility central to the Department's perpetual stewardship obligations. To fulfill statutory and administrative mandates to conduct comprehensive annual real property reviews in furtherance of its stewardship obligations, the Department has established a process within which it examines the accuracy and utility of its lands and buildings portfolio. This undertaking, the Real Property Retention Reviews (RPRR), requires functions acquiring or holding realty to deliver their program weigh long-term property needs against the utility of existing assets and identify surplus parcels available for disposal.

1. Background and Purpose

- The Department improves mobility across California by expanding the State Highway System or making it work more efficiently.
- The Department operates a network of more than 1,500 facilities through which it sustains highway system safety and serviceability.
- The Department only retains property for which it has a legitimate and compelling need.
- District directors are accountable for effective real estate portfolio management.
- A district Real Property Retention Review (RPRR) committee is formed under a district director's auspices to evaluate the utility and viability of district property holdings.
- District functions controlling real property for program delivery must annually review their holdings and determine which assets are no longer needed.
- The numbers of parcels in Department property inventories have remained relatively constant over the past several years.
- The Department initiated Excess Land Disposal Contracts in 2006 to dispel its reputation for lax property management and disposal practices.
- During legislative hearings in 2010, Department property management and disposal practices were used as an example of sound practices other state departments should emulate.
- The Department confronts a dilemma; insufficient resources to maximize both project delivery and excess land disposal.
- The 2010 RPRR demonstrated that the Department needs to more carefully align its goals with available resources and more effectively communicate its goals to both internal and external stakeholders.

Recommendation:

- *Revise excess land disposal targets in the Department's Strategic Plan as circumstances warrant.*

2. Information Management

- Each district director is responsible for the accuracy and integrity of their district's real property information.
- Asset information for the RPRR is extracted from three Department databases: the Asset Management Inventory (AMI), lands and buildings; the Right of Way Property System (RWPS), property acquired for project construction; and the Excess Land Management System (ELMS), excess land.
- Anecdotal evidence and unscientific sampling suggest the Department has lowered its ELMS and RWPS data error rate to less than 0.5 percent.

- While inventory accuracy improved from 2009 to 2010, the Maintenance & Operations (M&O) program and the Division of Environmental Analysis (DEA) did not meet goals to improve the completeness and accuracy of AMI facility data.
- Inadequate resources have kept the Department from investigating the status of potentially hundreds of Santa Cruz County parcels.

Recommendations:

- *M&O and DEA AMI information will be complete and accurate by June 30, 2011.*
- *Central Region management will formulate/articulate a plan to assess and characterize the 'found' Santa Cruz County parcel files by March 31, 2011.*

3. The Right Time

- The economic crisis of the last three years has dramatically, and adversely, impacted the Department's ability to dispose of surplus property.
- Districts postponed selling some properties anticipating that real estate market values would return to "normal" in 'the long run'.
- In 'the long run' a real estate market recovery may not resemble anything previously anticipated; values looked more like 2001 than 2007.
- As in 2009, some district auctions went unattended, or, if attended, no bids were made, or, if made, were below minimum.
- Department guidance needs to clearly articulate what administrative or legal mechanisms are to be used, as early in the project development process as possible, to bind entities to convey or accept mitigation property.
- Only by acting each day with clear vision and awareness of what sustains leverage and maintains initiative can the Department successfully resolve difficult issues.

Recommendations:

- *Provide 'permissive guidance' for immediate property disposal, within the context of value optimization, using Department financing or no-minimum-bid auctions or reverse auctions or E-Bay auctions.*
- *Link parcel disposal commitments to clearly defined plans and timelines for parcel(s) requiring capital investment as a prerequisite to disposal.*

4. Piece Work

- The number parcels in the Department's portfolio reached equilibrium, at approximately 3,500, governed by the vagaries of district project queues and the politics of 'legacy projects'.
- With more than 920 parcels between them, finishing the LA-710 and the ALA-238 represents the next opportunity to significantly reduce Department parcel inventories.

- Increasingly, events with adverse impacts on district excess land disposal were linked to poor performance by contractors used by local agency partners.
- The Department's perpetual challenge is identifying the enlightened self interest behind each local agency involvement.

Recommendations:

- *Link consultant services contracts providing items required for property disposal to item-specific disposal contract performance targets.*
- *Proactively engage local partners, within the context of cost minimization, to find mutually beneficial conditions for conveying long-held property.*

5. Understanding; Not Repeating

- District directors resourced project delivery, which guaranteed excess land disposal contracts in 2009 (63 percent of planned disposals) and 2010 (53 percent of planned disposals) would not be met.
- Failing to meet property disposal objectives for two consecutive years has put at risk the Department's hard-won progress toward resurrecting its property management reputation with the Governor's Office and the Legislature.
- Disposal contracts provided accountability and resources, which improved performance and morale.
- There was little official acknowledgement of a revised disposal strategy or changes to disposal targets consistent with staffing levels resulting from resource redirections.
- Poor communications led to low morale.
- No significant changes have been made to the disposal contract framework, milestones, targets or measurement, since its 2006 inception.
- If targets are based on negotiated support, and that support changes (diminishes), then targets must be renegotiated and revised.
- The Department must articulate a strategy for achieving a measurable permanent reduction of its excess land inventory.

Recommendations:

- *Confirm district directors' DD 21-R3 obligations for maintaining complete/accurate real property databases, conducting annual real property reviews (RPRR), and identifying/divesting surplus property.*
- *Concede fewer excess property disposals and corresponding inventory growth in the Department's 2010/11 and 11/12 Strategic Plans, but plan (resource) surplus property reductions over a subsequent predetermined period.*

- *Modify/expand excess land disposal metrics to include disposal 'cycle time' (statutory compliance), contract satisfaction (Transbay Terminal Authority) and total disposals.*

2010 Real Property Retention Review Summary of Properties Evaluated

	LANDS & BUILDINGS				EXCESS LAND				UNAWARDED PROJECTS			
	TOTAL	IN-USE	HOLD	DISPOSE ¹	TOTAL	IN-USE	HOLD	DISPOSE ¹	TOTAL	IN-USE	HOLD	DISPOSE ¹
DISTRICT 1	139	137	2	0	8	0	5	3	29	0	28	1
DISTRICT 2	191	188	1	2	15	0	10	5	3	0	0	3
DISTRICT 3	214	214	0	0	71	9	4	58	32	3	25	4
DISTRICT 4	229	225	0	4	562	0	374	188	673	0	639	34
DISTRICT 5	95	95	0	0	31	3	22	6	50	4	41	5
DISTRICT 6	88	88	0	0	60	0	25	35	125	97	23	5
DISTRICT 7	207	204	1	2	125	0	61	64	457	0	447	10
DISTRICT 8	167	167	0	0	8	0	6	2	95	87	2	6
DISTRICT 9	60	60	0	0	3	0	3	0	0	0	0	0
DISTRICT 10	91	89	1	1	0	0	0	0	249	2	240	7
DISTRICT 11	120	118	1	1	74	3	59	12	143	0	64	79
DISTRICT 12	39	39	0	0	15	0	15	0	1	0	0	1
TOTAL	1640	1624	6	10	972	15	584 ²	373	1857	193	1509 ³	155

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 5 projects comprise 44% of the property on hold in the Excess Lands Management System: ALA-880 (76 pcsls), ALA-238 (67 pcsls), ALA-80 (44 pcsls), FRE-180 (35 pcsls), LA-710 (35 pcsls).

Footnote 3: Parcels held for 7 projects comprise 64% of the property on hold for Unawarded Future Projects: ALA-238 (413 pcsls), LA-710 (408 pcsls), SM-1 (147 pcsls), TUO-108 (122 pcsls), FRE-180 (88 pcsls), SBD-215 (82), MER -152 (74 pcsls). Parcels for two projects, ALA-238 & LA-710, represent 47% of the total.

General Note: Exclusive of Lands & Buildings, parcels held for just 8 projects comprise 58% (1,560/2,677) of all property held by the Department (583+2,094 = 2,677): ALA-238 (480 pcsls), LA-710 (443 pcsls), SM-1 (148 pcsls), FRE-180 (123 pcsls), TUO-108 (122 pcsls), ALA-880 (88), SBD-215 (82), MER-152 (74). Parcels for two projects, ALA-238 & LA-710, represent 35% of the total (923/2,677).

2010 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
1	139	9	3	0	4	1	0	0	1	29	139	18	29	186
2	191	1	5	0	2	5	0	3	1	3	191	17	3	211
3	214	9	4	0	19	6	0	42	1	32	214	81	32	327
4	229	19	121	0	230	28	17	166	132	673	229	713	673	1615
5	95	9	13	0	16	2	0	0	25	50	95	65	50	210
6	88	7	14	0	8	0	2	36	18	125	88	85	125	298
7	207	35	6	0	42	34	12	31	50	457	207	210	457	874
8	167	60	0	0	4	0	0	4	13	95	167	81	95	343
9	60	45	0	0	0	0	0	3	6	0	60	54	0	114
10	91	61	0	0	0	0	0	0	5	249	91	66	249	406
11	120	27	64	0	5	1	0	4	19	143	120	120	143	383
12	39	5	0	0	0	0	0	15	2	1	39	22	1	62
TOTAL	1640	287	230	0	330	77	31	304	273	1857	1640	1532	1857	5029

AMI	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.
1A	Available for immediate sale.
2A	On hold for engineering reasons (project use).
2B	On hold for a public agency.
2C	On hold for legal or administrative reasons.
2D	On hold for environmental compliance or mitigation purposes.
3	New ELMS entry pending category assignment.
NON INV	Parcel/interest acquired on others' behalf.
OPT	Parcel/interest under contract.
RWPS	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.

2010 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	Dispose 2009	Dispose 2010	Dispose 2011	Admin Action	In Use	Hold	Sold	Dispose 2009	Dispose 2010	Dispose 2011	Incorp in RW	Admin Action	In Use	Hold	Sold	Dispose 2009	Dispose 2010	Dispose 2011	Incorp in RW	Admin Action	In Use	Hold	Sold	Dispose 2009	Dispose 2010	Dispose 2011	Incorp in RW	Admin Action
1	137	2	0	0	0	0	0	0	5	1	0	2	0	0	0	0	28	0	0	0	1	0	0	137	35	1	0	2	1	0	0
2	188	1	0	0	1	1	0	0	10	0	0	1	1	1	2	0	0	0	0	0	0	0	3	188	11	0	0	2	2	1	5
3	214	0	0	0	0	0	0	9	4	2	0	32	23	1	0	3	25	0	0	2	2	0	0	226	29	2	0	34	25	1	0
4	225	0	1	0	0	3	0	0	374	6	21	117	30	0	14	0	639	4	0	0	10	0	20	225	1013	11	21	117	43	0	34
5	95	0	0	0	0	0	0	3	22	0	0	0	4	0	2	4	41	0	0	1	0	0	4	102	63	0	0	1	4	0	6
6	88	0	0	0	0	0	0	0	25	0	0	8	17	7	3	97	23	3	0	0	0	2	0	185	48	3	0	8	17	9	3
7	204	1	2	0	0	0	0	0	61	0	2	3	13	1	45	0	447	0	0	0	0	0	10	204	509	2	2	3	13	1	55
8	167	0	0	0	0	0	0	0	6	0	0	0	2	0	0	87	2	0	0	0	0	0	6	254	8	0	0	0	2	0	6
9	60	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	3	0	0	0	0	0	0
10	89	1	0	0	0	1	0	0	0	0	0	0	0	0	0	2	240	0	0	6	0	0	1	91	241	0	0	6	1	0	1
11	118	1	0	0	0	0	1	3	59	0	0	0	8	3	1	0	64	1	0	0	41	36	1	121	124	1	0	0	49	39	3
12	39	0	0	0	0	0	0	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	1	39	15	0	0	0	0	0	1
TOTAL	1624	6	3	0	1	5	1	15	584	9	23	163	98	13	67	193	1509	8	0	9	54	38	46	1832	2099	20	23	173	157	51	114

Excess Land categories 1A (available for immediate sale) and OPT (parcel/interest under contract) are not included in the analysis.

1. Background and Purpose

The Department improves mobility across California by expanding the State Highway System or making it work more efficiently.

The California Department of Transportation (Department) is charged with improving mobility across California. It does this in two ways; first, by working with its local agency partners and other stakeholders to expand the State Highway System, and second, by optimizing efficiency of existing operating infrastructure. Doing the former requires acquiring land upon which to construct new operating system improvements. Accomplishing the latter compels the Department to apply technology, such as loop detection or side-fire microwave radar, to manage traffic flow and density, while also maintaining the safe and serviceable character of the roadway.

The Department operates a network of more than 1,500 facilities through which it sustains highway system safety and serviceability.

This unwavering commitment to safety and serviceability requires a network of approximately 1,500 facilities widely distributed across all parts of the state: sand storage facilities at mountain passes, rest areas along the interstate, park and ride lots adjacent to local transit centers, commercial vehicle enforcement facilities enforcing truck weight and operating condition requirements, equipment shops servicing hundreds of specialized Department vehicles needed to clear snow or provide safe workspace, maintenance stations housing crews maintaining and repairing roads or roadway lighting and signs or roadside landscaping or replacing damaged guardrails. These real property assets are also part of the Department's real estate portfolio.

The Department only retains property for which it has a legitimate and compelling need.

The Department manages its real property portfolio in a manner consistent with obligations to be a responsible steward of public resources. Each year, the Department systematically evaluates its real estate assets within a district-based process, the Real Property Retention Review (RPRR). The Department carefully scrutinizes its ability to use its real property assets to support transportation operations or deliver transportation projects. The Department only retains property for which it has a legitimate and compelling need, and surplus property is divested in a manner consistent with state law and resolutions of the California Transportation Commission (Commission).

District directors are accountable for effective real estate portfolio management.

A district RPRR committee is formed under a district director's auspices to evaluate the utility and viability of district property holdings.

District functions controlling real property for program delivery must annually review their holdings and determine which assets are no longer needed.

METHODOLOGY

Just as district directors are ultimately responsible for planning and delivering capital projects or the efficient, safe operation of the transportation system within their district, they are also accountable for effectively managing district real estate holdings, which support operations and project delivery.¹ Regularly assessing the continuing utility of district realty is a fundamental part of successfully fulfilling this obligation. Thorough review requires careful comparison of the current inventory to long-term project or program needs, which should highlight unneeded assets.

District RPRR committees are formed under the auspices of the district director who appoints the chairperson and committee members. Committee members are typically appointed from the ranks of district deputies who may delegate participation to a senior staff member. While district directors are free to define their role in the process, they generally appoint a chairperson to oversee the work of the RPRR committee whose experience and demonstrated competence merits the trust and support of committee members. Once established, RPRR committees initiate review of district real property to conform to the annual RPRR time line developed by Headquarters (HQ). Districts are free to customize and integrate the RPRR investigation and decision-making process to their individual business culture, which can vary from holding one or more traditional committee meetings to conducting committee business via e-mail and teleconference.

Each district function with operational control of real property needed to deliver its program is responsible for determining which assets are no longer needed. To conduct this analysis, functions compare long-term program requirements to property information they maintain in one of four Department real property databases which together comprise all property owned or controlled by the Department, the Asset Management Inventory (AMI), the Right of Way Management Information System (ROWMIS), the Right of Way Property System (RWPS), and the Excess Land Management System (ELMS).

¹ Department Deputy Directive DD-21 R3 governs maintenance of real property databases and review of real property holdings.

The numbers of parcels in Department property inventories have remained relatively constant over the past several years.

ASSETS

Excluding approximately 1,500 lands-and-buildings items in the AMI, the Department's real estate holdings have remained relatively static year-to-year.² Although counts varied between inventory segments, the total number of non-AMI parcels remained at about 3,400, of which approximately 200 were being used in construction, another 2,400 were being held for use in future transportation projects and slightly more than 800 were being processed for disposal or administrative removal from Department reporting. The number of parcels in the Department's portfolio, which has shrunk steadily over the past several years, is unlikely to decrease appreciably until eight long-lived "legacy" projects, with which forty-five percent of these parcels are associated, move to construction or some other resolution: ALA-238, 480 parcels; LA-710, 443 parcels; SM-1, 148 parcels; FRE-180, 123 parcels; TUO-108, 122 parcels; ALA-880, 88 parcels; SBD-215, 82 parcels; MER-152, 74 parcels.

The Department initiated Excess Land Disposal Contracts in 2006 to dispel its reputation for lax property management and disposal practices.

EXECUTION

In recent years, the Department has worked diligently to shed its reputation for less-than-adequate property management and disposal practices. Study after study, report after report, analysis after analysis, reaching back into the 1980s, described the cyclical character of the Department's waxing and waning interest in, and commitment to perfecting its real property management practices. In 2006 the Department decided to change critical external perceptions by demonstrating competence. To do so, it established metrics for measuring successful management and disposal of excess real property, which were consistent with those used to track project delivery performance. This was accomplished by establishing district-specific surplus property disposal contracts, similar to project delivery contracts, between district directors and the Department Director. The excess land disposal contracts, which grew out of parcel-specific recommendations of district RPRR committees, provided both the discipline and accountability for sustaining sound property management and driving surplus property disposal performance.

² Lands and buildings consist of, but are not limited to office buildings, equipment shops, maintenance facilities, transportation management centers, roadside rest areas, laboratories, and warehouses.

During legislative hearings in 2010, Department property management and disposal practices were used as an example of sound practices other state departments should emulate.

Including Excess Land Disposal Contract goals in the Department's strategic plan forced headquarters and district managers to acknowledge process-specific resources needed to achieve property disposal goals. Over the last three-and-a-half years, excess land disposal contracts between the Department Director and district directors competed against the Department's institutional focus on delivering transportation projects to the detriment of surplus property disposal. The Department's hard work at sufficiently modifying its management culture to provide greater support for, and oversight of its real property management practices surmounted pointed external criticism and perceptions it was unable to quickly dispose of unneeded excess property. Formal recognition of the Department's achievement came during 2010 legislative hearings when Department property management and disposal practices were used as an example of sound practices for other state departments and agencies to emulate.

The Department confronts a dilemma; insufficient resources to maximize both project delivery and excess land disposal.

After years of effort, hard-won credibility gains are now being put to the test. Recent Department policies, which enhanced excess land disposal practices, experienced temblors from what could constitute a seismic shift in Department resources and focus away from surplus property disposal. While Department disposal of more than 1,150 properties between July 2006 and December 2008 demonstrated its commitment to reducing its excess land holdings, overall 2009 and 2010 excess land disposals fell off markedly and did not meet fiscal year expectations. Even enduring an abysmal real estate market that placed unrelenting downward pressure on property values and slowed sales velocity, the Department did not dispose of as many properties as it might have because resources were redirected from supporting excess land disposal to project delivery. In an era of shrinking capital support resources characterized by increased retirements, furloughs and hiring freezes, the Department confronted a dilemma, insufficient resources to maximize both project delivery and excess land disposal. The Department faced a profound institutional challenge; articulating a mix of delivery goals consistent with its finite resources, which could result in fewer excess land disposals for a period of time, while sustaining district directors' commitment to a robust RPRR process.

The 2010 RPRR demonstrated that the Department needs to more carefully align its goals with available resources and more effectively communicate its goals to both internal and external stakeholders.

EXPECTATIONS

Issues raised during the 2010 RPRR that might jeopardize departmental property management credibility or the pace of excess property disposal are not new: needing to improve inventory accuracy, settling seemingly intractable property disposal issues and disposal of property associated with long-lived Department legacy projects. Unless the Department wishes to again endure a long and contentious battle to resurrect its tarnished credibility, it must do more to secure the allocation of resources needed to meet external expectations. The 2010 RPRR demonstrated that the Department needs to more carefully align its goals with available resources and more effectively communicate its goals to both internal and external stakeholders.

Recommendation:

- ***Revise excess land disposal targets in the Department's Strategic Plan as circumstances warrant.***

2. Information Management

Each district director is responsible for the accuracy and integrity of their district's real property information.

Department Deputy Directive DD 21-R3 makes each district director responsible for the accuracy and integrity of their district's information in each of four distinct Department real property inventory databases: the Right of Way Management Information System (ROWMIS), the Excess Land Management System (ELMS), the Right of Way Property System (RWPS) and the Asset Management Inventory (AMI). Three of these databases, ROWMIS, RWPS and ELMS, contain property information for parcels acquired or held to support construction of transportation infrastructure. The AMI maintains data on the Department's lands and buildings assets primarily supporting delivery of its Maintenance and Operations program. Property inventoried in the AMI that is outside the operating system is reported to the Department of General Services (DGS) to satisfy the statutory reporting requirements of California Government Code Section 11011.18 and the mandate of Governor's Executive Order S-10-04.

ACCURACY

Asset information for the RPRR is extracted from three Department databases: the AMI (lands and buildings), the RWPS (property acquired for project construction), and the ELMS (excess land).

Asset information extracted from three Department databases: the AMI (lands and buildings), the RWPS (property acquired for project construction), and the ELMS (excess land) provides the informational foundation around which the RPRR is convened. Information for property dedicated to the project delivery process is housed in the RWPS and ELMS, which is only immediately available to district Right of Way and Land Surveys staff.³ The lands and buildings data on approximately 1,500 Department facility holdings in the AMI is available to all Department personnel with intranet access or through a generally available desktop application. While year-to-year acceptance and use of the AMI increased from 2007 through 2009, the number of average daily logins plateaued in 2010. AMI use is concentrated among a small subset of potential users who discovered its utility in helping to more effectively manage their function or program.

³ Right of Way Accounting also has immediate access to these databases.

Anecdotal evidence and unscientific sampling suggest the Department has lowered its ELMS and RWPS data error rate to less than 0.5%.

For many years, members of the legislature and the public have consistently expressed concern about the accuracy of information in the ELMS and the RWPS databases. The Department took the assertions very seriously, and it acted immediately to remediate inadequacies, real or perceived. Throughout 2009, the Division of Right of Way and Land Surveys renewed administrative procedures and conducted staff training in use of the Discoverer Tool database application, which provided users greater insight into, and quality management of data records. For all of 2009 and up through the 2010 RPRR, the Division of Right of Way and Land Surveys sampled database records using Discoverer and monitored corrective action taken to eradicate data errors or omissions in ELMS and RWPS. Available anecdotal evidence and unscientific sampling suggest the Department lowered its data error rate in the ELMS and the RWPS to less than 0.5 percent for active parcels.

While inventory accuracy improved from 2009 to 2010, M&O and DEA did not meet goals to improve the completeness and accuracy of AMI facility data.

An intensive effort by the Maintenance and Operations (M&O) program during 2008 and 2009 resulted in capturing ninety-nine percent of its lands and buildings assets that should be inventoried in the AMI. Since M&O facilities comprise slightly more than ninety percent of all holdings in the AMI, total M&O program holdings represent a fraction less than ninety percent of all Department lands and buildings assets inventoried in that database. The facilities for which an accounting has not yet been made include material sites, with only 22 of what anecdotal evidence suggested could be as many as several score sites statewide, vista points, about which there is uncertainty over the total number, 121 or 133, and environmental mitigation sites, which may exceed by a factor of three the number of sites currently reflected in the AMI.⁴ Unfortunately, neither M&O's goal to have all its facilities (and structures) updated in the AMI by the end of 2009 nor the Division of Environmental Analysis' (DEA) expectation to have its mitigation parcel inventory updated in the AMI by June 30, 2010 were met.⁵

⁴ The AMI currently reports 92 mitigation sites.

⁵ The original request of the Division of Environmental Analysis to independently verify its mitigation parcel inventory was made in January 2008 with the expectation results would be available before the end of FY 07/08.

M&O did not meet 2009 goal to improve the completeness and accuracy of AMI structure data.

In addition to more than 1,500 facilities inventoried in the AMI, the database contains records for more than 5,200 structures.⁶ Each record links the structure to a specific facility and, at minimum, should contain basic information about the structure's type, construction, year built (or installed), area and condition. Although some minor gains were made, such as the reduction in the number of Safety Roadside Rest Areas reporting no improvements from 46 to 28, available evidence suggests that in large part, the structure inventory remains relatively unchanged from last year. For Example, 168 stand-alone Radio Communication sites still do not report any structures (towers or vaults) and almost no facility with Radio Communications as a secondary use lists structures consistent with this function (towers or vaults). The available information suggests the Department has work left to do (e.g.; only 27 fuel island structures reported from over 340 maintenance facilities). As with facilities, M&O did not meet its goal to include all required structures data in the AMI by the end of the 2009 calendar year.

PREDICTABLE

The DEA has used the ELMS and the AMI to inventory mitigation sites/parcels because it has no program-specific database.

The Division of Environmental analysis (DEA) has struggled for many years with a patchwork of district-developed property reports listing parcels acquired for project-specific environmental mitigation. Information is spread across myriad spreadsheets and property fact sheets; no one listing represented the entirety of the Department's holdings of this kind. To facilitate information capture, use and reporting, the Divisions of Right of Way and Land Surveys and Environmental Analysis agreed in 2000 to inventory environmental mitigation parcels in Right of Way's ELMS as 'hold' parcels (ELMS Category 2D holds). In this way, DEA had access to a statewide database in which it could list parcel size, location, project/segment, reason for acquisition and mitigation attributes. Simultaneously, DEA district staff could input similar data into the AMI, which could serve as an approximate substitute production database. Like the ELMS, the AMI provided statewide information access and reporting, but unlike the ELMS, it had more flexibility with respect to the character of information captured, displayed and shared. Along with field data and descriptive narrative, the AMI allowed one to

⁶ Structure in this context refers to a building or other improvement located at a facility supporting highway operations.

Because of inventory discrepancies, the DEA was to provide an independently derived mitigation site inventory by the end of FY 07/08, which was not delivered until August 2010.

attach photos, maps and executed documents relevant to the property.

Over the years, there was evidence of a widening discrepancy between the number of environmental mitigation parcels inventoried in the ELMS and those in the AMI; moreover, it was apparent the department could not be sure which, if either database correctly identified exactly how many parcels of this kind were in the Department's real property portfolio. Annual RPRR reports, beginning in 2006 and culminating in 2009 highlighted the ongoing discrepancy. In 2008 and again in 2009, the RPRR Annual Report called for resolution. The 2009 RPRR Annual Report established June 30, 2010 as the date by which DEA would submit an independent inventory of all Department environmental mitigation sites.⁷ This inventory, the result of close collaboration between DEA and district directors as the ultimate responsible parties under DD 21-R3, was submitted to the Division of Right of Way and Land Surveys on August 3, 2010. This parcel-specific information will be reviewed and reconciled to existing ELMS and AMI inventory data. The Department is a major step closer to its goal of being able to say with certainty what environmental mitigation properties it owns.

UNDISCOVERED COUNTRY

Inadequate resources have kept the Department from investigating the status of potentially hundreds of Santa Cruz County parcels.

Questions about the accuracy and character of parcel records and inventory accounting are not unique to the Division of Environmental Analysis. The Department's Division of Right of Way and Land Surveys faces similar challenges. The 2010 RPRR uncovered what may total several hundred parcel files, the status of which is unclear. A cursory examination of the material suggested most, if not all of the parcel files represented Santa Cruz County properties that were set aside in 1995 when the county was transferred from District 4 to District 5. Central Region Right of Way and Land Surveys has declared that because of staff redirections to support project delivery, no resources are available for the foreseeable future to conduct a more thorough review of this material, which would count the files/parcels and characterize the information within. If the property represented by these files was acquired, file information should reflect it, and the data should have been input into the appropriate property

⁷ The CTC directed that this information be provided even earlier; March 31, 2010.

database. The Department is obligated to confirm parcel status and identify potential excess, and the resources to conduct the necessary investigation need to be made available.

Recommendations:

- *M&O and DEA AMI information will be complete and accurate by June 30, 2011.*
- *Central Region management will formulate/articulate a plan to assess and characterize the 'found' Santa Cruz County parcel files by March 31, 2011.*

3. The Right Time

Department managers must not allow performance to become a prisoner of ‘the long run’ mind set.

Statute, regulation or other policy guidance creates a set of rules, a framework, which directs action and converts experience into expectation. The future is all too often assumed an extension of historical norms, relationships or patterns of behavior. The future is represented as an almost linear progression of past actions or correlations. Occasional regressions may occur, but things return to normal in time; ‘in the long run’. However, events may signal a singular break with history. The future is not destined to resemble the past, and it may not offer a comfortable return to ‘normalcy’ after a period of decline. Since presumptions about the ‘long run’ behavior of individuals or markets upon which Department excess land disposal decisions have been based may no longer be comfortably inferred from previous correlations, decision-makers must confront this new environment critically and not allow performance to become a prisoner of a ‘long run’ bias.

The economic crisis of the last three years has dramatically, and adversely, impacted the Department’s ability to dispose of surplus property.

IMPACTS OF ‘THE LONG RUN’

The economic crisis of the last three years has dramatically, and adversely, impacted the Department’s ability to dispose of surplus property. The myriad ways in which distressed property has come into the market for sale has made determining market price even more convoluted and difficult; duress permeated the real estate market. Since the Department must receive ‘fair market value’ for surplus property, it had to determine whether or not extant market values reflected ‘fair value’ or would rebound in ‘the long run’ to some higher level consistent with prior economic recoveries (and their ‘real’ value).

Districts postponed selling some properties with the expectation that real estate market values would return to normal in ‘the long run’.

Values of newly constructed residential properties firmed, rose in some locations, but ultimately fell back in tandem with availability of state and/or federal housing tax credits. The median sales price for residential property in California improved by 13.6 percent from 2009 to 2010, but ever-increasing numbers of foreclosures, fueled by 12 per cent unemployment, drove the number of sales down by 4.2 percent as lenders restricted sales of foreclosed property to solidify pricing.⁸ Commercial property values decreased as tenant incomes shrank and the amount of

⁸ Sacramento Bee, July 23, 2010, “Home Prices Rise Despite Fewer Sales”.

vacant space swelled; the number of commercial property bankruptcies increased as owners were unable to refinance outstanding loans that exceeded a property's value. Districts postponed selling some properties with the expectation that real estate market values would return to normal in 'the long run'.

In 2010 Department excess land disposal policies and strategies had to take into account a marketplace transformed by almost three years of terrible psychological and economic shocks, which adversely affected property disposal.

In 2010 Department excess land disposal policies and strategies had to take into account a marketplace transformed by almost three years of terrible psychological and economic shocks, which adversely affected property disposal. While market forces conspired to increase supply and underlying economic weakness significantly reduced demand, the Department reevaluated its ability to dispose of property at any price. In some situations, had circumstances conspired to make appraisals unrepresentative of market conditions? Under the specter of continued economic volatility and destabilized market equilibrium, districts made difficult choices about which properties should be marketed and at what price. As in 2009, excess property auctions often generated no interest, and, if anyone participated, bids did not approach the established minimum. Year-over-year double digit erosion in market values and demand had to stop in 'the long run'.

In 'the long run' a real estate market recovery may not resemble anything previously anticipated; values looked more like 2001 than 2007.

Even as the number of mortgage defaults in California slowed through the second and into the third quarter of 2010, foreclosures continued at the highest levels on record. What had been acute was becoming merely chronic. Income, personal or business, the primary driver of real estate activity, value stabilization and sector recovery, exhibited little or no sign of growth. While many large corporations reported some growth in earnings, small and mid-sized firms struggled with solvency and payroll growth languished. Moreover, the jobs that were created often did not resemble the jobs they replaced (or replace the wages), and workers were unprepared for the new opportunities. Communities absorbed the fiscal shocks, dwindling tax collections caused by eroding property values and falling income tax receipts, produced by prolonged high unemployment. Local governments, school districts and special districts across the state retrenched; public employees were laid off by the thousands, which only exacerbated the underlying problem. With unemployment forecasted to remain at or above eight percent for the next ten years, portends slow growth in personal income, which retards consumer

As in 2009, some district auctions went unattended, or, if attended, no bids were made, or, if made, were below minimum.

confidence and spending and consequently job creation, continuing the cycle. Therefore, in ‘the long run’ a real estate market recovery may not resemble anything previously anticipated; values looked more like 2001 than 2007.

During the 2010 RPRR, districts evaluated property within a context shaped by adversity. Events had conspired to kill ‘the long run’, and with no ‘long run’ on which to depend for financial resurrection, districts tried anything and everything to dispose of property. Those with urban centers sought to attract “vultures”, private equity investors drawn to distressed property. To entice vultures, predominantly urban creatures, to suburban and exurban property, districts considered marketing media in another district’s urban centers. But vultures were not always interested in the available carrion. Tight credit, negligible income growth and high unemployment shrank the pool of potential buyers. As in 2009, some district auctions went unattended, or, if attended, no bids were made, or, if made, were below minimum. Districts, facing the prospect of missed disposal contract commitments, struggled to divest property and considered nontraditional alternatives: using reverse auctions or auctions with no minimum bid to let the ‘spot’ market set price; having the Department become the lender-of-last-resort in specific transactions; conveying property for a nominal fee (a dollar) to adjacent owners or single viable grantees to achieve maintenance savings or reduce liability exposure; incorporating unmarketable property into the right-of-way.

The Department has been trying to unravel the Gordian Knot of District 11’s SR-86 parcels for more than a decade.

THE ‘LONG RUN-AROUND’

For more than a decade, the Department has been trying to unravel the Gordian Knot of District 11’s parcels along Imperial County’s SR-86, which were missurveyed by the Federal Bureau of Land Management (BLM). Although affecting fewer than twenty Department parcels, mapping and conveyance has been stalled for years because BLM survey boundaries are off by hundreds of feet.

The Department would be hard-pressed to give the property away, even with corrected property lines.

District 11 Right of Way Engineering has not had the resources to correct the boundary problem, and the BLM has refused to provide resources for its resolution. These parcels are remote desert land of little or no value. They account for over six hundred acres of Department excess land, and most of them are some distance from the operating facility. The Department would

There are no plans to address the boundary issue, and prospects for divesting the remaining property remain remote.

Without transactional leverage, the ability to influence, shape or control outcomes is significantly diminished if not nullified.

Not only was the Department's conveyance of forty-seven excess land parcels in June 2009 rebuffed by the Terminal Authority, but its delivery of an additional 115 parcels in June of 2010 was also refused.

For more than fifty years, the Department has owned land along Los Gatos Creek, and the water district gives no indication of ever accepting property conveyance.

be hard-pressed to give the property away, even with corrected property lines. Incorporating the subject property into the travelled way and maintaining the land would place even more strain on already over-burdened Division of Maintenance resources.

As in 2009, the 2010 District 11 RPRR committee was informed by district project management staff that a new freeway agreement was being developed, which would require a number of these parcels for projects upgrading ramps and interchanges. Beyond this, there are no plans to address the boundary issue, and prospects for divesting the remaining property remain remote.

LEVERAGE IN 'THE LONG RUN'

Without transactional leverage, the ability to influence, shape or control outcomes is significantly diminished if not nullified, and with that, a loss of context; 'the long run' loses meaning. This condition is vividly illustrated by three situations: conveyance of Transbay Terminal parcels in San Francisco and restoration of Los Gatos Creek, both in District 4, and infrastructure improvements for the Los Angeles County Flood Control District (LACFCD) in District 7.

In the case of the Transbay Terminal, not only was the Department's conveyance of forty-seven excess land parcels in June 2009 rebuffed by the Terminal Authority, but its delivery of an additional 115 parcels in June of 2010 was also refused. District 4 missed its excess land delivery contract goal for two successive years because the Department's local agency partner, the Terminal Authority, was not prepared to move immediately to construction; therefore, it would not accept title to the property until a later date to defer maintenance and liability costs. Even though the Department had an agreement with the Terminal Authority that it would accept title to the property by a date certain, it had no leverage to force conveyance removing the property from its inventory.

For more than fifty years, the Department has owned land along Los Gatos Creek in Santa Clara County. The Department is not a water agency, and it has no operational use for the land or the water. However, as a good steward of public resources, it has on two occasions improved the property to current code standards anticipating the local water district would acquire the property.

The water district gives no indication of ever accepting property conveyance: It gets free from the Department, property maintenance and assumption of risk, that for which it would normally pay. The Department needs to identify potential alternative solutions, such as conveying or selling the land to other qualified entities.

The lack of funding has delayed conveyance of 35 parcels to LACFCD for over a decade; affected parcels may remain in the Department's inventory indefinitely.

Transbay and Los Gatos are examples where the Department made the investment required to prepare property for immediate conveyance only to be put off by prospective grantees. There is at least one case where the Department has a receptive local partner, but the Department has been unable to marshal the resources needed to complete the requisite improvements and consummate property transfer. Approximately 35 parcels in Los Angeles County along the I-105 corridor are subject to the terms of an agreement with LACFCD, which has existed for more than a dozen years. The issue originated more than twenty years ago when the Department did not involve the flood control district in the design, construction, inspection or acceptance of drainage infrastructure for the original project. Since technical requirements changed through the years, the agreement with LACFCD requires the Department to bring all improvements up to current LACFCD specifications at the Department's expense before acceptance of the realty by the LACFCD. As long as the Department's capital budget remains so significantly impacted, it is unlikely that funds will be available for the Department to meet its obligations under the agreement, which means the parcels may remain in its real estate portfolio indefinitely.

LEVERAGE AND LEGACY

Department guidance needs to clearly articulate what administrative or legal mechanisms are to be used, as early in the project development process as possible, to bind entities to convey or accept mitigation property.

Few things have frustrated Department real estate professionals more than the acquisition, management and conveyance of real property acquired to mitigate the adverse environmental impacts of transportation infrastructure projects. The challenges are well known; acquiring large tracts consistent with corridor plans or purchasing small sites for individual projects, executing binding conveyance agreements with resource agencies or conservancies before acquiring property or struggling to find a 'taker' once the project is completed, transferring property jurisdiction to state resource agencies at no cost or waging an unproductive internal 'valuation' battle. In 2010 the Department not only struggled with knowing what environmental mitigation parcels it owned, but it

also did not pursue development of a strategy that comprehensively addressed environmental mitigation. Department guidance must clearly articulate what administrative or legal mechanisms are to be used, as early in the project development process as possible, to bind entities to convey or accept mitigation property and to conform these covenants to other issues addressed in route concept reports and freeway or cooperative agreements, which obligate parties to project budgeting, property selection, acquisition, management, conveyance and endowment.

Little or no incentive exists for non-Department entities to accept mitigation parcels.

Districts continue to struggle with removing mitigation parcels from the Department's real property portfolio because little or no incentive exists for non-Department entities to accept mitigation parcels. The Department loses leverage when externals perceive it unwilling to delay project delivery awaiting commitments to convey/accept environment mitigation property. Reasons for resistance vary, but the significant majority of reluctance is focused on acceptance of small, discontinuous mitigation sites, which are disproportionately more costly to manage and maintain than larger sections, and parcels with 'endowments' insufficient to offset property supervision and management costs. During the 2010 RPRR, some representatives of district RPRR committees advocated restarting the mitigation process improvement team, which dealt with many, if not all of these issues in 1999-2000.⁹

Only by acting each day with clear vision and awareness of what sustains leverage and maintains initiative can the Department successfully resolve difficult issues.

Department performance goals and objectives cannot be solely based on expressions of future resolve. They must embrace actions informed by critical appraisal and acceptance of evolving circumstances. Each district practitioner must understand he or she has permission to dispose of surplus realty even though (because) market conditions will change. In the end, 'the long run' never arrives, and disposal decisions are made and actions taken in real time, which obliges practitioners to make decisions based on fresh assumptions acknowledging new constraints, imperatives and relationships. Only by acting each day with clear vision and awareness of what sustains leverage and maintains

⁹ The Mitigation Process Improvement Team existed from 1999 to 2000. In December 2000, its final report, "Improving Caltrans Environmental Planning, Management and Mitigation; Moving From Compliance to Stewardship", chronicled its findings and recommendations, among which was convening a mitigation site conveyance team to investigate acquiring sites in a resource agency's name and drafting resource agency agreements to accept mitigation sites before Department property acquisition. The 'conveyance team' was never formed.

initiative can the Department successfully resolve difficult property disposal issues.

Recommendations:

- *Provide 'permissive guidance' for immediate property disposal, within the context of value optimization, using Department financing or no-minimum-bid auctions or reverse auctions or E-Bay auctions.*
- *Link parcel disposal commitments to clearly defined plans and timelines for parcel(s) requiring capital investment as a prerequisite to disposal.*

4. Piece-Work

The number parcels in the Department's portfolio reached equilibrium, at approximately 3,500, governed by the vagaries of district project queues and the politics of 'legacy projects'.

With more than 920 parcels between them, finishing the LA-710 and the ALA-238 represents the next opportunity to significantly reduce Department parcel inventories.

During the 2010 RPRR, there was no question property acquired for the ALA-238 and the LA-710 would leave the Department's property inventory in the (relatively) near future.

The number parcels in the Department's portfolio of property acquired for transportation projects reached equilibrium, at approximately 3,500, governed by the vagaries of district project queues and the politics of 'legacy projects'. Individual component inventories remained at levels consistent with the preceding years; the ELMS parcel count went from just under 1,550 parcels 2008 to about 900 in 2009 and back up to 1,500 in 2010; the RWPS number tightened to about 2,100 in 2009 and shrank even further to about 1,900 in 2010.

Previous RPRR Annual Reports have recounted the story of the small number of parcel 'bunches' representing almost seventy percent of the RWPS inventory, which correspond to projects with long and turbulent histories, influential stakeholders, adversely impacted low/moderate income constituencies, and imperfect, yet plausible solutions. Each year's RPRR Annual Report has focused attention on two of these projects, the LA-710 and the ALA-238, which are the most egregious examples of the 'captured inventories' of this kind. Both projects are fraught with extremely sensitive and complex local issues and concerns. With more than 920 parcels held for the two projects, finishing these projects, and those like them, represents the next opportunity to achieve a significant step-function reduction in Department parcel inventories.

END GAME

During the 2010 RPRR, there was no question property acquired for the ALA-238 and the LA-710 would leave the Department's property inventory in the (relatively) near future. But to engage divestiture successfully, the Department would have to unravel complex issues with the potential to pit against each other local governments, transportation agencies, other public institutions, and affected community groups with competing visions of updated zoning, land use and property disposal. The mechanism through which disposal occurred would have to be unique to each undertaking; a context sensitive solution. With legislation in place defining the responsibilities of ALA-238 project partners vis-à-vis the 'local transportation alternative' and disposal of excess land, District 4 staff worked closely with colleagues at the City of Hayward and the County of Alameda to fashion a property

disposal framework, which reflected the community's desire to remake itself. Stakeholders worked tirelessly to forge consistent assumptions and understandings that became the foundation for future action. Without the benefit of legislation, progress on completing the LA-710 is less clear; a technical study affirming the feasibility of constructing a tunnel was received in June 2010. While the Department awaits completion of the LA-710 environmental report, District 7's Right of Way and Land Surveys staff could begin developing a multi-year phased disposal program.

As stated in the 2009 RPRR Annual Report, District 7's capacity to dispose of LA-710 holdings takes on added significance given property-related Roberti Bill restrictions.

As stated in the 2009 RPRR Annual Report, District 7's capacity to dispose of LA-710 holdings takes on added significance given property-related Roberti Bill restrictions. Individuals, community groups or other entities eligible to acquire project property under Roberti may have difficulty arranging financing in the current financial environment. If so, it is possible that local governments, the Legislature, or the Administration could insist the Department act in a manner consistent with its authority and function as "lender-of-last-resort".¹⁰ If this happened, District 7 would have to administratively restructure its Right of Way organization to accommodate activities consistent with managing a loan portfolio and tracking property title and restrictions on subsequent property financing and 'equity removal'.

The Department has some latitude in the determination of property pricing.

ESSENTIAL INVESTMENT

While the Department may have no control over factors such as location, size or design, which may complicate property disposal, occasionally it may have the latitude to respond to exigent circumstances in how it determines property pricing. In exceptional cases, the Department may have to expend capital resources to have any chance of realizing property disposal; regardless of immediate monetary return, disposal may eliminate substantial maintenance costs or liability exposure.

In District 8, the Department owns a water system and the legal obligation to supply water to three residential properties.

One of the more challenging examples of such a case exists in District 8, where the Department owns a water system and the legal obligation to supply water to three residential properties, two on one side of a transportation facility, the third on the other side. An existing agreement with the Department identifies how much each water user pays each month, but the total amount collected is

¹⁰ Streets and Highways Code 118 (a)(1)(2).

If the price for water was raised to too high a level, it may be perceived as an onerous and unjustified burden on the landowners, which could subject the Department to adverse media attention, unwarranted legislative scrutiny or costly legal action.

The life-cycle costs of each potential solution, including savings from cessation of Department water system ownership and operation, should be computed and compared, and the lowest cost alternative should be pursued.

insufficient to fully amortize the total cost of operating (electricity) and maintaining the well and water circulation infrastructure, testing water quality or acquiring health-related certification. Residents were perfectly happy with the status quo; they were paying far, far less for water by paying a fee than if they owned the water system through a mutual water company.

There are few things the Department can do since a court ruled it must supply water to these three properties. The Department should raise the cost of water to fully reflect the actual total cost of providing the service, not just the variable costs of periodic testing or electricity to operate the pump, but all the costs including administering the water system and capitalization of the sinking-fund accumulating money to replace the pump, the well casing and the water distribution pipes as they wear out. However, should the price of water increase too much, it may be perceived as an onerous and unjustified burden on the landowners, which could subject the Department to adverse media attention, unwarranted legislative scrutiny or costly legal action.

The Department should consider ways in which it can alter the calculus of the situation: identify if, or under what circumstances water customers would benefit from assuming ownership of the well/distribution system; determine if, or under what circumstances or conditions a local water company/district would acquire water system ownership; since the Department cannot condemn, determine at what price the owners will sell (and how much it can lawfully pay), acquire the three properties, drill a well on each and then resell the parcels. The first two alternatives would most likely require the Department to 'seed' a sinking-fund of some kind to account for depreciation to-date, while the latter approach assumes the Department would at minimum incur the cost of drilling at least two new wells (if the existing well serves one property) and some distribution infrastructure (although some existing lines may be reused). The life-cycle costs of each potential solution, including savings from cessation of Department water system ownership and operation, should be computed and compared, and the lowest cost alternative should be pursued.

Increasingly, events with adverse impacts on district excess land disposal were linked to poor performance by contractors used by local agency partners.

The Department's perpetual challenge is identifying the enlightened self interest behind each local agency involvement.

PARTNERS – LEVERAGE REDUX

Resolution of opportunities like the 'water system' conundrum above, while exasperating, are controlled by the Department. This direct authority is tempered as the Department delivers an increasing number of projects in partnership with local agencies. More and more frequently, events that had adverse impacts on district excess land disposal performance were linked to poor performance by contractors used by the Department's local agency partners to deliver elements critical to completion of a parcel's disposal package. One example of poor consultant performance on Department excess land disposal contract goals is in District 11. During the 2009 and 2010 RPRRs, the district identified a total of 18 surplus parcels that could not be included in their respective annual disposal contracts because the local agency's consultant continually slipped scheduled delivery of required parcel maps and deeds.

So, the discussion returns to motivation and leverage. The Department often finds itself in a position of being able to exert little, if any pressure on a local agency to spur its consultants to deliver work product on a time schedule that supports the Department's aggressive surplus property disposal expectations. The singular motivational element for local agencies is capital conservation, and 'synchronizing' its consultant performance to Department requirements may hinge on whether or not the local agency provided funds for right-of-way acquisition. Based on the terms of the Cooperative Agreement, disposal proceeds may be returned to the local agency, and, if so, self interest would dictate expediting delivery of any and every consultant-provided element needed to accelerate property disposal. However, if proceeds flow to the state, little motivation may exist for local agencies to align consultant workflow to support Department excess land disposal commitments; once again, no leverage. While the Department may be within its legal rights to limit or withhold cooperation to increase leverage and 'encourage' local agency conformance on surplus land divestiture, delaying or not providing maximum support for some future local project would not only be perceived as unseemly state 'bullying', but it would also contravene the Department's mission to improve mobility across California: Once again, the Department is left with surprisingly little leverage; its perpetual challenge is identifying and appealing to

the enlightened self interest behind each local agency involvement.

Recommendations:

- *Link consultant services contracts providing items required for property disposal to item-specific disposal contract performance targets.*
- *Proactively engage local partners, within the context of cost minimization, to find mutually beneficial conditions for conveying long-held property.*

5. Understanding; Not Repeating

The Department was put on the defensive across its entire program because of the adverse publicity swirling around a program element representing less than two percent of the Department's business.

From 2006 through 2008 the disposal of unneeded real property was a singular Department priority. Newspapers reported account after account of poor Department property management or excess land disposal practices. The Department Director was called before legislative committees and vigorously interrogated about the Department's bloated property inventory and improper treatment of tenants inhabiting poorly maintained rental housing. The Department was put on the defensive across its entire program because of the adverse publicity swirling around a program element representing less than two percent of the Department's business. There was only one solution, demonstrate Department competence. To accomplish this, the Department focused resources on identifying and divesting surplus property: It coupled rigorous district-driven, parcel-specific evaluation inherent in the RPRR process with the discipline of project delivery contracts and created Excess Land Disposal Contracts between the Department Director and each district director. Disposal contracts were executed; resources committed; results achieved, over 1,150 parcels divested and \$142 million returned to the state.

District directors resourced project delivery, which guaranteed excess land disposal contracts in 2009 (63 percent of planned disposals) and 2010 (53 percent of planned disposals) would not be met.

Coincident with this accomplishment, circumstances conspired against its continued success. Furloughs, initiated in early 2009, reduced the Department's workforce capacity by approximately fifteen percent. This was exacerbated by a hiring freeze, which complicated the Department's ability to replace retiring workers. The adverse impact of these events was immediately apparent in project delivery; the Department was expected to deliver the same program with fewer resources. Delivery of transportation projects consistent with the Director's delivery contracts was paramount; additional staff resources had to be found to meet delivery schedules, which were converting scarce State Highway Account, Proposition 1B and federal American Recovery and Reinvestment Act (ARRA) funds into sorely needed state transportation infrastructure (and economic stimulus). District directors weighed their options, support project delivery contracts or excess land disposal contracts; acquisition or excess land appraisals; acquisition or excess land parcel mapping. There was really just one choice; district directors resourced project delivery as a first priority, which resulted in excess land disposal contracts in 2009

and 2010 would not being fully met (2009, 63 percent of planned disposals; 2010, 53 percent of planned disposals).¹¹

MANDATES

In 2009 and 2010, excess land disposal was treated as the ‘subtract answer’ to project delivery.

Significant political and programmatic imperatives drove the Department to make the decisions and take the actions it did in 2009 and early 2010. In such a bleak fiscal landscape, there were no unencumbered choices. However, excess land disposal was treated as the ‘subtract answer’ to project delivery, which demonstrated the Department’s conscious break with higher authority: neither state statute nor Governor’s Executive Order mentions project delivery performance when considering identification or disposal of excess land. Governor’s Executive Order mandates quantification and reporting of surplus property, while the Streets and Highways Code directs the Department to make property available for disposal within one year of being declared excess.¹² Nowhere is it stated or assumed that allocation of resources sufficient to meet these obligations is discretionary.

Failing to meet property disposal objectives for two consecutive years has put at risk the Department’s hard-won progress toward resurrecting its property management reputation with the Governor’s Office and the Legislature.

Failing to meet property disposal objectives for two consecutive years has put at risk the Department’s hard-won progress toward resurrecting its property management reputation with the Governor’s Office and the Legislature. The Department could have taken better advantage of a prolonged period of poor financial and real estate market conditions to justify or clearly articulate a strategy justifying redirection of resources from property disposal to project delivery. Such a plan could have emphasized that unstable market conditions (employment and income weakness, volatile property values) dramatically impaired the Department’s ability to efficiently dispose of surplus property, and that prudence and sound management practice dictated temporarily redirecting resources to more productive uses until market conditions stabilized. While this situation was discussed within Department management, it was not formalized or communicated externally. Going forward, the Department should develop and communicate a recovery plan that states how, after this short period of resource redirection, excess land disposal

¹¹ Including ‘unplanned’ parcel disposals, which are not included in excess land delivery contract targets, the percentages of ‘total disposals’ to contract targets increase to 68 in 2009 and 95 in 2010.

¹² Streets and Highways Code Section 118.6

efforts will again be fully supported at a time consistent with real estate market recovery.¹³

APPROACH

Morale is a critical constituent of performance.

Accountability, capacity and morale are critical constituents of performance. The first term classifies obligations and expectations, the second, support or resource adequacy and the third, inclination or commitment. Performance is the result of ‘will’; applied capability. Although morale is often minimized in the calculus of execution, its (adverse) impact on achievement (‘will’) can be profound. So much so the Department conducted employee surveys in 2006 and 2008 to assess morale within the context of delivering the Department’s programs. While the surveys indicated employees were proud to work for the Department and were committed to its mission, they also suggested a need for the Department to engage in efforts to improve morale to enhance organizational performance.

Disposal contracts provided accountability and resources, which improved disposal performance and morale.

For at least ten years preceding the 2006/07 RPRR, the process suffered from a lack of accountability, limited management guidance or support and low morale. This changed remarkably that year with Director Kempton’s institution of disposal contracts linked to the RPRR. Although excess land disposal was not reintegrated into project delivery, program success depended on ‘delivering’ to contract targets. Disposal contracts provided the requisite linkage between milestones, resources and performance, and, over the next three years, one could chart the performance improvement by the number of realty interests disposed and the monetary proceeds returned to the State. With district directors accountable for ‘contracted’ goals, sufficient support became generally available and performance surged. All functions involved in property disposal worked in concert to meet performance objectives. There was pride in jobs well done, and morale was high.

¹³ The Department may have also suffered from the invalid inference the Department delivered projects because of overstaffing, and not because of resources redirected from excess land disposal to project delivery.

There was little official acknowledgement of a revised disposal strategy or changes to disposal targets consistent with staffing levels resulting from resource redirections.

Events conspired to make FY 2009/10 different. The real estate market melt-down that began in 2007, the affects of which continue to be felt today, was exacerbated by the financial market crash of 2008, which lead to an economic slump that reduced Department revenues. The fiscal constraints, compounded by employee furloughs, an accelerated rate of employee retirements and a Department-wide hiring freeze, dictated realignment of Department resources to meet project delivery targets and forced reconsideration of the Department's real property disposal strategy. As resource redirections reduced the support needed to achieve property disposal targets, there was little official acknowledgement of a revised disposal strategy or changes to disposal contract targets consistent with new staffing levels.

Poor communication led to lower morale.

The Department intended redirecting resources to achieve project delivery targets as a rational response to changing circumstances. However, in pivoting to meet the challenges of its new fiscal reality, what could have been an opportunity to rally staff to achieve revised goals in a focused and collaborative team response to adversity, instead became a widely held belief of management indifference to property disposal issues. Poor communication and coordination had resulted in disjointed support, fragmented effort, employee frustration, higher property disposal costs and lower morale. The Department can improve morale by clearly articulating continued support for district RPRRs, describing where excess land disposal fits into its new strategy and including a plan for returning to more robust excess land disposal at a later time.

No significant changes have been made to the disposal contract framework, milestones, targets or measurement, since its FY 06/07 inception.

METRICS

While this report focuses a great deal of attention on Excess Land Disposal Contracts and the process within which districts labor to meet their targeted disposal numbers, the annual RPRR and the Excess Land Disposal Contract process are two distinct, albeit linked, undertakings. The former is more 'passive'; identifying, evaluating, recommending and occasionally monitoring surplus parcel disposition in district property inventories. The latter is 'dynamic'; selecting, processing and disposing of surplus parcels. One should not infer from this focus that the RPRR process is error free or in no need of refinement. Attempting to promulgate best practices, RPRR guidance is refined each year incorporating lessons learned from each immediately preceding review.

The districts' goal is to convey each parcel committed for disposal (by date) in the contract executed between district directors and the Department Director.

Property having cleared all internal Department processing and only awaiting acceptance by the grantee should be counted as a 'hit'.

If targets are based on negotiated support, and that support changes (diminishes), then targets must be renegotiated and revised.

Conversely, no significant changes have been made to the disposal contract framework, milestones, targets or measurement, since its FY 06/07 inception.

Since annual Excess Land Disposal Contracts were first created in FY 06/07, districts have committed to divesting specific parcels by certain dates. The districts' goal is to convey each parcel committed for disposal (by date) in the contract executed between district directors and the Department Director. Districts monitor each parcel's progress through a series of process milestones and measure any variance to the committed conveyance. Two occurrences, which put at risk district delivery commitments, precipitated a call for change in performance measurement paradigm: parcels prepared for conveyance yet not accepted by grantees and resource redirection without negotiation of new targets.

The most egregious example of such a case was the Transbay Terminal Authority refusing acceptance of significantly more than one hundred parcels over two years, which caused District 4 to miss Excess Land Disposal Contract commitments for two consecutive years. One could argue that property having cleared all internal Department processing and only awaiting acceptance by the grantee should be counted as a 'hit', even if doing so means the Department has to create a new measurement category to differentiating between 'conveyed' and 'accepted'.

One hopes the second area of concern could be addressed with equal alacrity. It seems straightforward: Resources dictate schedules. If schedule commitments are based upon a negotiated level of support, and that support is reduced, then targets must be reevaluated, negotiations reopened and commitments revised. However, disposal contract performance is currently measured by items, not numbers. Districts do not just divest a predetermined number of parcels to meet disposal commitments. Disposal contract targets are established for specific parcels; a district misses its goal if it cannot convey parcel 'A', even if parcel 'B', which was not originally part of its commitment becomes excess and is conveyed within the contract year.

The Department must articulate a strategy for achieving a measurable permanent reduction of its excess land inventory.

In the end, the Department must articulate a strategy for achieving a measurable permanent (sustainable) reduction of its excess land inventory to a percentage of its portfolio or a target number of properties by some predetermined point in time. This should be accompanied by refinement of its performance measurement scheme to better recognize and adapt to process idiosyncrasies, encourage 'stretch' goals based on sound planning and deter 'sandbagged' commitments. It must illustrate to process contributors that near-term targets are malleable in service of strategic objectives, and the nexus of success is (as always) clear, effective, continuous communication and collaboration, which informs, motivates and invests practitioners in achieving goals, objectives or targets supporting the broader strategy. For example, disposal contracts could be organized to measure performance by specific disposal item and total parcel disposals, which would provide districts an incentive to maximize all potential divestitures during a contract year. Moreover, if or when a district director determines circumstances warrant redirection of resources to meet district project delivery commitments, the district's current-year disposal contract could be renegotiated and its disposal target officially adjusted to reflect recalibration of district resource use.

Recommendations:

- ***Confirm district directors' DD 21-R3 obligations for maintaining complete/accurate real property databases, conducting annual real property reviews (RPRR), and identifying/divesting surplus property.***
- ***Concede fewer excess property disposals and corresponding inventory growth in the Department's 2010/11 and 11/12 Strategic Plans, but plan (resource) surplus property reductions over a subsequent predetermined period.***
- ***Modify/expand excess land disposal metrics to include disposal 'cycle time' (statutory compliance), contract satisfaction (Transbay Terminal Authority) and total disposals.***

Attachment A

2010 REAL PROPERTY RETENTION REVIEW
DISTRICT SUMMARIES

Real Property Retention Review - 2010 Annual Report

2010 Annual Report Real Property Retention Review Committee District 1

Acting District Director: Matthew K. Brady
RPRR Committee Chair: Greg Lundblad

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 Klammath Maintenance Yard and the former Weitchepec 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. The cost for 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 be of value only to the Yurok Tribe, who is currently satisfied with their leases of the properties. In the last calendar year, Caltrans has met with the tribe in an effort to resolve outstanding issues. Excess Lands continues to wait for the completion of the environmental studies.

Excess Lands Holds

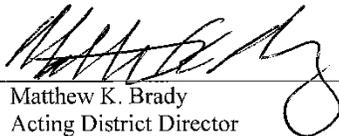
There are nine properties on hold this year. Two of those properties have been released for immediate sale and are awaiting appraisals. Two properties are also listed on list 1 and addressed above. One property is being used at an active construction site as a staging area and will continue to be placed on hold until construction is complete. One property is currently being used as an RE Office and will remain on a hold for the next year. One property is currently being held until a relinquishment plan with the City of Eureka is completed, as this directly affects the property lines and access to the excess parcel. One property has been sold. One property is held in the Willits Bypass Project area as an RE Office and mitigation land.

Property Held for Unawarded Future Projects

There are twenty nine parcels included in five entries in this report. Twenty-six parcels continue to be recommended for hold. One property has been recommended to be sold to the adjoining owner to resolve encroachment issues. Two parcels have been recommended for sale, pending a District Director analysis of the history and current status. The two parcels will remain on a hold pending the review.

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. There are a total of nine parcels associated with the area. It is agreed that these properties will not be considered as excess land at this time, but will be reviewed again next year with more information.


Matthew K. Brady
Acting District Director

March 4, 2010
Date

Real Property Retention Review - 2010 Annual Report

2010 Annual Report Real Property Retention Review Committee District 2

District Director: John Bullinski
RPRR Committee Chair: Greg Lundblad

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 three properties. The former Buckhorn Maintenance Station Employee House is set for public auction on 3/16/10. 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. Caltrans has been waiting for the water quality board's final approval before continuing with the disposal process. The third property is the Red Bluff Maintenance Station. It has been cleared for sale this past calendar year. Tehama County Transportation Commission has expressed interest in purchasing the property.

Excess Lands Holds

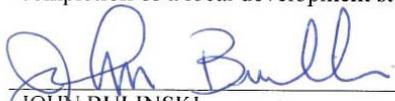
This list contains sixteen properties. One property is the Newell Maintenance Station addressed above. Four properties are being held based on possible environmental assets that need significant funding for disposal studies. Properties will continue to be held pending environmental study completion. Two properties are decertification requests that have been rescinded and remain in the computer system. Four properties are within the Shasta County 273 corridor area, which are currently being studied for local area development. Properties will be held until study completion, estimated for fall 2011. One decertification request is expected to be sold by December 2010. One property conveyance is being held up pending a certificate of acceptance from BIA in Washington DC. Caltrans has been waiting for four years and will need to resubmit all paperwork again to the CTC. One property is being held for mitigation purposes. One property was added to the list as it is no longer needed for mitigation purposes and is cleared for sale. It is scheduled to be sold in 2011. One new property was added to the list and will be incorporated into the right of way.

Property Held for Unawarded Future Projects

Both of the properties listed are airspace leases and will be removed from this system.

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

There are two entries on this list. The first property has a significant archeological site and will be offered to adjoining owners with a significant development restriction. If they decline, the properties will be incorporated into the right of way. The second set of properties is being held for the completion of a local development study that involves the Shasta 273 corridor.



JOHN BULINSKI
District Director

3/17/10

Date

2010 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, across the street from the old Williams Maintenance Station. Maintenance will be looking into possibility of releasing for public auction.

Excess Land Holds

There are sixty-six (66) entries in this report. Of which, fifty-one (51) are a part of the Live Oak/Gridley Bypass. This route was rescinded by the CTC in December 2007 the parcels have been offered to the local government agencies and they have the first right of refusal. Two (2) 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 ten (10) parcels are under various holds.

Property Held for Un-awarded Future Projects

There are sixteen (16) entries in this report. Four (4) 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 not sure how to get them off the list. Two (2) entries were waiting approval of SB 146 (failed) and will be relinquished to the City of Downeyville. 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. One (1) entry is 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 zero (0) entry on this list.

for Joseph A. Caputo

JODY JONES, District Director

15 Apr 10

Date

2010 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 Land Sales, 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. There are suspected contamination issues at three of the facilities. The Parcels will be scheduled for testing by Environmental Engineering. The information obtained will be used in developing a disposal plan for each facility. Agreement has been reached on the fourth facility and escrow is anticipated to close by June 2010.

Excess Land Holds

The District has 570 parcels in the Excess Land Hold Inventory. Of the 570 parcels, there are 71 parcels held for the Ala-92/238 project and 8 parcels held for the SCI-87 close-out project. 13 parcels have been sold. 168 parcels have been identified for sale. The remaining ELMS inventory shows 60 parcels are being held for direct sales to local agencies(2B hold category), 49 parcels are being used for construction and maintenance activities(2A hold category), 34 parcels are being held for environmental issues or possible environmental mitigation projects(2D hold category). The remaining 167 parcels have been conditionally retained for various reasons such as exchanges, site stability, and cooperative agreements (2C hold category).

Property Held for Unawarded Future Projects

The District has 673 parcels purchased for future projects. Of these 673 parcels: Ten (10) parcels held for Ala-238 have been identified and released for disposal. Four (4) parcels have been sold. As a result of this review 20 parcels have been identified as surplus and will be administratively move to List Two. The remaining 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 three (3) areas of extra-wide operating right of way and is investigating with Design and Transportation Planning for their ultimate disposition.


BIJAN SARTIPI
District Director

3-23-10
Date

**2010 Annual Report
Real Property Retention Review Committee
District 5**

District Director: Richard Krumholz
RPRR Committee Chair: Nick Dumas

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-one (31) parcels. One (1) Disposal Unit with three (3) parcels is presently in use. Twenty-two (22) Disposal Units with twenty-two (22) parcels are to be held for project purposes. Four (4) Disposal Units with four (4) parcels will be sold in 2011. One (1) Disposal Unit with two (2) parcels will require an administrative action.

Property Held for Unawarded Future Projects

List three contains sixteen (16) Disposal Units comprised of fifty (50) parcels. One (1) Disposal Unit with four (4) parcels is presently in use. Ten (10) Disposal Units with forty-one (41) parcels are being placed on hold for future unawarded projects and ongoing Right of Way review. One (1) Disposal Units with one (1) parcel will be sold in 2010. Four (4) Disposal Unit with four (4) parcels 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

4/13/10
DATE

2010 Annual Report
Real Property Retention Review Committee
District 6

District Director: Malcolm X. Dougherty
RPRR Committee Chair: Nick Dumas

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-six (46) Disposal Units comprised of sixty-two (62) parcels. Twenty-four (24) disposal units with twenty-five (25) parcels will continue to be held for future projects. Four (4) disposal units with eight (8) parcels are to be sold this year. Twelve (12) disposal units with nineteen (19) parcels are to be sold in 2011. Four (4) disposal units with seven (7) parcels are to be incorporated into the Right of Way. Two (2) disposal units with three (3) parcels will require administrative action.

Property Held for Unawarded Future Projects

List three contains twenty-six (26) Disposal Units comprised of one hundred twenty-five (125) parcels. Ten (10) Disposal Units with ninety-seven (97) parcels are presently in use for operational needs. Twelve (12) Disposal Units with twenty-three (23) parcels are being held for future projects. Three (3) Disposal Units with three (3) parcels have been sold. One (1) Disposal Unit with two (2) parcels are to be incorporated into the Right of Way.

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

List four contains forty (40) Disposal Units comprised of forty-five (45) parcels. Sixteen (16) Disposal Units with seventeen (17) parcels are being held for future projects. Twenty-four (24) Disposal Units with twenty-eight (28) parcels are to be sold in 2011.

District Director Approval


MALCOLM X. DOUGHERTY

4/12/10
DATE

2010 Annual Report
Real Property Retention Review Committee
District 7

District Director: Michael Miles
RPRR Committee Chair: Andrew Nierenberg

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 previously made by Richard Chiang in D7's RPRR review process which involves having parcel information posted on the intranet. This allows one to 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 updating in the immediate future.

Lands and Buildings Inventory

Two (2) facilities were disposed of during the 2009 year. One (1) facility remains and is being conditionally retained.

The Route 105/Vermont P&R West was originally identified as being under utilized and thus was surplus to the District's operational and project needs. During the 2010 review process, the P&R is now being used to near full capacity and therefore should not be sold.

Excess Land Holds

The District reviewed 94 disposal units (126 parcels) per 2010 RPRR List 2. This consists of 70 fee title property disposal units (95 parcels) and 24 easement disposal units (31 parcels). District proposes to dispose of 17 units (17 parcels) and conditionally retain 77 units (109 parcels).

**2010 Annual Report
Real Property Retention Review Committee
District 7**

The 17 units are proposed to be disposed through the methods summarized in the table below:

	Total	Method of Disposition				
		Sell 2010	Sell 2011	Sold	Incorp in R/W	Admin Action
# of Disposal Units	17	3	13	0	1	0
# of Parcels	17	3	13	0	1	0

The 77 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	77	52	25
	# of Parcels	109	65	44

**Admin Action = 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	27	27	0
	# of Parcels	29	29	0
Projects	# of Disposal Units	5	5	0
	# of Parcels	5	5	0
Haz Waste Matters	# of Disposal Units	6	6	0
	# of Parcels	12	12	0
LACFCD	# of Disposal Units	7	0	7
	# of Parcels	17	0	17
Utilities	# of Disposal Units	7	0	7
	# of Parcels	8	0	8
*Misc	# of Disposal Units	25	14	11
	# of Parcels	38	19	19

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

2010 Annual Report
Real Property Retention Review Committee
District 7

Out of the retained disposal units, 27 disposal units (29 parcels) are linked to Route 710 Gap Closure Project. These disposal units were retained either due to the South Pasadena lawsuit 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 444 parcels.

Two (2) construction contracts are currently in progress in which 4 parcels are in use. The District will follow-up on the disposition of these parcels upon the completion of the construction contracts.

There are 430 parcels being held in this report segment for 4 future projects. Of these held parcels, 390 parcels (90.6%) 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

Currently there are no parcels in this category.



MICHAEL MILES
DISTRICT DIRECTOR

4/21/2010
DATE

2010 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

8 parcels were reviewed of which 6 parcels are to remain on hold and 2 are to be sold/disposed of in 2011. Of the 6 parcels on hold, 3 parcels are future easements to utility companies; 1 parcel is held until negotiations are complete with the City of Barstow for a road easement; 1 parcel is on hold due to Caltrans's obligation to supply water via a water well after completion of State Route 86; 1 parcel is on hold for a future project on State Route 86. 0 parcels are in use; 2 parcels are targeted to be sold/disposed of in 2011 pending future environmental clearance; 0 parcels have been sold; 0 parcels are to be incorporated into the right of way; and 0 parcels require administrative action by the district personnel.

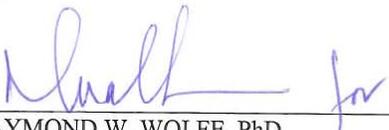
List #3 – Property Held for Unawarded Future Projects

95 parcels were reviewed of which 2 parcels are to remain on hold for State Route 395 that will soon be in construction with a tentative award date of June 2010, 0 parcels are to be sold/disposed of, 0 parcels have been sold, 87 parcels are in use for State Route 215, 0 parcels are to be incorporated into the right of way, and 6 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

**Real Property Retention Review – 2010 Annual Report
District 9**

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.

Summary of Significant Issues

- 1) Lands and Buildings Inventory: no additions or deletions were made to the District 9 Land and Building Inventory.
- 2) List 1 – Surplus Lands and Buildings Inventory: no properties/facilities of this type in District 09.
- 3) List 2 – Excess Land Holds: several parcels from last year remain on hold. No new additions were made to this list.
- 4) List 3 – Property Held for Unawarded Future Projects: no properties/facilities of this type in District 09.
- 5) List 4 – Property Held for Future Projects Incorporated Into the Right of Way: approximately 4 parcels remain on this list from last year (sub-parcels of 3149, 3153, 3154 & 3411), while 1 was added (Parcel 3676).

Report Recommended by:

 3/31/10
NANCY ESCALLIER date
Field Office Chief, Right of Way
Central Region – Bishop Office

District Director Approval:  4/10/10
THOMAS B. HALLENBECK date
District 9 Director

**2010 Annual Report
Real Property Retention Review Committee
District 10**

District Director: Ross Chittenden
RPRR Committee Chair: Michael Rodrigues

District 10'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 contains two (2) Disposal Units comprised of two (2) parcels. One (1) Disposal Unit with one (1) parcel is to be held for environmental purposes. One (1) Disposal Unit with one (1) parcel will be sold in 2011.

Excess Land Holds

List two contains no reported holdings.

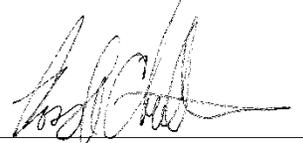
Property Held for Unawarded Future Projects

List three contains twenty (20) Disposal Units comprised of two hundred forty-nine (249) parcels. One (1) Disposal Unit with two (2) parcels is presently in use. Eighteen (18) Disposal Units with two hundred forty-one (241) parcels are being placed on hold for future unawarded projects and/or require administrative action. One (1) Disposal Units with six (6) parcels will be sold in 2011.

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

List four contains two (2) Disposal Units comprised of twenty-six (26) parcels. One (1) Disposal Unit with sixteen (16) parcels is being placed on hold for future projects. One (1) Disposal Unit with ten (10) parcels is will be sold in 2011.

District Director Approval


ROSS CHITTENDEN

4/7/10
DATE

**2010 Annual Report
Real Property Retention Review Committee
District 11**

District 11 Director: Laurie Berman
RPRR Committee Chair: Janet Schaffer, Deputy District Director Right of Way

District 11 is pleased to submit the 2010 Annual Report:

Summary of Significant Issues

LIST 1 SURPLUS LANDS AND BUILDINGS INVENTORY

The Ramona Maintenance Station has been deemed a permanent, necessary asset for the district and will be removed from List 1. It will be incorporated into inventory through the Asset Management Database (AMD). Bostonia is still on hold for use as a Construction Field Office until 2012. It will remain on List 1 for annual evaluation.

LIST 2 EXCESS LAND HOLDS

The RPRR reviewed 71 holdings. 56 parcels are to be held for future projects. 21 of those are Imperial SR 86 which are on hold pending a Freeway Agreement with Imperial County.

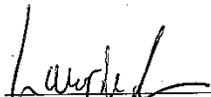
Eight of the 71 parcels were identified as "sell" in 2011. Four of those are SR 125 Toll Road parcels for which we have just received maps and deeds from the Right of Way Engineering consultant. The remaining four parcels (of the 71) will be incorporated into the right of way or added into the AMD.

PROPERTY HELD FOR UNAWARDED FUTURE PROJECTS

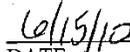
The RPRRC reviewed 27 project EA's consisting of 143 parcels. The rescission of SR 54 allowed the team to release 35 parcels for disposal in 2011. Nine of those are parcels to be cleared for disposal pending transfer to the county for park replacement.

68 parcels will continue to be held for future projects, with an additional 37 to be incorporated into the right of way. Two parcels are anomalies to be corrected through administrative action. The remaining parcel (of the 143 reviewed) was sold in 2010.

In closing, I would like to take this opportunity to acknowledge the engaged and cooperative spirit of staff and management to make the 2010 RPRR yet another productive, successful effort.



Laurie Berman
DISTRICT DIRECTOR



DATE

2010 ANNUAL REPORT
Real Property Retention Review Committee
District 12

District Director: Cindy Quon
Committee Chair: Ricky Rodriguez

District 12's District Director supports the efforts of the Real Property Retention Review Committee (RPRRC). Right of Way Excess Lands, Property Management, Asset Management, Right of Way Engineering, and Land Surveys worked closely and in full cooperation with the RPRRC 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 - Lands and Building Inventory

There are no Lands and Building inventory identified for disposal in 2010.

List 2 - Excess Land Holds

This list contains eight (8) Disposal Units comprised of twenty-one (21) parcels as follows:

- a) One (1) Disposal Unit with twelve (12) parcels will continue to be held for coordination with Union Pacific Railroad (UPRR) for acceptance of Director's Deed.
- b) Two (2) Disposable Units are to be sold this year and are on the 2010 Director's Excess Land Disposal Contract.
- c) Two (2) Disposable Units have been rolled over from List 4 in 2009; one of which is awaiting appraisal approval (City of Orange is an interested buyer), and the other is scheduled for direct sale to City of Newport Beach pending exchange negotiations.
- d) One (1) Disposable Unit pending litigation resolution between Cities of Tustin and Santa Ana prior to cooperative agreement land exchange with Tustin and State.
- e) One (1) Disposable Unit will be held for a slope easement exchange per encroachment permit. This Disposable Unit is part of a development project by The Irvine Company (TIC). It was initially donated to the Transportation

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Corridor Agency (TCA) who then donated to State for project purposes. In the final exchange, District will quitclaim the slope easement for a developed portion to TIC and TIC will grant to the District the underlying fee.

- f) One (1) Disposal Unit comprised of three (3) parcels will be held for right of way engineering map revision updates. These parcels are part of a cooperative agreement exchange upon project completion for fee transfer to Orange County Flood Control District with easement reservation to State.

List 3 - Property Held for Unawarded Future Projects

No properties/facilities of this type in District 12.

List 4 - Property Held for Future Projects Incorporated Into the Right-of-Way

No properties/facilities of this type in District 12.

District Director Approval



CINDY QUON

4-20-10

Date

Attachment B

2010 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, leases or otherwise controls 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 Right of Way Management Information System (ROWMIS).
5. The prior year's RPRR reports.
6. 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, each 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,¹⁴ for example:
 - Consolidation within functional operations.

¹⁴ 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.

- 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 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.¹⁵

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.

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.

¹⁵ 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.

- 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/Transportation Concept Report
- District Transportation System Development Programs
- Legislation
- Pending Environmental Documents/Reports
- Other non-Department funding sources/programs-local, other governmental agencies, private, etc.
- Conditional Retention Agreement¹⁶

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 NEED¹⁷

Is the property needed until a construction project is completed?

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

¹⁶ 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.

¹⁷ Without a Temporary Construction Easement (TCE).

- 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.¹⁸ 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, 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,

¹⁸ Property earmarked for disposal will generally be included in annual Excess Land Disposal Contracts executed between the Department Director and each District Director.

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 report¹⁹ 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 Report narratives and 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 do 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.
- Support HQ R/W in sustaining the statewide RPRR process.

The Annual Report submitted to the Department Director will summarize:

- The number of real estate interests 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

¹⁹ Each District Director signifies his/her Annual Report approval by signing the narrative page and each page of submitted Lists.

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*²⁰

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.

16. Review of New Excess Land Hold Requests

District RPRRC chairpersons work closely with district R/W Excess Land 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.

²⁰ 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.