

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

M E M O R A N D U M

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DATE: FEBRUARY 7, 2013

TO: GOVERNING BOARD

FROM: DAVID M. RICCITIELLO, CHIEF EXECUTIVE OFFICER

STAFF: DIANE WREN, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: **DISPOSITION OF SURPLUS PERSONAL PROPERTY:** Negotiation and Execution of a contract for auctioneering services to dispose of surplus personal property with a unit value of \$150 or greater, and donation to L.A. SHARES surplus personal property with a value of less than \$150 per item.

RECOMMENDATION

That the Governing Board, subject to Oversight Board approval, take the following actions:

1. Authorize the Chief Executive Officer or designee to negotiate and execute a contract with a firm to be determined and procured via a competitive selection process to provide for auctioneering services to dispose of CRA/LA surplus personal property (i.e. office equipment, furniture, supplies and vehicles) with an estimated per-item value of \$150 or greater; and
2. Authorize the Chief Executive Officer or designee to donate surplus consumable office supplies and other personal property with an estimated value of less than \$150 per item to L.A. SHARES for use by local schools and non-profit organizations.

SUMMARY

The passage of AB1X-26 resulted in the dissolution of redevelopment agencies statewide and prescribed the creation of successor agencies to wind down their activities. The wind down process requires that former redevelopment agencies liquidate their assets and use the proceeds to fulfill enforceable obligations or distribute the proceeds among the affected taxing entities. Assets not required for the successor agency's administration are to be disposed of in a manner that is both expeditious and aimed at maximizing value.

The staff of CRA/LA, a Designated Local Authority ("CRA/LA"), intends to issue a Request for Qualifications and to select a firm with whom to negotiate and execute a contract for auctioneering services for the disposition of personal property assets over \$150 per item. The personal property assets include vehicles, heavy operating equipment used for property maintenance, refrigerators, copy machines, modular workstation and office furniture, office

equipment and other miscellaneous items. Items that remain unsold following the auction process shall be deemed salvage and to have little or no value.

Reduced staffing, beginning with an early retirement incentive program in 2010 and continuing through a series of targeted reductions, has resulted in the accumulation of surplus office supplies and equipment, including staplers, tape dispensers, waste baskets, label makers, clipboards, and typewriters. Many of these items have an estimated unit value of less than \$150. However, these items are reusable and could be of benefit to the Los Angeles Unified School District ("LAUSD") schools or other non-profit organizations serving communities throughout Los Angeles County. Rather than discarding these items, staff is recommending that they be donated to L.A. SHARES, a local 501(c)(3) non-profit organization that manages a *Materials Reuse Program* and distributes donated items to local schools and other non-profit organizations in need.

The disposition process would not begin until the Department of Finance issues a Finding of Completion to CRA/LA in accordance with Health and Safety Code Section 34191.5. It is anticipated that CRA/LA will obtain its Finding of Completion later this spring.

DISCUSSION AND BACKGROUND

AB1x-26 ("Dissolution Act"), the California legislation eliminating redevelopment agencies statewide, directs the CRA/LA to expeditiously wind down the affairs of the former redevelopment agency. As part of the wind down process, CRA/LA is required to dispose of its assets, including personal property. The proceeds from the disposition of assets are to be used to fulfill enforceable obligations or be made available for distribution to the affected taxing entities.

Auctioning of Personal Property

CRA/LA staff proposes to secure the services of a professional auctioneer to dispose of the personal property assets valued at more than \$150 per item. Items in this category include vehicles, office furniture, heavy equipment, television monitors, telephone systems, translation recording equipment, other electronic equipment, video conferencing equipment, appliances, and copy machines. An inventory of the personal property assets acquired at a cost of \$150 or more is maintained on CRA/LA accounting records. These items are recorded as Capital Assets (at cost) in the annual financial statements and are depreciated over their useful lives. The recorded value of the CRA/LA's personal property is approximately \$1.6 million as of June 30, 2012. This figure represents the depreciated value of all personal property cumulatively acquired at a cost of \$14.9 million. The surplus personal property is housed in numerous locations. Once the surplus assets are sold, the sales proceeds and the list of auctioned items would be directed to the CRA/LA Accounting unit so that the monies can be recorded and the items be eliminated from the inventory.

Please note that all of the personal property will not be included in the auctioning process. The Allsteel furniture purchased between 2008 and 2011 for the Downtown, Eastside, Harbor and East Valley offices will not be auctioned off at this time. The office furniture, including file cabinets and conference tables, associated with the former East Valley and Eastside offices were part of the sublease negotiations and are being used by the replacement tenants until the leases expire. Those items will be sold, via auction, at a later date.

A Request for Qualifications ("RFQ") to identify qualified firms that could serve as the auctioneers and manage the liquidation process has been prepared and is in the process of being issued. The RFQ requires potential auctioneers to have a minimum of five (5) years experience and submission of a detailed description demonstrating their experience; evidence of insurance and compliance with the California Civil Code related to maintenance by an auctioneer of a surety bond; and a description of the team that would provide services to CRA/LA.

After review and evaluation of the responses by staff, qualified firms would be placed on a prequalified list. Staff would then invite a minimum of three qualified firms to participate in a mandatory walkthrough of the personal property assets to understand CRA/LA objectives and the inventory to be auctioned. One or more firms would be selected to provide auctioneering services to CRA/LA. It is anticipated that the selected firm(s) would be paid a percentage from the proceeds of the sale. However, the auction firms also charge for fees associated with marketing/advertising and labor. CRA/LA staff will attempt to negotiate so that all of the costs are derived from a percentage of the sales proceeds. It is anticipated that the personal property will be auctioned in several phases as the wind down process continues, in order to liquidate all CRA/LA's surplus inventory.

Please note that the items that remain unsold following the auction process will be designated as salvage and staff intends to donate them to L.A. SHARES.

Donation of Used Personal Property of De Minimus Value

It is CRA/LA staff's intent to donate surplus reusable items that have a per item value of less than \$150 to L.A. SHARES, a 501(c)(3) non-profit organization. L.A. SHARES manages a *Materials Reuse Program* which accepts donated reusable goods from local businesses and other organizations, and redistributes these items at no charge to other non-profit organizations and schools throughout Los Angeles County.

Created in 1991, L.A. SHARES was formerly a pilot program for the City of Los Angeles' Cultural Affairs Department known as the Materials for the Arts. In an effort to expand beyond the Los Angeles city limits, L.A. SHARES was formed in 1994. Since its inception, L.A. SHARES has worked with more than a 1,000 local companies to give away more than \$80 million worth of goods and materials throughout Los Angeles County. L.A. SHARES has partnered with the local business community to become the largest single donor of goods and materials to LAUSD, the arts community, after school enrichment programs, the recreation and parks community, the theater community, and the alcohol and drug recovery community.

L.A. SHARES has helped more than 2,500 organizations and schools throughout Los Angeles County including: Boys and Girls Clubs of America, Organization for the Needs of the Elderly, Habitat for the Humanity, Inner City Cultural Center, Union Rescue Mission, Angeles Girl Scouts Council, the San Fernando Valley Child Guidance Clinic, John Marshall High School, Canoga Park Elementary School, Los Angeles Family School, and hundreds more. Moreover, by utilizing L.A. SHARES, California businesses adhere to Assembly Bill 939, which requires them to reduce their landfill-bound waste. L.A. SHARES has helped companies divert more than 1,000 tons of useful goods and materials from needlessly entering local landfills. L.A. SHARES has been recognized by the U.S. Environmental Protection Agency, The White House Task Force on Recycling, the U.S. Department of Housing and Urban Development, and the City of Los Angeles for its outstanding environmental achievements. Consequently,

L.A. SHARES is now used as a model program for similar materials reuse efforts throughout the country.

In addition to benefitting schools and other non-profits, the benefits of the CRA/LA partnering with L.A. SHARES include cost savings associated with staff time otherwise required to administer the donation process; administrative costs associated with storing the surplus inventory; and reduction of environmental impacts associated with typical disposal methods of these types of materials.

SOURCE OF FUNDS

The costs associated with the auctioneering services are expected to be fully covered by the proceeds of the sales.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The recommended actions are consistent with AB1X-26 and AB1484.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a "Project" as defined by the California Environmental Quality Act "CEQA".



David M. Riccitiello
Chief Executive Officer