**REAL ESTATE SERVICES**

Analyst: Andrew Kim

|  |  | **Expenditures** |  | **Revenues** |  | **FTEs** |  | **TLTs** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2021-2022 Revised Budget |  | $9,639,918 |  | $10,352,296 |  | 21.0 |  | 1.0 | |
| 2023-2024 Base Budget Adjust. |  | $688,903 |  | $0 |  | 0.0 |  | 0.0 | |
| 2023-2024 Decision Packages |  | ($325,071) |  | $3,300,377 |  | 1.0 |  | 1.0 | |
| **2023-2024 Proposed Budget** |  | **$10,004,000** |  | **$13,653,000** |  | **22.0** |  | **2.0** | |
| % Change from prior biennium |  | 3.8% |  |  |  |  |  |  | |
| Dec. Pkg. as % of prior biennium |  | (3.4%) |  |  |  |  |  |  | |
| **Major Revenue Sources:** General Fund (40%), Rent from tenants on GF properties, Lease Admin Fee (13%), Fees, and Charges for Services | | | | | | | | |
| **Base Budget Assumptions:** (1) Remove one-time expenditures including those related to pandemic response; (2) annualize supplemental changes; (3) update personnel rates including 4.5% GWI increase for 2023 and 2024; and (4) 2.5% inflation rate. | | | | | | | | |

**Description**

The Real Estate Services (RES) section of the Facilities Management Division (FMD) of the Department of Executive Services manages acquisition, sales, and leasing of real properties; and processes utility permits, reviews and processes requests for easements, rights-of-way construction permits, and utility franchise agreements. RES is included as a separate appropriation unit (and not within the Facilities Management Internal Service) since it is a General Fund agency.

**Summary of Proposed Budget and Changes**

The 2023-2024 Proposed Biennial Budget would appropriate about $10 million to RES. This is a 3.8% net increase to the total 2021-2022 Revised Biennial Budget. This net increase would be a result of increased labor costs and inflationary adjustments and the following changes:

* **Real Property Agent – Sales and Acquisition:** $300,000 and 1.0 FTE to restore a Real Property Agent (RPA) III position that was eliminated due to target reductions imposed in the 2021-2022 Biennial Budget. The RPA III position would work on sales, easements, and acquisition projects.
* **Real Property Agent – Franchise:** $300,000 and 1.0 TLT to add a Real Property Agent IV to support the backlog of franchise agreement work that needs to be completed over the next two years. Executive staff state that approximately 80 franchises (70 expired and 10 new) are operating without an agreement with the county and more are expiring each year. Franchise rent revenue for the 2021-2022 biennium is estimated at about $5 million and $13 million for the 2023-2024 biennium. Excess franchise rent revenues are entirely contributed to the General Fund.
* **Central Rate Reduction:** Reduction of $928,000 due to central rate adjustments. This would be primarily due to RES no longer being charged a FMD internal service rate and FBOD internal service rate being reduced by half. Executive staff state that given that RES is a section within FMD, charging FMD internal service rates might not be the best model for FMD services. As a result, the executive has not included a FMD internal service rate for this biennium and is planning to explore other options to recoup FMD service charges in a future supplemental or future biennial budget.

Of note, the revenue increase of $3 million in the proposed budget would be the RES portion of lease revenue that would increase due to new lease agreements, such as the recent council approved Ardagh Lease[[1]](#footnote-1) which is estimated to generate more than $40 million to the General Fund over the next ten years.

**Key Issues**

No key issues have been identified.

1. Ordinance 19507. [↑](#footnote-ref-1)