

**Santa Clara Valley Water District**

**REAL ESTATE SERVICES UNIT**

**Performance Audit Report**

**Presentation to the Board of  
Directors**

**November 2020**



**TAP**International

# Background

## Audit Purpose

**Objective: How can RESU improve its financial and service delivery performance?**



# Background

## Who Delivers Real Estate Services at Valley Water?



### Buy, Sell, Lease

- RESU supports the Valley Water process to buy, sell, and lease property, in response to requests by other units.

### Regulated Transaction Process

- Valley Water's real estate transaction process differs from that of the private commercial real estate market, as required by California law.

### Property Management

- Until needed, RESU may lease or license the use of the property in accordance with Valley Water policies and public laws.



# Finding #1

**RESU has Worked to Improve Operations**

## *Key Strengths*

- RESU has self-initiated efforts to improve operations.
- Minimized the use of eminent domain.



## Finding #2

### Acquisitions Take Longer Than Expected

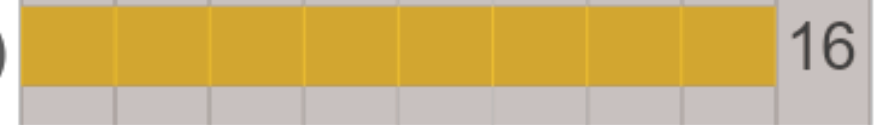


## Months to Complete Acquisition from Appraisal through Escrow

Estimated



Actual (Sample)



### Key Factors Affecting Acquisition Timeliness

1. Unwillingness of the property owner to sell, extent of negotiations, & property owner's desire to request own appraisal.
2. Delays in project funding and the completion of environmental assessments.

# Finding #3

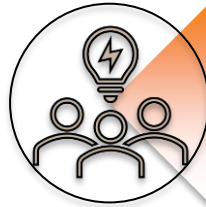
**Better Engagement and Use of Other Tools Can Address Challenges that Impact Delivery of Real Estate Services**



Participate in Project Delivery Units' Planning & Budgeting for Property Acquisitions



Establish Criteria for Updating Appraisals



Enhance Communication Activities to Increase Public Confidence



Update Old Fee Schedules



Better Software Applications and Other Tools Can Provide Useful Performance Monitoring

# Recommendations

## Potential Program Outcomes:

- ☐ Enhancement of revenue
- ☐ Improving timeliness of service delivery
- ☐ Increasing effectiveness of property management
- ☐ Preventing project delays
- ☐ Increasing acquisition related cost savings
- ☐ Improving public confidence

1. Provide VW training about RESU operations.	2. Clearly document “just compensation” decisions	3. Update policies and procedures for property management.	4. Conduct annual revenue and cost analysis of rental properties
5. Apply risk-based management approaches to include earlier district counsel participation when needed.	6. Develop additional templates for the different types of right-of-way agreements.	7. Include RESU staff in early project design meetings.	8. Complete a study to identify the differences in appraisal methodologies and the impact on property owner’s appraisal on time to completion.
9. Develop criteria for updating an appraisal, especially if a potential conflict between project deadlines and additional time to finish the acquisition process in accordance with Valley Water goals and state laws.	10. Leverage use of existing Customer Resources Management Information System.	11. Expand the information available on the Valley Water website about real estate services, acquisition process and property owners’ rights.	12. Conduct an annual review of fee schedules and establish regular fee adjustments on long term leases.

# Other Issues Identified

**Consider updating the role of RESU from support services to a strategic partner to meet future needs**

- ❑ Define key points of coordination and collaboration across units
- ❑ Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics.
- ❑ Address how Valley water will promote a culture of information sharing and enterprise-wide decision making, both internally and externally,
- ❑ Implement a new, off-the-shelf real property and asset management software
- ❑ Develop a communication strategy to guide all engagement activities between RESU and Valley Water Units and between Valley Water and property owners.



# Acknowledgements

TAP International wishes to thank the staff who participated in this audit from the following divisions and units:

- Real Estate Services Unit
- Watersheds Design and Construction Division
- Community Projects Review Unit
- Information Technology & Administrative Services Division
- Facilities Management Unit
- Office of the District Counsel





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