REAL ESTATE DIVISION AUDIT
SUMMARY OVERVIEW

Performance Audit Scope Review the organizational structure and the policies and procedures of the Real Estate Division (RED). Benchmark RED operations to other Divisions and to other Ports. Team assessed POLA's lease terms and the effectiveness of RED's asset management systems.

Audit Timeline September 2010 – May 2011 (Presented to Audit Committee June 16, 2011)

Recommendation Summary (these are summarized into the top eight overall categories):

1. Define the roles and responsibilities of the RED Director and Assistant Director and update various RED staff job descriptions.

2. Establish property management (PM) "strike teams" by property type and define PM written procedures.

3. Develop procedures for property site visits and inspections, including unoccupied properties, to define POLA's role vs. tenants and RED's roles vs. those of other POLA Divisions. Site visits should cover environmental assessments and should be documented by inspection checklists used to verify the adequacy of tenant maintenance, measure tenant compliance with permit terms, find unauthorized tenant activity, and verify reasons for maintenance disputes.

4. Consistently enforce permit provisions on property use, subtenant agreements, and permitted activities. Develop written procedures for negotiating compensation resets, including timelines and reset standards by property type. Further, the RED Director should be authorized to submit recommendations to the BOHC based on three appraisals, when reset negotiations falter and the permit does not specifically disallow this solution. Require rents on existing permits to remain due and payable until disputes are resolved. Further, enforce the 2006 Leasing Policy provision to issue a Request for Proposal (RFP) to select a new tenant in a timely manner when renewal negotiations break down.

5. Develop written procedures for RED's financial monitoring of permit revenues, including (a) linking permits to receivable accounts; (b) inputting permit numbers into the new Oracle billing system; (c) monitoring monthly rent collections; and (d) overall asset management system (AiM). Also, improve AiM's functionality to support PM and negotiations, manage and streamline workloads, etc.

6. Develop holdover policies for handling expired permits to define allowable reasons for holding permits over, holdover time limits, consistency with POLA policies, options for interim or revocable permits; and enforcement procedures for non-compliant tenants.

Overall Status

The RED has completed 11 (50%) of the 22 recommendations. The remaining 11 are in process of being implemented, with one as an on-going, long-term item, namely, creating rent dispute policies to ensure rents are charged until disputes are resolved.

RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
	Finding No. 1 – Real Estate Division (RED) should better define management and staff roles and responsibilities (R&R)		Recommendations 1 -8				
1	I	6/30/13	Define the R&R of the Director and Assistant Director job classifications, to exclude property management duties.	1	1	Human Resources (HR)/ RED	• Define R&R of all RED positions/ classifications • Work with HR to ensure consistency in R&R between RED and HR/Civil Service • Submit new positiions to Personnel
2	C	Completed	Eliminate one Property Manager (PM) III position and replace it with a PM II position.	1	3	HR RED	• One PM III retired on 6/29/11 • Hired one PM I on 2/13/12 with intent to promote to PM II
3	I	6/30/13	Revise the job description for Property Manager II to include direct supervision of property managers.	1	1	HR RED	• Implement new organization chart • Define R&R for all RED positions/ classifications • Work with HR to ensure consistency in R&R between RED and HR/Civil Service
4	I	6/30/13	Revise the job descriptions for Senior Real Estate Officer (REO), REO, and Real Estate Associate (REA) to reflect current RED job responsibilities, expectations, and qualifications.	2	1	HR RED	• Revised position descriptions of Real Estate Associate consistent with R&R. • Granted 5.5% bonus to REA working REO class. • Define R&R for all other RED positions/classifications. • Work with HR to ensure consistency in R&R between RED and HR/Civil Service..
5	C	Completed	Reassign the Environmental Specialist serving as a Senior Management Analyst in the RED to another Port Division.	1	1	HR RED	• Reassigned Environmental Specialist to Exec. Office in Jan. 2011.

Updated 4/12/2013

RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
6	C	Completed	Eliminate one Management Analyst II position and reassign the distribution of management reports to RED property managers.	2	3	RED	• Determined RED needs and reorganized Division without eliminating the position..
7	C	Completed	Eliminate one vacant Sr. Clerk/Typist position.	2	3	HR; Financial Management (FM)	• Reduced FY2012/2013 budget for Sr. Clerk Typist position from three to two.
8	C	Completed	Reorganize property assignments and establish property management "strike teams" organized by similar property uses.	2	1	RED	• Reassign property managers into tenant project teams, arranged by geographic area and tenant use.
	Finding No. 2 –RED should better define staff performance expectations and outcomes.		Recommendations 9 - 12				
9	I	6/30/13	Develop formal procedures for staff assignments, performance evaluations, and transfer of property assignments that (a) define criteria, expectations and outcomes, (b) establish documentation, tracking, and monitoring procedures, and (c) improve communications.	2	1	RED	• Tracked and identified training needs of RED staff per HR and RED supervisors consistent with defined R&R. Ongoing training started 1/1/13 with the next class to be offered 4/13/13. • Develop and implement RED procedures, templates, and performance measures – by 6/30/13. New lease template being reviewed by City Attorney • Used AiM as communication tool for RED teams (i.e. negotiators and property managers). "Strike" teams implemented. (Completed)

RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
10	I	6/30/13	Develop guidelines for preparing negotiation memoranda, such as background parameters, permit terms, standards for calculating rents and rates of return by property category (cargo/container terminals, sport fishing, commercial properties, etc.), etc. RED should solicit feedback from POLA executive management.	2	1	RED	• Review and update Leasing Policy to incorporate valuation for distinct business lines (Going to Board of Harbor Commissioners (BOHC) by 5/31/13). • Update or create templates for routine written communication (i.e. recommendation memo, BOHC memo, etc.) with specific info to be included (Completed).
11	I	6/30/13	Streamline the review of negotiation memoranda - RED Assistant Director to review all documentation to ensure completeness and accuracy. Also, the RED Director should review and approve these to ensure conformance with POLA policy prior to approval by the Deputy Executive Director for Business and Development.	2	1	RED	• Define R&R for all RED positions/classifications (Completed). • Update procedures manual to include standard templates (Completed). • Update leasing policy (Going to BOHC by 5/31/13).
12	C	Completed	Maximize AiM system functionality to manage and streamline staff work, reduce disputes over permit compliance, and facilitate collaboration in permit negotiations.	3	3	Information Technology/ RED	• Used AIM for project tracking status report; ticklers; work orders (communication between divisions/teams); performance measures (est. to actual timeframes); property management assignments and tracking. • Provided management regularly with exception reports (i.e., permits requiring renewal within certain period, permits awaiting immediate action, etc.

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RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
	Finding No. 3 – RED does not have formal procedures for implementing the Port's 2006 Leasing Policy or for overseeing all property requirements.		Recommendations 13 - 16				
13	I	6/30/13	Collaborate with the Wharfinger Division to define respective R&R for property management. Develop written guidelines to document those R&R.	3	1	OPS/ RED	• Coordination established between RED and Operations regarding property management R&R. (Completed 12/31/12) • Prepare written property management guidelines (asset management plan)-(due 6/30/13). A draft checklist has been prepared.
14	I	6/30/13	Develop RED procedures for site visits and inspections, including unoccupied properties, to define/identify: (a) roles of POLA vs. tenants; (b) roles of POLA Divisions; (c) environmental assessments; (d) an inspection checklist to verify adequacy of maintenance and compliance with permit provisions; and (e) unauthorized tenant activity. Recommend 2006 Leasing Policy revisions to the BOHC, as needed.	2	1	Finance Bureau; Business Development Bureau (BDB); and Development Bureau	• Prepare written property management guidelines (asset management plan)-(due 6/30/13) A draft checklist has been prepared. • Develop Leasing Policy to include property management policies (going to BOHC by 5/31/13).
15	I	6/30/13	Evaluate the reasons for property maintenance disputes and develop guidelines for assigning responsibility for property maintenance not specifically addressed in the permit.	2	2	RED/ OPS	• Prepare written property management guidelines (asset management plan)-(due 6/30/13) A draft checklist has been prepared.

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RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
16	I	6/30/13	Consistently enforce permit provisions on property use, agreements with subtenants, and permitted tenant activities.	1	1	RED	• Prepare written property management guidelines (asset management plan)- (due 6/30/13) A draft checklist has been prepared. • Leasing Policy will include enforcement procedures (going to BOHC by 5/31/13). • Reorganized RED to create a property management team (Completed). • Use AIM system as tickler to monitor adherence to permit provisions (Completed).
	Finding No. 4 – Not all compensation resets are current.		Recommendations 17 -18				
17	C	Completed	Enforce permit provisions authorizing the RED Director to submit compensation recommendations to the BOHC based on three appraisals, if impasse is reached in compensation reset negotiations and the permit does not specifically disallow this solution.	1	1	RED	• Utilize AIM for tickler to ensure timely commencement of negotiations (On-going). • Create performance standards for negotiation process (On-going). • Review and update Leasing Policy (Complete).
18	C	Completed	Develop written procedures for negotiating compensation resets, including (a) timelines, (b) set compensation standards for each property type, and (c) procedures for enforcing permit provisions, consistent with Recommendation 4.1.	2	1	RED	• Create performance standards for all typical transactions. • Utilize AIM for tracking. • Review and update Leasing Policy • Develop RED written leasing procedures.

RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
	Finding No. 5 – Expired permits in holdover status		Recommendations 19 -20				
19	C	Completed	Develop hold-over policies for handling expired permits to include (a) allowable reasons for holding over; (b) time limits for holdover periods; (c) consistency with other POLA policies; (d) options for short-term, interim or revocable permits; and (e) enforcement procedures for non-compliant tenants.	2	2	RED	• Develop RED written leasing procedures. BOHC approval pending on leasing policy. • Update RED agreement templates to provide for automatic rent adjustments during holdover periods.
20	C	Completed	Enforce the 2006 Leasing Policy provision to issue a Request for Proposal (RFP) for properties if renewal negotiations falter, particularly if due to the tenant.	1	1	RED	• Review and update Leasing Policy. • Create performance standards. • Track in AIM.
	Finding No. 6 – RED should establish formal procedures for property management staff monitoring of permit revenues		Recommendations 21-22				
21	C	Completed	Develop written procedures to improve financial monitoring of permit revenues, including (1) developing a matrix that links RED permits to Accounts Receivable account numbers; (2) including permit numbers in the new ERP billing system; and (3) writing RED collection and reporting procedures to define staff responsibilities to monitor monthly rent revenue and payment data.	3	2	RED; Finance	• RED management met with Finance to establish and track R&R between RED and FM. • Developed performance standards. • Tracked progress through AIM.

RED Audit Findings, Recommendations and Implementation

	Status	Completion Date	Recommendation	Consultant Priority	Port Priority	Assigned To:	Implementation Status/Comments
22	O	On-going	Establish a consistent practice that, in the event of a dispute, rents required by the existing permit are payable until the dispute is resolved.	1	1	RED; Finance	• Create RED rent dispute policy and procedures. These should be built into ERP as a tickler to flag permits for automatic adjustment. For example, permit rents could go to 125-150% of prior rates, until disputes are resolved.

Overall Status of Recommendations:

C = Completed = 11 (50% of 22)

I = In Process = 10 (46% of 22)

O = On-Going = 1 (4% of 22)

Legend:

Priority 1 = recommendations should be implemented immediately.

Priority 2 = recommendations should be completed, have achieved significant progress.

Priority 3 = recommendations are long- term, but will be completed.