

# **Regional Transportation Authority of Pima County**

## **Real Estate Advanced Acquisition and Property Management Procedures Manual**



September 30, 2013

# **Regional Transportation Authority of Pima County**

## **Real Estate Advanced Acquisition and Property Management Procedures Manual**

September 30, 2013

---

# Table of Contents

<b>Purpose</b> .....	<b>1</b>
<b>Executive Summary</b> .....	<b>2</b>
<b>Definitions</b> .....	<b>3</b>
<b>Chapter 1—Property Analysis</b> .....	<b>8</b>
1.1 Definition .....	8
1.2 Risks .....	8
1.3 Criteria for Evaluation.....	8
<b>Chapter 2—Advanced Acquisitions</b> .....	<b>16</b>
2.1 Definitions .....	16
2.2 Risks .....	17
2.3 General .....	18
2.4 Rules .....	18
2.5 Procedures.....	22
2.6 Advanced Acquisition Process.....	25
2.6.1 Acquisition Package Assignment.....	25
2.6.2 Policies Observance .....	25
2.6.3 Title Report .....	25
2.6.4 Contacting the Grantor.....	26
2.6.5 Grantor Retention of Improvements.....	28
2.6.6 Acceptance, Counteroffer, or Refusal.....	29
2.6.7 Final Review .....	29
2.6.8 Signing the Acquisition Documents .....	29
2.6.9 Correcting the Documents .....	30
2.6.10 Receipt of Acquisition Package .....	30
2.6.11 Escrow Settlement Statement.....	30
2.6.12 Agency Takes Possession.....	30
2.7 Advanced Acquisition—Hardship.....	30
2.7.1 Definition .....	30
2.7.2 Rules.....	30
2.7.3 Procedures for Advanced Hardship Acquisitions.....	31
2.8 Advanced Acquisition—Protective Buying .....	35
2.8.1 Definition.....	35
2.8.2 Rules.....	35
2.8.3 Procedures.....	35
2.9 Advanced Acquisition—Corridor Preservation .....	36
2.9.1 Definition .....	36
<b>Chapter 3—Interim Uses</b> .....	<b>39</b>
3.1 Definitions .....	39
3.2 Risks .....	39
3.3 Rules.....	39
3.4 Authority.....	40
3.4.1 Management .....	40
3.4.2 Management Responsibilities .....	40
3.5 Agreements and Contracts .....	42
3.5.1 Agreements.....	42

3.5.2	Contracts.....	42
3.5.3	Occupancy Agreements.....	43
3.5.4	Rental Agreements .....	44
3.5.5	Rental Agreements (Multi-Unit Property) .....	44
3.5.6	Termination of Leasing Contract.....	44
3.6	General .....	46
3.6.1	Contact Report.....	46
3.6.2	Dust Control .....	46
3.6.3	File Management .....	47
3.6.4	Insurance for Acquired Properties .....	47
3.6.5	Land Inventory .....	48
3.6.6	Other Requirements and Contingencies.....	48
3.7	Landlord/Tenant Responsibilities .....	48
3.8	Rental Rates .....	48
3.8.1	Consideration/Economic or Market Rent .....	48
3.8.2	Accrual Dates.....	51
3.9	For Rental Occupancy .....	51
3.9.1	Lease of Improved Residential Properties .....	51
3.9.2	Lease of Improved Commercial and Unimproved Residential Properties .....	52
3.9.3	General Rental Folder.....	52
3.9.4	Leasing Eligibility .....	53
3.9.5	Processing the Rental Agreement .....	53
3.9.6	Permits and Temporary Use Agreements.....	54
3.9.7	Caretaker Rental.....	55
3.9.8	Personal Property .....	56
3.9.9	Assignment of Lease .....	56
3.9.10	Protective Leasing .....	57
3.10	Advertising .....	57
3.11	Rental Applications .....	57
3.12	Leasing of Surplus Properties .....	58
3.13	Payment Control Procedures .....	58
3.13.1	Rent Collection.....	59
3.13.2	Rent Adjustments.....	59
3.13.3	Refunds for Early Vacation .....	59
3.13.4	Delinquent Rentals.....	59
3.13.5	Accounts Receivable .....	60
3.13.6	Fees for Occupancy.....	60
3.13.7	Processing Rental Agreement Funds .....	61
3.13.8	Rental Payments and Delinquent Rental Accounts .....	61
3.13.9	Collecting Delinquent Rents from Ex-Tenants .....	62
3.14	Actions to Evict Tenant .....	62
3.15	Inspection of Real Property.....	63
3.16	Determination of Property Disposition.....	64
3.16.1	Evaluation of Property Disposition .....	64
3.17	Vacant Lands Management .....	65
<b>Chapter 4—Property Management .....</b>	<b>68</b>	
4.1	Scope .....	68
4.2	Administration .....	68
4.3	General .....	68
4.4	Implementation.....	68

4.5	Rehabilitation .....	69
4.5.1	Rehabilitation and Repairs .....	69
4.5.2	Rehabilitation Cost Estimates by Commercial Contractor Estimator .....	70
4.5.3	Physical Inspection .....	70
4.5.4	Repair Specifications and Cost Estimate .....	71
4.5.5	Feasibility Analysis and Report .....	71
4.5.6	Rehabilitation or Demolition of Improvements .....	72
4.5.7	Rehabilitation Contract .....	73
4.5.8	Rehabilitation with Tenant Labor .....	73
4.6	Maintenance .....	73
4.6.1	Regular Maintenance .....	73
4.6.2	Normal Upkeep .....	73
4.6.3	Major Repairs .....	74
4.6.4	Emergency Repairs .....	75
4.7	Contractor Selection .....	75
4.8	Contractor Oversight .....	75
4.9	General Contract Terms .....	76
4.10	Rodent Control .....	77
4.11	Security .....	77
<b>Chapter 5—Surplus Property Inventory and Disposal .....</b>		<b>79</b>
5.1	Definition .....	79
5.2	Rules .....	79
5.2.1	Inventory of Surplus property .....	79
5.2.2	Disposal of Surplus Property .....	79
5.2.3	First Rights of Refusal .....	79
5.2.4	Competitive Bid Sale Procedures .....	80
5.2.5	Direct Sale (Value Below \$10,000.00) .....	82
5.2.6	Credit Sale Requirements .....	83
5.2.7	Procedures for Sale without Auction .....	83
5.2.8	Updating Inventory Records .....	84
<b>Chapter 6—Demolition .....</b>		<b>85</b>
6.1	Purpose .....	85
6.2	Scope .....	85
6.3	Asbestos Surveys, Asbestos Abatement and Abatement Monitoring, and Recovery of Ozone-Depleting Compounds .....	85
6.3.1	Administration .....	85
6.3.2	General .....	85
6.3.3	Implementation .....	85
6.3.4	Abatement Procedures .....	86
6.3.5	Emergency or High Priority Procedures .....	87
6.3.6	Recovery of Ozone-Depleting Compounds .....	87
6.4	Salvage Operations .....	87
6.4.1	General .....	87
6.4.2	Site Clearance Soon After Acquisition .....	88
6.4.3	Contractor Bonds and Deposits .....	89
6.4.4	Early Procedural Steps .....	89
6.4.5	The Public Auction for Non-Realty .....	90
6.4.6	Actions Required Following Auction .....	92
6.4.7	Site Clearance Inspection and Report .....	92

---

6.4.8	Final Action .....	93
6.5	Demolition Procedures.....	93
6.5.1	Administration .....	93
6.5.2	General .....	93
6.5.3	Preliminary Procedures.....	94
6.5.4	Initial Inspection of Parcel .....	94
6.5.5	Asbestos Surveys and Abatement.....	94
6.5.6	Erosion and Storm Water Run-Off Procedures.....	95
6.5.7	Request for Demolition .....	95
6.5.8	Demolitions on Cost-to-Cures.....	95
6.5.9	Authorization to Begin Demolition Work .....	96
6.5.10	Periodic Inspections of Contractor's Work .....	96
6.5.11	Amendments to Contracts .....	96
6.5.12	Site Inspection and Acceptance.....	97
6.5.13	Sign Removal.....	97
6.5.14	Landscape Salvage .....	97

## List of Flow Charts

Flow Chart 1. Process to Approve Advanced Acquisition.....	24
Flow Chart 2. Determination of Interim Use.....	67

---

## **Purpose**

The Regional Transportation Authority (RTA) of Pima County Real Estate Advanced Acquisition and Property Management Procedures Manual has been developed in response to the acknowledged benefit associated with early, planned right of way acquisition when the anticipation of a planned public improvement may create negative impacts for private property transactions or when early acquisition may prevent unnecessary expense to both the public and private parties associated with the future improvements.

While these benefits may appear self-evident, the potential for negative impacts from the early and proactive regional transportation planning activities, particularly to nearby property owners and communities, must be addressed.

It is imperative that interim uses and property maintenance expectations be understood prior to the acquisition of property. The local agencies, RTA, and the public must fully understand the risks associated with acquisition of properties in advanced of the public improvement project.

The RTA understands that each property transaction is unique. Consequently, this manual provides recommended best practices for the early acquisition of property, but is not a set of mandatory requirements.

---

## **Executive Summary**

The Regional Transportation Authority (RTA) of Pima County Real Estate Advanced Acquisition and Property Management Procedures Manual has been developed to establish a consistent Real Estate Property Management Program for properties purchased with RTA funds in advance of the planned project design completion and full RTA funding allocation for project completion.

The manual is comprised of five (5) primary elements: Property Analysis, Advanced Acquisitions, Interim Uses, Property Management, and Disposal Activities. It addresses proper procedures and methodologies for the approval and processing of an advanced acquisition based on hardship, protective buying, or corridor preservation.

The manual provides criteria for the evaluation of property for current and future investment prior to project development. The manual recommends that all determinations for advanced acquisition provide a financial savings of public funds either by avoiding costly relocation, minimizing acquisition expenses, or providing a recovery method of financial investment over an interim-use period to support the initial investment.

Interim uses and marketing approaches for properties acquired in advance of the project schedule are discussed, and procedures are provided for the maintenance and care of properties held in inventory pending project construction.



---

## Definitions

This section is devoted to defining the words and phrases normally used in the process of acquiring and managing rights of way and their improvements. These definitions do not constitute a complete right of way glossary, but other definitions may be found in other, more comprehensive texts dealing with real estate. The following parts have been grouped according to topical categories, with their subsequent terms arranged alphabetically.

**Abandonment**—The relinquishing of a right or interest in land to another party, an adjacent land owner, or Agency.

**Abutting Properties**—Two (2) adjoining properties having a common boundary line.

**Acquisition or Taking**—The process of obtaining property for use by an Agency.

**Appraisal**—The valuation of property by comparative, cost, or income methods.

**Asset or Property Management**—For the purpose of this manual, the management of real property includes the following activities: maintenance of both manual and computerized inventories of operating project rights-of-way and surplus land; title searches; disposal of surplus land; the renting or leasing of properties acquired, but not currently needed for rights of way; the maintenance and rehabilitation of improved properties; the demolition of improvements to the land; the abatement of asbestos from all improvements scheduled for sale or demolition; and the caretaking of vacant land held by the Agency for future project use.

**Agency**—For the purpose of this manual, Agency shall be the term utilized to describe the lead Agency completing real estate activities for the project. This can be the Regional Transportation Authority (RTA) of Pima County, Pima County, the City of Tucson, the Town of Marana, the Town of Sahuarita, the Town of Oro Valley, or any other Agency authorized for use of the RTA program funds.

**Agent**—Internal acquisition or relocation staff of the Agency or a legally contracted consultant. The following is a list of qualifications and attributes of an Agent:

- A. The Agent must possess the education, training, and experience as set forth in the qualifications requirements for the position.
- B. The personal appearance of the Agent at the first meeting with the property owner will generally establish an impression of the Agent, which will remain throughout the entire transaction. An Agent must, therefore, dress in a manner that will establish a good impression and confidence. The Agent should dress in the attire most appropriate for the particular transaction in consideration of the area, the property owner, and all others involved.
- C. The Agent must at all times maintain a calm, understanding, and patient attitude when dealing with the property owner.
- D. The Agent must exercise extreme caution and self-control when dealing with the public. Vulgar or profane language is prohibited. A display of temper or discourtesy toward the public will not be tolerated. The Agent shall not use tobacco products in the presence of

---

the property owner.

- E. The Agent must possess the ability to promote the acquisition transaction to the property owner or his representative. The Agent must be able to establish confidence in the reputation, integrity, ability, and judgment of the project team and the Agency and of the need for the property. The Agent must convince the owner that the Agency is obligated to represent not only those of the public whose property will be affected by the project, but also the taxpayers who will benefit from the RTA Program.
- F. The Agent will be thoroughly familiar with the proposed acquisition. The Agent must fully understand the appraisal and all facts pertinent to the need for the property.
- G. The Agent must be aware of the values of properties comparable to the subject parcel. The Agent must be familiar with the plans and the construction features of the project and how such features will affect any remaining property not acquired by the Agency. The Agent must know when and how to establish escrow and obtain title insurance for the transaction. The Agent must know how to obtain the clearances of encumbrances or title report requirements for which they will be responsible.
- H. The Agent must know the applicable procedures and requirements for processing each type of transaction.

**Cloud on Title**—An outstanding claim or encumbrance which, if valid, will affect or impair the owner's title.

- A. *Color of Title*—That which, by virtue of the characteristics, appears to be good title, but which, in fact, is not.

**Condemnation**—The process by which property is acquired for public purposes through legal proceedings under the power of eminent domain.

**Conveyance**—A conveyance is a written instrument by which a title, estate, or interest in a property is transferred. The instruments of conveyance with which RTA will generally be concerned will involve transfers of title from a grantor to the RTA or Agency, as grantee, and will include, but not be limited to, the following:

- A. *General Warranty Deed*—A deed in which the Grantor warrants the title against defects arising at any time, either before or after the Grantor became connected with the land.
- B. *Grantee*—A person to whom real estate is conveyed; the buyer.
- C. *Grantor*—A person who conveys real estate; the seller.
- D. *Patent*—The instrument by which the government (usually Bureau of Land Management and Arizona State Land Department) conveys title for public domain lands to other parties, including other public Agencies.
- E. *Quitclaim Deed*—A deed which conveys, without warranty, any title, interest, or claim the grantor may have in the estate conveyed.
- F. *Special Warranty Deed*—A deed in which the grantor warrants the title against any

---

defects arising after they acquired the land, but not against prior defects.

G. *Warranty Deed*—A written instrument by which title to real property is conveyed, wherein the freehold interest is guaranteed by the grantor and his heirs.

**Dike**—An embankment for restraining or directing the flow of water.

**Disposal**—The conveyance of surplus land to private or public purchasers for non-highway uses by means of sale or exchange.

**Easements**—An easement is an interest to use or to control property owned by another party for a designated purpose. To create this right, such as for rights of way, the same formalities as those necessary in a conveyance are required. Such interests, and the related legal documents, which will include, but not be limited to, the following, may be either of a temporary or a permanent nature and may also constitute standard land uses, or specialized, subsurface, or air and overhead uses:

- A. *Drainage Easement*—An easement for management of the flow of water through a drainage facility such as a culvert, ditch, or canal.
- B. *Permanent Easement*—A general purpose instrument conveying rights incidental to the location, construction, operation, maintenance, and improvement of a public facility.
- C. *Slope Easement*—An easement for cuts or fills for roadway slopes.
- D. *Temporary Construction Easement*—An easement of specific duration for use by the Agency in connection with a specific construction project.

**Eminent Domain**—The power of the Agency to take property for public use with just compensation.

**Escrow**—A transaction wherein the grantor delivers a written instrument to a third party to be kept until terms specified in the agreement are performed; at that point, it is delivered to the grantee.

**Fee Simple**—An absolute estate or ownership in property, including the unlimited power of alienation.

**Freehold**—An estate of inheritance for life and an unencumbered fee simple free of any division of interests.

**Instrument**—A written legal document that defines rights, duties, entitlements, or liabilities, such as a contract, will, promissory note, contract, deeds, etc.

**Just Compensation**—The lawful and equitable payment of damages sustained by the grantor as a result of the acquisition of private property for public purposes; the compensation to ensure the grantor is no worse after the acquisition.

**Market Value**—Market Value is defined as the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a

---

purchaser buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.

**Miscellaneous Licenses, Permits, and Agreements**—When conditions require specific types of agreements not embodied within conveyances or easements, special licenses and other agreements will be utilized, as appropriate, and will include, but not be limited to, the following:

- A. *Ground Lease*—A lease which conveys the right of use of unimproved land.
- B. *Lease*—A written document by which the possession of land and/or a building is given by the owner to another person for a specified period of time and for the amount of rent specified.
- C. *Lessee*—One who has a possessory interest in real property of another under a lease, and who thus may create a leasehold interest.
- D. *Lessor*—One who conveys real property by lease to another person; usually the fee owner.
- E. *Railroad Company Permits*—Those documents necessary to obtain authority for the rights of way and incidental requirements of the acquisition of railroad properties, including material site licenses, haul road crossing permits, foundation investigation licenses, and traffic signal licenses.
- F. *Right of Entry Agreement*—The right to enter property to construct and/or maintain public improvements prior to acquisition of the right of way by the Agency.
- G. *Temporary Land Use Permit*—A permit requested of, and issued by, an agency of the Federal government, usually the Bureau of Land Management, for the purposes stated on the permit.
- H. *Extended Occupancy Agreement*—An agreement to allow the current occupant to remain in the property purchased by the Agency for a period of time at a specified rental rate, with responsibility for maintenance and liability protection to the Agency.
- I. *License Agreement*—An agreement for use of a portion of public right of way by a private party for private purposes, typically signage or landscaping, with full liability and maintenance at the expense and responsibility of the private party.

**Mortgagee**—A person to whom property is conveyed as security for a loan.

**Mortgagor**—An owner who conveys his property as security for a loan; the debtor.

**Property**—In a legal sense, there are only two (2) varieties of property: "real" property (often referred to as "realty") consists of land, improvements, and appurtenances intended to be part of, and remain with, said land. All else is personal property, often referred to as "personality".

**Regional Transportation Administrator**—RTA Executive Director or the RTA Director of Transportation Services as authorized Agent by the RTA Board.

**Relinquish and Release**—The conveyance of a portion of transportation right of way by the

---

RTA or another government agency for transportation use. Commonly, these rights conveyances, grants, or easements are relinquished by RTA resolution or ordinance.

**Real Estate Services Manager (RESM)**—The person responsible for oversight of all the tasks associated with Real Estate activities.

**Right of Immediate Possession**—The right to occupy property for public purposes granted by the courts after preliminary steps for acquisition have been taken and before a trial settlement has been reached.

**Right of Entry (Temporary)**—The right to enter property temporarily to make surveys and other investigations for proposed public improvements.

**Right of Way**—A general term denoting land, property, or interest therein acquired for or devoted to use in connection with a project's construction, maintenance, and operation.

**Surplus Land**—Land acquired as, or in conjunction with, transportation right of way and later determined to be inessential for such purposes.

**Value**—For goods and services to have worth or value, they must possess certain economic and legal characteristics, such as, utility, supply, demand, and transferability.

---

## Chapter 1—Property Analysis

### 1.1—Definition

### 1.2—Risks

### 1.3—Criteria for Evaluation

#### 1.1 Definition

Property Analysis is the evaluation of a property for the pursuit of acquisition before legal authorization is granted by the Agency governing board to acquire the property under the right of eminent domain. Property Analysis is necessary to determine if the acquisition is a strong public investment for the betterment of the community.

#### 1.2 Risks

There are certain risks associated with early acquisition. The key is to identify and document these risks early in the process. Property Analysis is a process to allow for this evaluation.

Some of the specific risks include:

1. The Property may be occupied, requiring the relocation of the occupant being displaced.
2. Environmental contamination may exist on the parcel.
3. Lender-held properties may require lengthy negotiations for purchase.
4. Public opposition.
5. Maintenance and lease of properties may present challenges in the open market due to project influence.
6. Disposal of surplus property may require entitlement processes for marketability.
7. Time required for the maintenance of the property prior to construction of project.

#### 1.3 Criteria for Evaluation

- A. Property meets the requirement for advanced acquisition for protective buying, corridor preservation, or hardship acquisition as defined in Chapter 2—Advanced Acquisition.
  - a. The property analysis report should outline each property considered for advanced acquisition and identify the properties providing the most financial benefit for an Agency to pursue for advanced acquisition.
  - b. The priority properties to consider for advanced acquisition shall be:
    - i. Parcels marketed for sale and identified as unoccupied. Whether the property is vacant raw land or improved-unoccupied, these parcels shall be targeted to allow for the Agency to take advantage of the savings associated with no relocation expenses. If these parcels are not pursued, the parcels may be sold, redeveloped, or improved and/or occupied. At the time of Agency authorization for acquisition of properties for a project, the public expenditures will increase to include all improvements and full relocation benefits as determined for each displacee.
    - ii. Bank-owned properties. These properties are typically unoccupied upon ownership by the bank. Therefore, the Agency will realize the savings associated with no relocation expenses. Negotiation with lenders takes substantially longer than a typical acquisition. Advanced acquisition is a beneficial tool to allow for bank-owned property negotiations prior to the

---

project schedule. This allows for a reasonable amount of time to negotiate to obtain possession and meet the project construction schedule without the requirement to pursue eminent domain.

- iii. Properties available for voluntary acquisition at the owner's request to allow for a reduction of hardship to the landowner. If the landowner meets the hardship criteria for advanced acquisition, pursuit of the purchase may provide an opportunity for the landowner to obtain financial stability and remain a contributing citizen within the area.

## **B. Property Evaluation**

### **a. Interim Uses:**

- i. The parcel should be evaluated for appropriate interim uses from the date of acquisition by the Agency until right of way clearance is necessary for the project construction. Interim users are very difficult to secure.
- ii. Type of interim uses may include:
  - 1. Vacant land ground lease for seasonal sales, parking, storage, etc.
  - 2. Residential structures for short-term lease/rent.
  - 3. Commercial structures for short-term lease/rent.

### **b. Improvements:**

- i. The improvements on the land should be evaluated to determine if demolition is needed because the functional life has expired or the investment to maintain or improve them is such to render the expense an unreasonable investment of public funds.
- ii. If the improvements are no longer necessary, they may be sold to a salvage company or at public auction.
- iii. If the improvements are in good condition, and any repairs or improvements can be made for a reasonable expense that can be recovered through rental/lease income, the Agency should consider preparing the property for market.
  - 1. All rental or lease agreements shall include a Relocation Clause stating that all tenant(s) shall be ineligible for any relocation benefits at such time as they are required to vacate the premises for a public project.

### **c. Written Financial Evaluation:**

- i. The Agency shall complete a written financial evaluation of the property if consideration is given for an interim use as a marketed property for occupancy.
- ii. The written financial evaluation shall consist of review of the potential income potential of the property while held for the project.

### **d. Income Potential:**

- i. *Capitalization Rate (Cap Rate)*—The Cap Rate is a benchmark used by investors to decide whether or not a property is worth further consideration by allowing the comparison of a series of properties that may be dissimilar in value, size, and price. The Cap Rate is the rate of return on the investment, and is usually the best indicator of value.
- ii. *Gross Rent Multiplier (GRM)*—The GRM tells the quantity of the rental income. In other words, it tells how much of the gross income is left after expenses are deducted to pay the mortgage and pay a yield to the investor. As all public transactions are cash transactions and no mortgage will be held, the value after expense will be the yield to the Agency.

---

1. How to Calculate a Cap Rate:

- a. Start by finding the annual gross scheduled income. Multiplying the monthly gross scheduled income by twelve (12) and then subtracting the vacancy factor of 10% produces the annual gross scheduled income.

The vacancy factor is market-driven and may be any of the following: the actual current vacancy, the historical vacancy based on the past few years, or the projected vacancy after a lease is up. If you are uncertain about what vacancy rate to use, call a lender who lends on the kind of property considered for acquisition and ask which rate it used. In any case, it must be realistic, so accuracy is important. Appraisers may also provide the vacancy rates.

- b. Add any income from other sources to the gross scheduled income. The sum of these amounts is known as the gross adjusted income.

In an apartment complex, other sources of income might include laundry income or garage and storage unit rental payments. In large complexes, it could also include pay phone and vending machine income. With office, industrial, and retail properties, additional income might include income streams from parking, billboards, and /or cellular antenna rental.

- c. Subtract all usual and recurring operating expenses from the gross adjusted income. The resulting number is known as the Net Operating Income (NOI).

The operating expenses that need to be deducted include property taxes, insurance, management costs, utilities, maintenance, security, trash removal, landscaping, etc. They also include repairs and any capital funds set aside for future big-ticket repairs, replacements, or renovations. (*Note:* Mortgage payments or income taxes due have not been deducted in our calculation of the NOI.)

- d. The NOI is then divided by the sales price; the result is the Cap Rate.

- e. EXAMPLE of Cap Rate Calculation:

1.  $(\text{Gross Monthly Scheduled Income} \times 12) - \text{Vacancy Factor} = \text{Annual Gross Scheduled Income}$ .
2.  $\text{Gross Scheduled Income} + \text{Income from Other Sources} = \text{Gross Adjusted Income}$ .
3.  $\text{Gross Adjusted Income} - \text{Operating Expenses} = \text{NOI}$ .
4.  $\text{NOI} / \text{Sales Price} = \text{Cap Rate}$ .

- f. Once the Cap Rate is calculated, comparisons with properties currently on the market, properties that have recently sold (called comparable sales), and expired listings that have been removed from the market unsold may be made.

- g. The Cap Rate would be equal to the percentage rate of return on the property if it were purchased for all cash, without any loans. As Cap Rates go down, the price of the property will be higher. Therefore, the higher the Cap Rate,



---

the higher the rate of return on the investment. This means the investment requires less money at work as a result of having purchased the property at a lower price. There are other filters that can be utilized to compare dissimilar properties, but none work as well as the Cap Rate.

2. Income Potential Value Calculations:

a. EXAMPLE of Gross Property Income:

An apartment complex with six units. Three rent for \$700 per month, and the other three rent for \$800 per month.

1.  $3 \text{ units} \times \$700.00/\text{month} = \$2,100.00.$

2.  $\$2,100.00 \times 12 = \$25,200.00.$

3.  $3 \text{ units} \times \$800.00/\text{month} = \$2,400.00.$

4.  $\$2,400.00 \times 12 = \$28,800.00.$

5.  $\$25,200.00 + \$28,800.00 = \$54,000.00$  in annual income. This is our Gross Property Income. This example assumes full occupancy and all payments made.

b. EXAMPLE of Gross Operating Income:

Once we know the Gross Potential Income of a real estate investment property, we arrive at the Gross Operating Income (GOI) by subtracting the estimated annual losses due to non-payment or vacancies.

1. Let's use our already calculated Gross Potential Income result of \$54,000.00. This is if all units are full and all rents are paid.

2. Based on experience, the current market, and rental occupancies, we estimate that our losses due to vacancies and non-payment will be 10%.

3.  $\$54,000.00 \times 0.10 = \$5,400.00.$

4.  $\$54,000.00 - \$5,400.00 = \$48,600.00.$  This is our GOI.

c. EXAMPLE of Gross Rent Multiplier (GRM):

The GRM is easy to calculate, but it isn't a very precise tool for ascertaining value. However, it is an excellent, quick value assessment tool to see if further, more detailed analysis is warranted. In other words, if the GRM is very high or very low compared to recent comparable sold properties, it probably indicates a problem with the property or gross overpricing.

Getting the GRM for recent sold properties:

1.  $\text{Market Value} / \text{Annual Gross Income} = \text{GRM}.$

2. Property sold for \$750,000 / \$110,000 annual income = GRM of 6.82.

d. EXAMPLE of Estimating the Value of a Property Based on GRM: Let's say that you did an analysis of recent comparable sold properties and found that, like the one above, their GRMs averaged around 6.75. Now you want to approximate the value of the property being considered for purchase. You know that its gross rental income is \$68,000 annually.

1.  $\text{GRM} \times \text{Annual Income} = \text{Market Value}.$

- 
2.  $6.75 \times \$68,000 = \$459,000$ .
  3. If it's listed for sale at \$695,000, you might not want to waste more time in looking at it for purchase.
- e. EXAMPLE of Net Operating Income (NOI):  
The following describes the calculation of NOI, which is used along with the Cap Rate to determine the value of a property.
1. Determine the GOI of the property (Gross Potential Income – Vacancy and Credit Loss = GOI).
  2. Determine the operating expenses of the property. This would include expenses for management, legal and accounting, insurance, janitorial, maintenance, supplies, taxes, utilities, etc.
  3. Develop a detailed list of all operating expenses. Subtract the operating expenses from the GOI to arrive at the NOI. Be very careful to get all the operating expenses into the calculation. Missing expenses will increase NOI and thus cause your client to overpay for the property based on valuation using the Cap Rate.
  4. Using the example of a property with a GOI of \$52,000 and operating expenses of \$37,000, our NOI would be \$15,000 ( $\$52,000 - \$37,000 = \$15,000$ ).
- f. EXAMPLE of Cap Rate Calculation for the Current Value of a Property:  
By using other properties' operating income and recent sold prices, the Cap Rate is determined and then applied to the property in question to determine current value based on income.
1. Get the recent sold price of an income property, such as an apartment complex.
  2. Example: A six (6)-unit apartment project sold for \$300,000.
  3. For that same apartment project, determine the NOI, or the net rentals realized by the owners.
  4. Example: The rental income after expenses (net) is \$24,000.00.
  5. Divide the NOI by the sale price to get the Cap Rate.
  6. Example:  $\$24,000.00 / \$300,000.00 = .08$  or 8% (the Cap Rate).
- g. EXAMPLE of Cash Flow Calculation:  
Cash flow is quite important, as it disregards the deductibility of expenses for tax purposes. A tax return tells you some things, but cash flow tells you more.
1. Begin with the NOI of the property.
  2. Subtract the money spent on debt service. This is the amount spent for the entire mortgage payment, interest, and principle.
  3. Subtract any capital expenditures. This would be money spent for improvements on the property, whether they are deductible that year or not. This is actual cash spent.

---

4. Add any loan proceeds. This is the money borrowed on a loan other than the original mortgage. If you made capital improvements, but took out a loan to pay for it, put that loan amount here as an addition.

5. Add any interest earned. Should the property have loans or investments out that provide cash as interest, add that in here.

6. You have now come to the result, which is the Cash Flow Before Taxes (CFBT) for this property.

7. Here's the line itemization:

Begin with NOI.

- Subtract Debt Service.

- Subtract Capital Improvements cash out.

+ Add Loan Proceeds for loans to finance operations.

+ Add back any interest earned.

= CFBT.

h. These calculations will help to evaluate the possible properties for the Property Management Period, the time held by the Agency prior to project right of way clearance. However, they are not a market analysis of the valuation. These values will narrow down a series of variables to a common denominator that acts as a filter to see whether or not a closer look at a property is warranted.

iii. It is highly advised that the Agency hire a general appraiser to provide the calculations to determine not only fair market value for purchasing the parcel, but its best use and income potential at the time the acquisition appraisal is obtained. If this is not practical, the above examples may provide assistance in making the calculations necessary to provide an accurate property analysis.

e. *Property Inspections:*

i. The property should be fully analyzed for Agency use upon completion of the acquisition.

ii. The following items should be considered in the analysis of the interim use.

1. Demolition or retain improved property for interim use.

2. Timing to project need.

3. Life expectancy of structure.

4. Cost effectiveness of retention/renovation.

5. Cost investigation.

6. Maintenance analysis.

7. Improvements to market for structure use.

iii. Prior to the purchase of a property:

1. The following investigations should be completed as needed to insure the public health and safety.

a. Property inspection by a certified/licensed building inspector.

b. Heating, ventilation, and air conditioning (HVAC) inspection by a certified/licensed specialist.

c. Electrical inspection.

d. Roofing inspection by a licensed roofing contractor.

e. Termite inspection by a certified specialist.

- 
- f. Phase I Environmental Assessment.
  - g. Phase II Environmental Analysis.
  - h. Code compliance.
  - i. Liability.
  - j. Attractive nuisance.
  - k. Structural inspection by a structural engineer.
2. The following items may need to be reviewed for maintenance schedule and expenses.
    - a. Signage.
    - b. Pool maintenance and certification.
    - c. Painting.
    - d. Flooring.
    - e. Security.
    - f. Other improvements.
    - g. Encumbrances.
  3. Additional revenue sources may also be available on the property, such as:
    - a. Billboard.
    - b. Cellular telephone tower.
- f. *Property Evaluations:*
- i. Upon completion of the appropriate inspections of the property, detailed estimates should be obtained for all necessary repairs.
  - ii. A detailed itemization of the repair costs should be calculated and evaluated based on the length of time the property will be available for market use prior to project right of way clearance.
  - iii. The evaluation shall consider the amount of financial investment needed to provide marketability of the property, time available for occupancy, the NOI, and the average annual income necessary to cover the marketability investment.
  - iv. If the financial investment is not recoverable in the time frame of the interim use, the Agency should proceed with the acquisition and consider demolition of the structure and interim uses of the vacant parcel.
  - v. If the financial investment to produce a marketable property is recoverable in the time frame of the interim use, the Agency should complete the acquisition and investment as needed for immediate marketability of the property for the interim use.
- g. *Property Investment for Marketability.*
- i. For all interim uses, the Agency should evaluate the Highest and Best Use of the property for marketability and seek to obtain the highest return on the investment in the property.
  - ii. The possible investments may include:
    1. Repairs to existing improvements.
    2. Installation of new improvements.
    3. Rezoning of the parcel for increased uses for the interim period.
    4. Assemblage of multiple adjacent, contiguous parcels.
    5. Reduced rent for occupants to act as caretakers of properties.
    6. Demolition of existing improvements.
- h. *Recommendations of Use:*
- i. Some potential uses for consideration of properties include:
    1. Residential occupancy for interim period.
    2. Non-profit use for interim period.

- 
3. Commercial occupancy for interim period.
  4. Agency use for interim period.
  5. Seasonal leases/rental uses.
  6. Parking lots on vacant parcels.
  7. Storage facilities on vacant parcels.
  8. Demolition of all improvements to hold for future project needs.
- i. Upon demolition of unviable structure, transfer to Property Management (milestone).
  - j. For retention for interim use, transfer to Property Management (milestone).

---

## Chapter 2—Advanced Acquisitions

- 2.1—Definitions
- 2.2—Risks
- 2.3—General
- 2.4—Rules
- 2.5—Procedures
- 2.6—Advanced Acquisition Process
- 2.7—Advanced Acquisition—Hardship
- 2.8—Advanced Acquisition—Protective Buying
- 2.9—Advanced Acquisition—Corridor Preservation

### 2.1 Definitions

Advanced acquisition is defined in Federal Regulation 23 CFR 710.105 as “the acquisition of real property by State or local governments in advance of Federal authorization or agreement.” The advanced acquisition of property and property rights, generally shall not be more than ten (10) years in advance of programmed transportation construction projects. The advanced acquisition expenditures will include the purchase of the property interests together with the engineering costs necessary for the advance right of way acquisition. Any property or property rights purchased must be in designated transportation corridors identified in the Agency program and be for projects approved by the Agency’s Managing Board as part of the Agency’s program and Capital Improvement Projects (CIP) program or included in the State’s route development planning effort.

For the purposes of this manual, advanced acquisitions are any purchases of property rights in advance of the Agency’s legal authorization to acquire for project purposes under the threat of eminent domain as needed within the project design and construction schedule. Acquisition expenses incurred prior to the Regional Transportation Authority (RTA) approval are not eligible for Federal reimbursement; however, expenses incurred that are determined necessary for the project through the standard design process may be considered for local Agency match contributions to the project.

Agency policy shall be that there will be no early acquisition of parks, recreation areas, wildlife and waterfowl refuges, and historic sites defined Federally as Section 4(f) property. The requirements of 4(f) are found in 23 CFR 774, 49 USC 303, and 23 USC 138.

If the Agency is not far enough along in the environmental process to determine whether or not the property needed is a 4(f) resource, no ground disturbance will be allowed, nor shall any acquired structures be demolished.

23 CFR 710.501(a) states: “The state may initiate acquisition of real property at any time it has the legal authority to do so based on program or project considerations. The State may undertake early acquisition for corridor preservation, access management, or other purposes.”

23 CFR 710.501(b) addresses eligible costs. Acquisition costs incurred by a State agency prior to executing a project agreement with the Federal Highway Administration (FHWA) are not eligible for Federal aid reimbursement. However, such costs may become eligible for use as a credit towards the State’s share of a Federal aid project.

---

Right of way acquired in advance of project environmental clearance can be purchased with project funds as an advanced acquisition with an approved Agency project authorization memo. If the following processes are used, both the overall project and the right of way phase may be eligible to seek Federal funds and/or are eligible for RTA reimbursement, provided the project authorization memo has been approved prior to expenditure of Agency funds to pursue:

- A. Protective buying.
- B. Hardship acquisition.
- C. Corridor preservation.

## **2.2 Risks**

There are certain risks associated with early acquisition. The key is to identify and document the risk early in the process.

Some of the specific risks include:

- A. Parcel or project may be ineligible for Agency or Federal funds if the procedures are not followed.
- B. Potential to prejudice route selection.
- C. Perception that the acquisition may circumvent or conflict with environmental process. Acquisition of property under this section shall not influence the environmental assessment of a project, including the decision relative to the need to construct the project or the selection of a specific location.
- D. Design issues (total or partial acquisition needed, redesign, etc.).
- E. Public opposition.
- F. Maintenance, lease, and/or disposal issue if project does not get built or other alternatives are chosen.
- G. Time of maintenance of property prior to construction of project.

It is critical to coordinate with Design, Access Management, Right of Way Plans, Environmental, Program Management, and, if appropriate, State and Local Programs to insure continuity of the program and project development.

The Agency may use its local funds to purchase right of way prior to RTA approval and National Environmental Policy Act (NEPA) clearance and may apply the purchase price (or if donated, the fair market value) toward their share of project costs if RTA or Federal funds are sought, as long as it meets the requirements of 23 CFR 710.501(b). The Agency may not be reimbursed for the advanced acquisition costs by the FHWA.

It is important to remember that the advanced acquisition process is no different from the standard acquisition process. The differences pertain to funding reimbursement and the additional evaluation and documentation requirements for approval to pursue hardship,

---

protective buying, or corridor preservation activities.

## **2.3 General**

Each request to authorize an advanced acquisition is made independently by each Agency using Agency management procedures and this manual. The RTA is not involved in the approval process for an advanced acquisition unless an Agency is requesting RTA funds to pay some or all of the costs of the acquisition. In the event that RTA funds are needed, the Agency must request and receive approval of an RTA Project Authorization Memorandum prior to the initiation of any acquisition actions for property included in the memorandum.

The following section outlines the requirements which must be met before the advanced acquisition of real property required for Agency purposes can be accomplished. The requirements listed are the end-products of many procedures covered within the Agency manual and other local agency, State, and Federal publications which have been utilized to properly accomplish the appropriate tasks. Where special procedures are required because of the nature of the acquisition, specific details that vary from the norm are set forth.

The following project products or technical data are required prior to the authorization of advanced acquisition of real property for the project purposes:

- A. Design Concept Report (DCR).
- B. Project design plans, 30% design or higher.
- C. Approved right of way plan or delineation that may vary in name depending upon the scope of the authorized work.
- D. For acquisitions utilizing RTA funds: RTA-approved Project Authorization Memorandum stating the scope of the authorized project activities and providing information concerning funds to pay for the project.
- E. Environmental Documentation: Identification of environmental risks or special conditions, including Finding of No Significant Impact (FONSI), Record of Decision (ROD), Local Agency approval (e.g., Phase I Environmental Assessment and/or Phase II Environmental Assessment or an Agency statement of need for the acquisition despite known environmental impacts, etc.). Examples of Environmental risks include hazardous contamination, extensive cultural features, and/or specialized natural habitat.

Having received the project products and technical data referred to above, the Real Estate Services Manager (RESM) is authorized to proceed with the specified acquisitions of the right of way in accordance with the provisions of this Manual.

## **2.4 Rules**

An Agency will acquire property and/or property rights according to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), and 49 CFR Part 24.

- A. The project must be included in the currently approved Agency Program.
- B. The following additional requirements must be met:



- 
- a. Procedures of historic preservation are completed for properties.
  - b. Acquisition of property under this section shall not influence the environmental assessment of a project, including the decision relative to the need to construct the project or the selection of a specific location.
  - c. If the property lies within a project with known terminal limits, but which has not been programmed, the Agency may submit the case documentation together with programming data (including estimate of the cost of the entire right of way project). The project may then be programmed as a right of way project and funds set up only for the acquisitions requested.

All transactions shall be pursued under the following guidelines and shall contain the following documentations.

- C. **Negotiated Purchase**—Every reasonable effort shall be made to expeditiously acquire real property by negotiation.
- D. **Just Compensation**—Prior to initiation of negotiations for real property and/or property rights, the Agency shall establish an amount which it believes to be just compensation. In no event shall such amount be less than the approved appraisal of the market value of such property. In determining just compensation, any decrease or increase in the market value prior to the date of valuation caused by the project itself or by the likelihood that the property would be acquired for said project will be disregarded.
- E. **Summary Statement**—Upon initiation of negotiations, Agency shall provide the owner of real property and/or property rights to be acquired with a copy of the appraisal or a market analysis valuation, a copy of the comparables, and a written offer letter, including a summary of the basis for the amount it has established as just compensation for the proposed acquisition. At a minimum, the offer letter shall include the following:
  - a. The amount established as just compensation.
  - b. A statement explaining that the offer is based either on Agency review and analysis of an appraisal(s) of such property made by a qualified appraiser(s) or by an administrative procedure.
  - c. Identification of the real property to be acquired, including the estate or interest being acquired.
  - d. Identification of improvements and fixtures considered to be part of the real property to be acquired.
  - e. The amount of just compensation for the real property to be acquired and any amount included for damages to remaining real property shall be separately stated.
- F. **Occupancy**—No legal occupant shall be required to surrender occupancy of real property before the agreed purchase price is paid.
- G. **Coercion**—The Agency will not utilize coercive actions in order to compel an agreement on the price to be paid for the property.
- H. **Uneconomic Remnant**—If the acquisition of only part of a property would leave its owner with an uneconomic remnant, the Agency shall offer to acquire the uneconomic remnant during the initial Offer to Purchase.
- I. **Special Conditions**—No payment shall be made to a tenant-owner for any real property

---

improvement unless:

- a. The tenant-owner, in consideration for the payment, assigns, transfers, and releases to Agency all of the tenant-owner's right, title, and interest in the improvement.
  - b. The owner of the real property on which the improvement is located disclaims all interest in the improvement.
  - c. The payment does not result in the duplication of any compensation otherwise authorized by law.
- J. **Alternative Compensation**—Nothing in this section shall be construed to deprive the tenant-owner of any right to reject payment under this section and to obtain payment for such property interests in accordance with other applicable law.
- K. **Incidental Expense**—The Agency shall pay for all reasonable expenses necessarily incurred for the transfer of title from the owner, including:
- a. Recording fees, transfer taxes, excise tax when applicable, evidence of title, boundary surveys, legal descriptions of the real property, and similar expenses incidental to conveying the real property to the Agency. However, the Agency is not required to pay costs solely required to perfect the owner's title to the real property.
  - b. Penalty costs and other charges for prepayment of any pre-existing recorded mortgage or deed of trust entered into in good faith encumbering the real property, or the pro rata portion of any prepaid real property taxes, which are allocable to the period after Agency obtains title to the property or effective date of possession, whichever is earlier.
  - c. Agency shall pay these costs directly through escrow so that the owner will not have to pay such costs and then seek reimbursement.
- L. **Donations**—Nothing in these regulations shall prevent a person, after being informed of the right to receive just compensation based on an appraisal of the real property, from making a gift or donation of real property or any part thereof, or any interest therein, or of any compensation paid therefore, to the Agency. The Agency is responsible for assuring that an appraisal of the real property is obtained unless the owner releases the Agency from this obligation.
- M. **Civil Rights**—The right of way acquisition function shall be conducted in such a way and manner as to assure that no person shall, on the grounds of race, religion, sex, or national origin, be denied the benefits to which the person is entitled or be otherwise subject to discrimination.
- a. Title VI, Civil Rights Act of 1964
    - i. *Purpose*—To assure equal treatment, prevent discrimination, and encourage all people of the State of Arizona to participate in and be beneficiaries of Federal aid projects, regardless of race, creed, sex, national origin, age, or handicap. The essence of this statement applies equally to non-participating projects.
    - ii. *Definition*—"Minority" is construed to mean those parts of a population differing from others in some characteristics, and often subjected to differential treatment. As used in this chapter, minority or minorities specifically includes the old, young, female, poor, handicapped, and members of those ethnic groups that have historically comprised a small percentage of the total population. Predominant among these ethnic

---

groups are African-Americans, Mexican-Americans, American-Indians, and Asians.

iii. *Possible Actions:*

1. Identify and utilize minority newspapers in Arizona and specifically in the City, County, or area in which an activity occurs.
2. Locate minority contractors in Arizona.
3. Determine that the necessary requirements for pre-qualifications are not set so high as to bar qualified minorities.

**N. Conflict of Interest**—An Agent shall not accept the assignment of a parcel acquisition:

- a. If, having appraised or assisted in the appraisal or review of appraisals on the parcel, the determination of value (DV) is greater than \$10,000.00.
- b. If personally acquainted with or related to the property owner where such acquaintance or relationship might tend to influence or prevent acting in an unbiased and professional manner.
- c. If they supervise or formally evaluate the performance of any appraiser or review appraiser performing appraisal or appraisal review work, except that, for a program or project receiving Federal financial assistance, the Federal funding agency may waive this requirement if it determines it would create a hardship for the agency (see 49 CFR 24.102[n][2]).

**O. Relocation Assistance**—When the acquisition of right of way requires the displacement of any family, individual, farm, business, nonprofit organization, or their personal property, that party or organization may be entitled to payments, separate and distinct from the acquisition compensation, in order to alleviate the costs of moving and replacement housing. Such payments and matters pertaining to eligibility are subject to FHWA 49 CFR Part 24 Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs; Final Rule (“Uniform Act”).

- a. Any property pursued for advanced acquisition through protective buying or corridor preservation that has an occupant at the initiation of negotiations shall provide for relocation assistance as defined in the Uniform Act.
- b. It is the intent of the advanced acquisition process to pursue unoccupied properties.
- c. If a land owner requests a voluntary advanced acquisition based on hardship all relocation entitlements for the owner(s) must be waived. The Agency shall provide relocation assistance as defined in the Uniform Act, to any tenant occupying the property acquired.

**P. Responsibilities**—The RESM, or the RESM’s designee, shall obtain all necessary property rights through the acquisition function and shall be responsible for, but not necessarily limited to:

- a. Obtaining a title report of the property to be acquired.
- b. Valuation of the land rights to be obtained.
- c. Obtaining land and/or property rights from private and public sources by fee, and/or easement.
- d. Contacting the property Grantor or legal designee for the purpose of presenting a full explanation of the pertinent project and the offer.
- e. Developing and processing special conditions, stipulations and documents necessary to consummate the transaction.
- f. Performing a complete review of the acquisition package and the transaction it represents.

- 
- g. Negotiating a reasonable settlement for the property rights needed for the project.
  - h. Presenting the executed transaction package to the Agency for approval, including final execution.
  - i. Furnishing assistance and documentation relevant to acquisition to all project team members as required.
  - j. Maintaining comprehensive records of acquisition transactions in progress and completed (Agent Contact Report).
  - k. Facilitating close of escrow and/or recording of all conveyance documents with the Pima County Recorder's Office.
  - l. Maintaining a completed file close-out or Agency records.

**Q. Supervisory Personnel**—Agency acquisitions shall be managed under the direction of the RESM. The RESM is responsible for the management, operation, and production of the Acquisition and Relocation duties. The Agents and consultants, under the direction of the RESM, are responsible for the accuracy and quality of the production of the activities and may assume the duties and responsibilities of the RESM in their absence as appointed or by written authorization or contract.

## 2.5 Procedures

- A. **Public Data**—Agency shall assure that information regarding right of way acquisition procedures and relocation assistance entitlements and procedures is made available at project public meetings.
- B. **Request for Advanced Acquisition:**
  - a. Agency shall determine that the ownership is within the limits of the proposed transportation corridor.
  - b. Agency shall send a letter to the property owner acknowledging receipt of any Hardship Acquisition application and advising the owner of the approximate processing time.
  - c. Agency shall evaluate all Advanced Acquisition proposals to assure that they meet the criteria specified within this Manual.
    - i. *Hardship Request*
      - 1. Criteria met.
      - 2. Timing to project need.
      - 3. Authorization from Agency for advanced acquisition within the location of the property.
      - 4. Advise applicant of approval or denial.
    - ii. *Agency Initiated Request*
      - 1. Evaluation of Available Parcels
        - a. Foreclosed/bank-owned properties.
        - b. Open market sales.
        - c. Protective buying.
      - 2. Criteria for Evaluation
        - a. Full acquisition/partial acquisition.
        - b. Time to project need.
        - c. Occupied/vacant.
        - d. Environmental liability.
        - e. Sales price comparative to appraisal value/market analysis.
  - d. Agency shall prepare a data package consisting of the review of the Advanced Acquisition Package:

- 
- i. A report covering a field investigation of the application. *Note:* This report either confirms or refutes the hardship alleged in the acquisition application letter, explains the need for protective buying or corridor preservation, provides the facts for the conditions of the property and project needs, contains the project schedule and details, includes the RESM recommendations, and documents necessary factors for full coverage of the three elements described above.
  - ii. The Relocation Assistance Program Plan (including tenants).
  - iii. The project funding estimate for the parcel(s) prominently identified as hardship acquisition, protective buying, or corridor preservation and showing: the name of the owner, the parcel number, the estimated cost of the parcel, a breakdown of the right of way, and the number of individuals, families, businesses, etc., displaced. If the parcel is concurrently affected by more than one project, the breakdown is allocated to each project.
  - iv. The title report for each parcel.
  - e. Estimated date property will be incorporated into a project and a commitment that the money will be repaid at that time.
  - f. Map that identifies the property. For less than total ownership, include sufficient design work and mapping to describe the right of way.
  - g. Estimated savings resulting from purchasing the property in advance.
    - i. Current costs for acquisition, relocation assistance, and demolition. Include what construction or other private improvement is currently being planned for the property.
    - ii. Future costs for acquisition, relocation assistance, and demolition.
    - iii. The estimated savings including relocation assistance and demolition costs.
    - iv. The estimated time when the parcel will be incorporated into a project.
- C. The above documentation, together with the environmental clearance specific to the parcel, is submitted to Agency for approval prior to first offer.
- D. Upon receipt of the Agency project authorization memo, the RESM is notified to proceed with the parcel acquisition on an expedited basis.
- E. Using the procedures of this Manual, the RESM shall expedite processing of the acquisition.

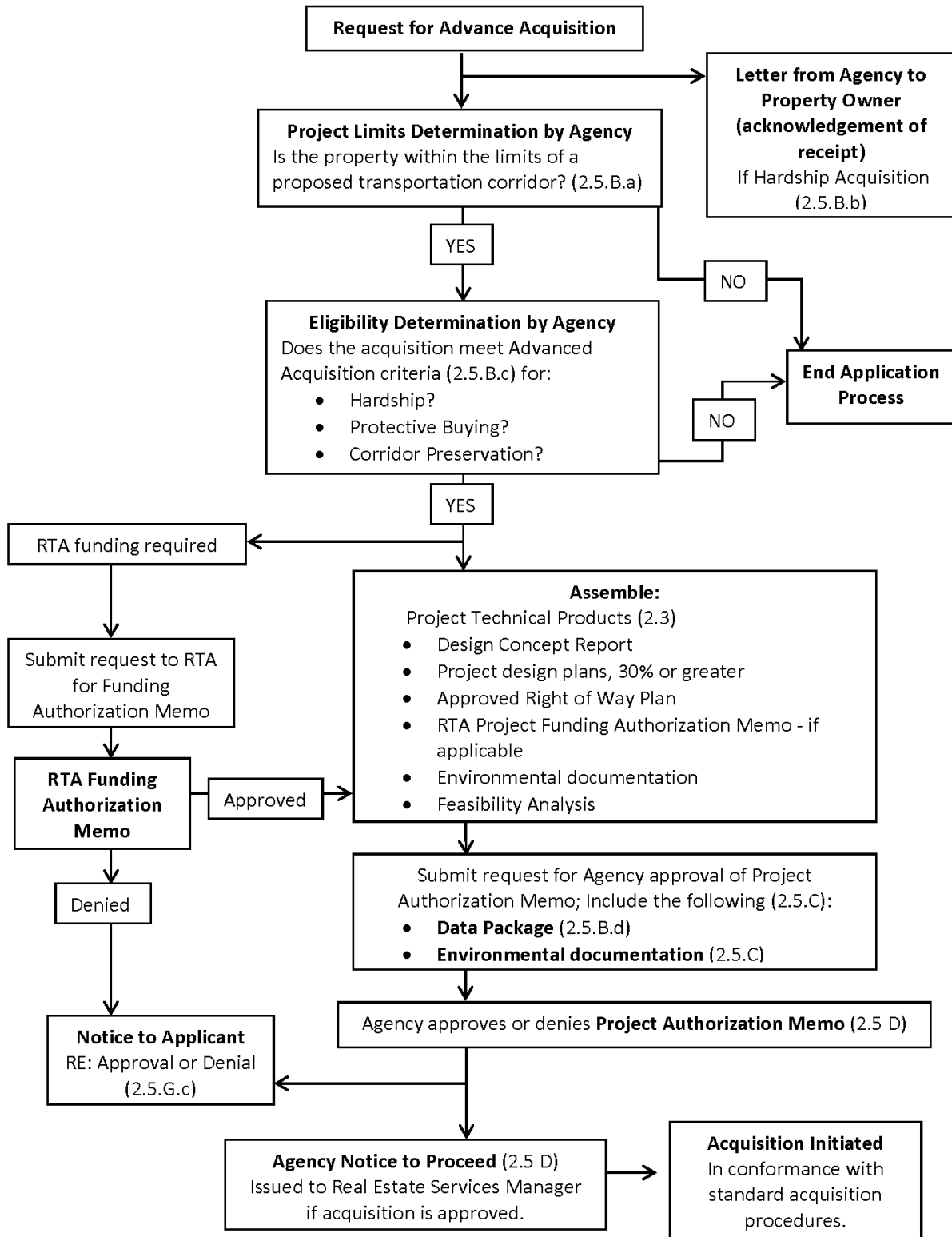
**F. Prioritizing Advanced Acquisitions**

- a. Priority will be given to advanced acquisitions for project-identified full acquisition parcels, unoccupied properties, bank-owned properties, and vacant properties.
- b. If advanced acquisition requests exceed funding levels, priority is given to approved requests for unoccupied properties.

**G. Process to Approve Advanced Acquisition** (see Flow Chart 1. Acquisition Approval)

- a. Authorization of Funding from the Regional Transportation Board.
- b. Public agency board/council.
- c. Notify applicant of approval or denial.
- d. If the RTA, in coordination with the Agency and/or project engineer, establishes that the parcel is to be acquired early (in advance), then standard acquisition procedures are followed.

**Flow Chart 1. Process to Approve Advanced Acquisition**



- 
- H. Right of Eminent Domain**—The right of eminent domain will not be used for properties pursued under advanced acquisition.

## **2.6 Advanced Acquisition Process**

### **2.6.1 Acquisition Package Assignment**

The acquisition package containing the legal description of the acquisition area, title report, appraisal, appraisal review, and Certificate of Just Compensation, representing a single parcel of property or contiguous and adjacent parcels of single ownership, is given to the RESM, who assigns it to an Agent, and said parcel is recorded in the Agent Contact Report.

### **2.6.2 Policies Observance**

The Agent will observe the rules and regulations governing all transactions in accordance with:

- A. The appropriate requirements of the Agency Right of Way Acquisition Manual.
- B. The requirements of any public agency for which property or property rights are to be acquired.
- C. Applicable parts of Section 28-7091 through 28-7103 of the Arizona Revised Statutes, and subsequent revisions thereto.
- D. Requirements of the 23 CFR 710.307, 710.309.
- E. Relevant parts of Federal Laws 91-646 and 94-579.
- F. 49 CFR Part 24, Uniform Relocation Assistance and Real Property Acquisition Regulations for Federal and Federally Assisted Programs.

### **2.6.3 Title Report**

- A. Five Year Chain of Title**—The chain of title for the last five years as found in the Title Report must be discussed in the appraisal report, including the following information:
  - a. A review of past uses of the subject property and the dollar amount of all market transactions occurring within the last five years shall be disclosed. If confirmation of a market transaction is not possible, the reason must be stated.
  - b. If a market transaction concerning the subject property is not used as a comparable sale in the valuation of the subject, the reason must be stated.
  - c. Any change of title not reflected in the Title Report should be discussed by the appraiser, along with comments as to the source of information and verification.
  - d. When no transactions have taken place during the last five years, a statement to the effect that the “present owner has held title since (year)” is sufficient.
- B. Acquisition**—The Agent will:
  - a. Become thoroughly familiar with the acquisition assignment by reviewing the title report, project plans, legal description, appraisal and appraisal review, and by physically inspecting the property. If needed, the Agent or Project Manager shall obtain any necessary documents and plans pertinent to the project.
  - b. Initiate the Agent Contact Report and thereafter chronologically enter all actions taken with respect to the subject parcel, including, but not limited to, conversations, documentation, and correspondence.
  - c. Prepare the Purchase Agreement including a Summary Statement of the Offer to

- 
- Purchase.
- d. Present the owner (Grantor) with all pertinent documents for the Grantor's information, including the written Offer to Purchase cover letter; Purchase Agreement containing the Summary Statement of the Offer to Purchase; pertinent project plans/maps; Agency booklet pertaining to acquisition and/or relocation; appraisal; and conveyance documents necessary to transfer property rights. The property Grantor shall have a minimum of thirty (30) days to consider the Offer to Purchase.
  - e. If the Agent learns that a Grantor is a minor or is otherwise incompetent, they shall immediately notify the RESM in writing of this fact.
  - f. An Agent shall post notices on properties that have recorded leases and on properties where a plain and obvious commercial ownership or operational interest with substantial improvements exists.

#### **2.6.4 Contacting the Grantor**

The Grantor is contacted within five (5) days of receipt of the Agency-executed Certificate of Just Compensation, when practical, in order to present the Offer to Purchase.

- A. The acquisition of required property from an out-of-state Grantor, in-state Grantor out of Pima County, or authorized representative will generally be accomplished by certified mail, national courier service, email, and/or telephone.
- B. The acquisition of property from a Grantor or authorized representative located within Pima County will be accomplished through personal contact by the Agent. The mail, email, and/or telephone will be used to expedite processing when required.
  - a. When the Agent is required to conduct the transaction with the property Grantor's attorney or other authorized representative, a letter of authorization will be placed in the acquisition package.
  - b. When possible, the Agent will arrange an appointment with the property Grantor or other authorized representative, at which time the Agent will present the entire transaction and a complete and detailed explanation of the Grantor's legal rights. The Offer Package shall include the following:
    - i. One (1) Offer to Purchase Letter.
    - ii. Three (3) Purchase Agreements containing the Summary Statement of the Offer to Purchase.
    - iii. Two (2) original conveyance documents.
    - iv. One (1) W-9 for each Grantor.
  - c. The Agent will review the ownership data on the Title Report with the Grantor. If the ownership data is incorrect, the Agent will ascertain who the proper Grantor is and revise the documents accordingly.
    - i. If the parcel to be acquired represents a partial acquisition of the Grantor's property, the Agent must thoroughly review with the Grantor the right of way plans and the construction plans, if available, and will carefully explain how the remaining property will be affected by the project.
    - ii. If the parcel acquired is a total or partial acquisition, the Agent shall post notices on properties that have recorded leases and on properties where a plain and obvious commercial ownership or operational interest with substantial improvements exists.
    - iii. One copy of the right of way plans and the legal description of the parcel will be given to the property Grantor. When the transaction has been



---

satisfactorily explained to the Grantor, the Agent will give the Grantor the original of the written Offer Letter, Purchase Agreement containing the Summary Statement of the Offer to Purchase, the appropriate right of way brochure, and one copy of each document for the Grantor's records.

- iv. The Grantor shall be afforded a reasonable opportunity to consider the offer and present material which the Grantor believes is relevant to determining the value of the property and to suggest modification of the proposed terms and conditions of the purchase. This should include reference to the acquisition of uneconomic remnants.
- d. If the property Grantor accepts the offer, the Agent will immediately obtain the signature of the accepting legal party at the appropriate place on the proper instruments, including, but not limited to, the Purchase Agreement, conveyance documents, and W-9, as well as any other documents pertinent to the transaction. The Agent must at this point advise the accepting party that the transaction is not final until accepted by the Agency.
- e. *The Counteroffer*—When the property Grantor makes a counteroffer to the Agency's offer and can furnish valid justification for reconsideration of the appraised value of the property, the Agent will present such justification to the RESM in the form of an administrative settlement memo. The RESM may approve the administrative settlement or determine a new appraisal should be requested. Preparation of an acquisition reconciliation worksheet may take place at the discretion of the Agent when the Agent determines that some item of significant value is not included in the appraisal and the valuation may be obtained by professional estimate, extrapolation of existing appraisal data, or other supportable method. The Agent may request an updated appraisal, if necessary, upon RESM approval. The valid counteroffer will be processed for review and acceptance by the Agency.
- f. If a new appraisal is to be requested, the Agent will prepare a request to the RESM requesting that the justification be reviewed and a new appraisal be prepared, if necessary.
- g. Upon receipt of concurrence or rejection of the request for a new appraisal from the Agency, the Agent will advise the Grantor accordingly.
- h. If the request for a new appraisal is denied by the Agency, the Agent will continue negotiations for the subject parcel.
- i. If the request for a new appraisal is approved, the Agency will prepare and furnish the new appraisal for the subject parcel to the Agent. The Agent will obtain a new appraisal review and prepare a new Certificate of Just Compensation to be executed by the Agency. The Agent shall place the new appraisal, appraisal review, and Certificate of Just Compensation in the acquisition package. A revised offer letter and Purchase Agreement containing the Summary Statement of Offer to Purchase for the amount of the new appraisal will be prepared in triplicate by the Agent. All copies of the new offer letter will be placed in the acquisition package for presentation to the Grantor.
- j. When the Agent has prepared the new offer letter and/or has made the revisions to the aforementioned documents reflecting any salvage value and required site clearance deposit for improvements being retained by the Grantor, as well as any other monetary factor applicable to the transaction, the Agent will contact the Grantor to make a final presentation of the new and/or the revised acquisition documents.
- k. Where appropriate, the Summary Statement of Offer to Purchase shall identify any separately held ownership interest in the property, such as tenant-owned

---

improvement or leasehold interest (rent advantage), and indicate that such interest is not contained in the Offer or interest due the Grantor. The written Summary Statement of Offer to Purchase shall include:

- i. A statement of the amount offered as just compensation. In the case of a partial acquisition with damages, if any, to the remaining real property, the compensation for the real property to be acquired and the amount offered for damages should be stated separately.
  - ii. A description and location identification of the real property and the interest in the real property to be acquired.
  - iii. An identification of the buildings, structures, and other improvements (including removable building equipment and trade fixtures) which are considered to be part of the real property for which the offer of just compensation is made.
- l. A written offer to the tenant for such interest shall be separately made and shall be accompanied by a Purchase Agreement containing a Summary Statement of the Offer to Purchase indicating the interest and the amount offered.
- m. When the Grantor accepts the new offer and concurs with the salvage value and special conditions set forth in the acquisition documents, the Agent will obtain the signature of such accepting party or parties on the following documents:
- i. Instrument of Conveyance—two (2) originals.
  - ii. Purchase Agreement with Summary Statement—three (3) originals.
  - iii. One copy of each of the above documents will be given to the owner, if not given previously, along with one set of the appropriate right of way plan sheets and project design plans.
- n. The Agent must advise the owner that the acquisition transaction will not be final until approved and accepted by the Agency.

### **2.6.5 Grantor Retention of Improvements**

If the Grantor desires to retain the improvement(s) located on the subject parcel, the Agent will prepare a modified Purchase Agreement and Summary Statement documenting the Grantor's request to salvage the improvement(s) prior to close of escrow.

- A. The Purchase Agreement and Summary Statement of Offer to Purchase and Improvement Report will be adjusted to reflect the salvage and reduction in compensation. An itemized list of the improvements to be retained will be entered on the Purchase Agreement and Summary Statement of Offer to Purchase. The Grantor will sign the agreement indicating acceptance.
- B. When the Agency is paying the cost to cure damages for removal and relocation of improvements, this will be entered on the Summary Statement of Offer to Purchase and accepted by the Grantor. The Agent will also enter the amount of time allowed for the completion of the removal or relocation, typically prior to close of escrow.
- C. **Grantor's Retention**—If the Agency does not elect to retain the improvements, the Grantor has the option to retain and remove the improvements from the land. If the Grantor elects to exercise this option, the Agent will negotiate, prior to consummation of the purchase, for the sale and removal of the improvements. The Agent will request from the Agency Property Management section a salvage value for the improvements (i.e., the estimated amount the improvements would bring if offered for sale on the open market). This is the price the Grantor will pay if the Grantor is to retain and move the improvements. The amount of the site clearance deposit, if any, will also be requested.

---

### 2.6.6 Acceptance, Counteroffer, or Refusal

The Agent will:

- A. Upon receipt of a counteroffer or conditions of sale from the Grantor, the Agent will refer the same to the RESM for merit consideration; negotiations with the Grantor will follow on the basis of that determination.
- B. Upon the Grantor's unconditional acceptance of the offer, the Agent will obtain signatures on all transaction documents, open escrow as required, assemble the completed acquisition package, and process for full execution by the Agency. They will also obtain the settlement statements from the Escrow Officer, submit the approved settlements statements to the Grantor and the Agency for execution, obtain closing funds from the Agency, assist with obtaining all requirements, and authorize closing of escrow and recordation of the transaction with the Pima County Recorder's Office.
- C. When the RESM determines to proceed with condemnation actions, the Agent will prepare the condemnation letter and submit said letter to the Grantor; complete the file close-out containing all conversations, documentation, correspondence and Agent Contact Reports; obtain a litigation guarantee from the title company; complete the condemnation check list; and submit two (2) complete files to the Agency. One original file shall be transmitted for the RESM, and the second file shall be transmitted for the legal counsel.
- D. All transaction files completed by purchase, or directed for condemnation action, are forwarded to the RESM upon receipt of all originally recorded documents, owner title policies, and/or final order of condemnation.

### 2.6.7 Final Review

The RESM shall review the final transaction documents and forward to the appropriate staff member for mapping and records retention.

### 2.6.8 Signing the Acquisition Documents

When the Grantor accepts the Agency's offer for the acquisition, the Agent will obtain the signature of the accepting party on the acquisition documents in accordance with the following:

- A. **Purchase Agreement**—A Purchase Agreement in triplicate will be prepared stating the conditions agreed upon by the Grantor and Agency (Parties) that affect the parcel to be acquired. One original shall be retained in the Agency permanent records, one original shall be provided to the Grantor through escrow or the Agency when providing the appropriate compensation, and the third original shall be retained in the escrow file. The Grantor should be informed that the conditions of the contract are not binding until approved by the Agency.
  - a. The following information will be entered on the Purchase Agreement:
    - i. Date of conveyance.
    - ii. Project number (if available).
    - iii. Parcel number.
    - iv. Conditions for which the Agency will be responsible.
    - v. Conditions for which the Grantor will be responsible.
  - b. All acquisitions will contain a Purchase Agreement, and the Agent will obtain the signature of the Grantor at the appropriate place on the original and three copies

---

of the Purchase Agreement, which will be maintained in the acquisition package.

- i. When the signature of the Grantor is obtained, it shall be reviewed and notarized by the Agent, who will promptly submit the original Purchase Agreements to the RESM for approval.
- c. *Summary Statement of Offer to Purchase*—The Agent will obtain the signature of the Grantor at the appropriate place on the summary statement if no improvements are being retained by the Grantor.

### **2.6.9 Correcting the Documents**

The Agent may, at their discretion, and in the interest of expediting the transaction, make minor revisions to any document when it is not practical or timely to obtain a new document containing the needed revisions.

### **2.6.10 Receipt of Acquisition Package**

Upon settlement for purchase of the property rights needed for the project, the Agency will send appropriate notification of the acquisition to Agency Property Management section. Although the contract has been executed by both the Grantor and Grantee, escrow has not closed at this time. Therefore, the Agency will specifically advise Property Management of (1) the instrument execution date, (2) the amount withheld in escrow (if any), and (3) the anticipated date of close of escrow.

### **2.6.11 Escrow Settlement Statement**

When the Agency has disbursed the required funds to the Grantor through escrow or direct payment and the transaction is recorded, notice shall be provided to the Agency Property Management Section of the new inventory. Immediate steps shall be taken to progress the property to the determined Interim Use.

### **2.6.12 Agency Takes Possession**

The Agency shall receive possession of vacant property at the close of escrow.

If occupied by the owner, the owner shall vacate the premises prior to close of escrow, and possession will occur at the close of escrow unless a written agreement is in place and signed by the Agency and the owner for the extension of possession

If the property is occupied by a non-owner occupant, possession shall occur thirty (30) days from the date of close of escrow unless a written agreement is in place and signed by the Agency and the tenant for the extension of possession.

## **2.7 Advanced Acquisition—Hardship**

### **2.7.1 Definition**

A hardship advanced acquisition is a voluntary acquisition of property rights initiated by the property owner, as necessary for a project that has been developed through a minimum of a 30% design. Justification of a hardship must be provided based on health, safety, or financial reasons that remaining in possession of the property poses an undue hardship compared to others.

### **2.7.2 Rules**

The justified hardship of an owner of property must be clearly documented. The hardship may be caused by the inability to sell, lease, or rent the property due to project influence, financial instability, medical reasons, a life-changing event, or redevelopment.

---

### 2.7.3 Procedures for Advanced Hardship Acquisitions

The Agency must accept and concur in a request for a hardship acquisition based on a property owner's written submission that:

- A. Supports the hardship acquisition by providing justification on the basis of health, safety, or financial reasons that remaining in the property poses an undue hardship compared to others.
- B. Documents an inability to sell the property because of the impending project at fair market value within a time period that is typical for properties not impacted by the impending project. The RTA's requirements are:
  - a. Hardship acquisition procedures may be exercised within the limits of the proposed transportation corridor and may be authorized following the public outreach.
  - b. Hardship acquisition procedures may be authorized on a parcel by parcel basis where it is shown that all of the following are applicable:
    - i. The owner's circumstances constitute an emergency substantially as described in one or more of the "emergency criteria" following:
      - 1. Needs to move immediately because of a change in location of employment.
      - 2. Is advised by a licensed physician to move from the area for reasons of health.
      - 3. Has made a legal commitment (e.g., an earnest money agreement) to purchase alternate property. Please note that this action may jeopardize the owner's eligibility for relocation assistance entitlements depending upon timing.
      - 4. Has encountered legal or business circumstances requiring divestiture of title to the subject property.
      - 5. Is required to make substantial capital improvements (e.g., new equipment for a factory) in order to continue use of the subject property, and these capital improvements would be financially unsound in view of the pending transportation project.
    - ii. The case qualifies as described in the list of hardship qualifications following:
      - 1. The owner initiates the application for hardship acquisition.
      - 2. The application is in writing, sets forth the exact circumstances creating the hardship, and provides documentation to support the hardship.
      - 3. The only appropriate action for the owner is the immediate sale of the subject property.
      - 4. Because of the pending transportation project, the owner is unable to sell the subject property on the open market at its market value.
    - iii. The acquisition is necessary to alleviate the particular hardship to the property owner.

#### C. Requests and Approvals

- a. The impacted property owner shall submit a request in writing to the Agency for a voluntary advanced acquisition.
- b. The RESM reviews the request for approval or rejection.
- c. The RESM then submits the advanced acquisition application to the Director of Transportation for approval or rejection. The determination to proceed with the

- 
- advanced acquisition will be decided jointly.
  - d. The RESM submits the Agency proposal in writing to the RTA upon concurrence of acceptance from the Director of Transportation for an RTA Project Authorization Memorandum if RTA funds are needed to complete the activities.
  - e. Agency decisions are announced within five (5) business days of the request when possible.
  - f. RTA decisions are announced within five (5) business days of the review of the request by the appropriate Agency Board, when possible.
  - g. Progress reports will be provided as appropriate to the Agency.
  - h. Decisions by the Agency can be appealed to the Agency Board of Directors for review and final decision whether or not to approve.
  - i. Decisions by the Agency can be appealed to the Agency Board of Directors for review and final decision whether or not to approve.

**D. Time Limitations**—The Agency approval to proceed with closing of the advanced acquisition expires in twelve (12) months. *Exception:* Approval time limits may be extended by the Agency if documentation that progress is being made on the acquisition process is provided by the Agency.

**E. Fund Requirements**

- a. The proposed purchase must be in a programmed transportation corridor.
- b. The proposed purchase is included in the RTA's program, and Agency's CIP program.
- c. There is a high degree of certainty that the right of way will be needed as evidenced by any of the following:
  - i. The right of way is necessary in a majority of project options.
  - ii. If there is a preferred option, the right of way is necessary.
  - iii. A major portion or all of the property is necessary.

**F. Review of the Property Owner Request**

- a. Application
  - i. Completed application and supporting documents submitted to Agency.
- b. Criteria for Evaluation
  - i. Property needed for the project.
    - 1. The purchase of the entire parcel owned by the applicant.
    - 2. The purchase of a substantial portion of the applicant's property to the extent that it is likely an uneconomic remnant will remain when the project acquisition is complete.
    - 3. The purchase of a portion of the applicant's property by the project, including substantial improvements that must be demolished and the approval of this application, will promote the redevelopment, renovation, or re-facing of the structure on the remaining property by the owner prior to the construction schedule for the project.
    - 4. There must be a hardship of owner of property (Justification required).
      - a. Hardship may be the inability to sell a property because of the impending project at fair market value within a time period that is typical for properties not impacted by the impending project.
      - b. Financial: A financial hardship is described as an event in

---

the applicant(s) life which has affected their ability to pay for the property. This could be related to the loss of your job, a reduction in pay, retirement, disability, or caring for parents or disabled children.

1. Documentation to support a claim of a financial hardship might include a layoff statement from a previous employer, a copy of a recent unemployment check, a copy of the most recent bank statement or other data, or statements provided by third-party sources.
- c. Medical: A medical hardship is described as an event in the applicant(s) life that is related to a medical condition or event which affects their ability to pay for the property or which requires them to move from the property. Examples of a medical hardship may include, but are not limited to: recovery from an accident that is expected to take longer than 6 months or a permanent medical disability such as blindness or loss of mobility requiring the use of a wheelchair.
1. Additional documentation to support a claim of medical hardship should include a statement from their doctor on his or her letterhead describing the medical event or the condition that the applicant is experiencing, how the medical event or condition has affected the applicant's life, what the anticipated recovery period is, and future medical care that will or may be needed to treat the medical condition.
- d. Job-Related: A job-related hardship is described as an event where the applicant's current employer is requiring the applicant to relocate to another city in order to maintain their current position or start a new position with the current employer. The applicant shall not claim a job-related hardship if the applicant is currently unemployed and is seeking to relocate to another city in hopes of obtaining employment there. However, if the applicant is currently unemployed and has been hired by an employer in another city, they may claim a job-related hardship. All claims for a job-related hardship shall require the applicant to move a minimum distance of 100 miles from their current residence.
1. Additional documentation to support the claim for a job-related hardship would include a letter from their current employer that states the employer is requiring them to relocate to another city, or a letter from a prospective employer offering employment with that company in another city.
- e. Redevelopment: A redevelopment hardship is described as a situation where the Agency will require the purchase of a portion of the owner's property and the demolition of a portion of the improvements within the area to be

---

purchased by the Agency. When demolition is complete, the property owner will need to renovate, re-face, or alter the remaining improvements or property. The advanced acquisition will provide the property owner the opportunity to redevelop the property prior to the commencement of construction for the project.

- f. Other: Any other event not categorized as a financial, medical, or job-related hardship which the applicant(s) believes has affected or will likely affect the applicant(s) ability to pay for the property. Examples of other hardships may include, but are not limited to: divorce, inability to lease the property for a period exceeding the normal market time for a similar property, a family that is expecting the family size to increase and the current dwelling will not accommodate the future household inhabitants, or an opportunity to purchase or lease a replacement site that is currently on the market to accommodate the business. The applicant(s) should provide whatever additional documentation that the applicant(s) believe support their claim for the hardship they have described.
    - 1. The acquisition of the property from the applicant will likely eliminate the hardship claimed by the applicant or improve the life of the applicant.
  - g. Residential
    - 1. The application indicates a hardship to avoid foreclosure of the property or that the property has been foreclosed upon already, and the applicant has completed a waiver of relocation assistance.
  - h. Commercial
    - 1. The application indicates a hardship to avoid foreclosure of the property or that the property has been foreclosed upon already, and the applicant has completed a Waiver of Relocation Assistance.
- ii. Circumstances of the Parcel:
    - 1. The property is in foreclosure.

A parcel may be acquired by hardship acquisition procedures if such purchase will alleviate a department-created hardship situation for a property owner.

Hardship acquisition envisions hardship occasioned or complicated by the impact of the potential project. Such hardship is in contrast to others because of an inability to sell the property through normal market channels. "Others" (in the context just stated) are considered to be those not impacted by the project or those impacted by the project, but not suffering particular hardship as a result of the impact.

Authorization of hardship acquisitions is premised on reasonable and supportable justification of the action. This type of acquisition is approved with discretion, and only after the justification clearly demonstrates that the acquisition is necessary to alleviate particular hardship to a property owner.



---

## **2.8 Advanced Acquisition—Protective Buying**

### **2.8.1 Definition**

Protective buying is the acquisition of land, using Agency funds, within a potential corridor on which the owner has impending plans to develop the property. The land may only be acquired to prevent imminent development that would preclude future transportation use. Protective buying provides an avenue whereby the Agency could strategically purchase and preserve some critical parcels along a potential corridor without having to purchase the entire right of way.

Properties considered for protective buying include properties on which there is a known plan for major private development. Major development could include industrial or commercial construction, large apartment or condominium complexes, or a proposed subdivision of property.

### **2.8.2 Rules**

- A. The project must be located within a currently approved Agency program.
- B. The Agency must clearly demonstrate that development of the property is imminent and such development would limit future project choices. A significant increase in cost may be considered as an element justifying a protective purchase.
- C. Procedures of historic preservation are completed for properties.
- D. Acquisition of property under this section shall not influence the environmental assessment of a project, including the decision relative to the need to construct the project or the selection of a specific location.

### **2.8.3 Procedures**

- A. The Agency:
  - a. Determines that the property is within the limits of the proposed project corridor.
  - b. Coordinates with environmental work to get the required environmental documentation.
  - c. Prepares the following documentation:
    - i. A detailed report addressing the following:
      - 1. Details that clearly demonstrate land development will preclude future project use and that such development is imminent.
        - a. There is a high degree of certainty that the right of way will increase in cost as evidenced by one of the following conditions:
          - 1. There is a plan for a private industrial, commercial, or residential development in the area.
          - 2. The property is in an area of rapid development.
    - ii. The estimated increased right of way cost if the request is not granted, and comments regarding the possibility of similar requests.
      - 1. A description of, and status report on, the proposed development or other action which prompted the request.
      - 2. Comments regarding the economic effects upon the community if the development is not permitted to proceed.
      - 3. Comments on how the proposed alignment will be affected if the development is permitted to proceed.
        - a. The Relocation Assistance Program Plan (including

- 
- tenants and owners).
    - b. The project funding estimate.
    - c. Title reports and supplemental material.
  - B. The above documentation, together with the environmental documentation specific to the parcel, is submitted to Agency for approval prior to first offer.
  - C. Upon receipt of the Agency project authorization memo, the RESM may proceed with the parcel acquisitions on an expedited basis.
    - a. *Requests and Approvals*— If RTA funding is needed, the RESM submits the Agency proposal for a Project Authorization Memorandum for protective buying in writing to the RTA upon concurrence of acceptance from the Director of Transportation.
    - b. *Time Limitations*—Agency approval to proceed with closing of the advanced acquisition expires in twelve (12) months. *Exception:* Approval time limits may be extended by the Agency if documentation that progress is being made on the acquisition process is provided by the Agency.
    - c. *Fund Requirements:*
      - i. The proposed purchase must be in a programmed transportation corridor.
      - ii. The proposed purchase is included in the RTA's program and the CIP program.
      - iii. There is a high degree of certainty that the right of way will be needed as evidenced by any of the following:
        - 1. The right of way is necessary in a majority of project options.
        - 2. If there is a preferred option, the right of way is necessary.
        - 3. A major portion or all of the property is necessary.

## **2.9 Advanced Acquisition—Corridor Preservation**

### **2.9.1 Definition**

Corridor Preservation is the acquisition of land, using Agency funds, within a potential corridor on which the property is available for sale on the open market. Protective buying provides an avenue whereby the Agency could strategically purchase and preserve some critical parcels along a potential corridor without having to purchase the entire right of way under the threat of eminent domain.

Properties considered for corridor preservation include properties on which there is an offer to sell that is located within an area of rapid commercial, industrial, or residential development. Major development should include industrial or commercial construction, large apartment or condominium complexes, or a proposed subdivision of property.

### **2.9.2 Rules**

- A. The project must be included in the currently approved Agency program.
- B. The Agency must clearly demonstrate that sale and redevelopment of the property is imminent and such use would limit future project choices. A significant increase in cost may be considered as an element justifying a corridor preservation, such as a multi-tenant structure resulting in excessive relocation expenses.
- C. Cultural resource evaluations are to be completed for properties.

- 
- D. Acquisition of property under this section shall not influence the environmental assessment of a project, including the decision relative to the need to construct the project or the selection of a specific location.

### 2.9.3 Procedures

#### A. The Agency:

- a. Determines that the property is within the limits of the proposed project corridor.
- b. Coordinates with environmental staff to get the required environmental documentation.
- c. Prepares the following documentation:
  - i. A detailed report addressing the following:
    1. Details that clearly demonstrate land development will preclude future project use and that such development is imminent.
      - a. There is a high degree of certainty that the right of way will increase in cost as evidenced by one of the following conditions:
        1. There is a plan for a private industrial, commercial, or residential development in the area.
        2. The property is in an area of rapid development.
      2. The estimated increased right of way cost if the request is not granted, and comments regarding the possibility of similar requests.
        - a. A description of, and status report on, the proposed development, or other action which prompted the request.
        - b. Comments regarding the economic effects upon the community if the development is not permitted to proceed.
        - c. Comments on how the proposed alignment will be affected if the development is permitted to proceed.
    - ii. The Relocation Assistance Program Plan (including tenants and owners).
    - iii. The project funding estimate.
    - iv. Title reports and supplemental information.
- B. The above documentation, together with the environmental documentation specific to the parcel, is submitted to Agency for approval prior to first offer.
- C. Upon receipt of the Agency project authorization memo, the RESM may proceed with the parcel acquisitions on an expedited basis.
- D. **Requests and Approvals**—The RESM submits the Agency proposal in writing to the RTA upon concurrence of acceptance from the Director of Transportation for an RTA Project Authorization Memorandum for protective buying if RTA funds are needed to complete the activities.
- E. **Time Limitations**—The Agency approval to proceed with closing of the advanced acquisition expires in twelve (12) months. *Exception:* Approval time limits may be extended by the Agency if documentation that progress is being made on the acquisition process is provided by the Agency.
- F. **Fund Requirements**
  - a. The proposed purchase must be in a programmed transportation corridor.
  - b. The proposed purchase is included in the RTA's program and the Agency's CIP

- 
- program.
- c. There is a high degree of certainty that the right of way will be needed as evidenced by any of the following:
    - i. The right of way is necessary in a majority of project options.
    - ii. If there is a preferred option, the right of way is necessary.
    - iii. A major portion or all of the property is necessary.

---

## **Chapter 3—Interim Uses**

- 3.1—Definition
- 3.2—Risks
- 3.3—Criteria for Evaluation
- 3.4—Authority
- 3.5—Agreements and Contracts
- 3.6—General
- 3.7—Landlord/Tenant Responsibilities
- 3.8—Rental Rates
- 3.9—For Rental Occupancy
- 3.10—Advertising
- 3.11—Rental Applications
- 3.12—Leasing of Surplus Properties
- 3.13—Payment Control Procedures
- 3.14—Actions to Evict Tenant
- 3.15—Inspection of Real Property
- 3.16—Determination of Property Disposition
- 3.17—Vacant Lands Management

### **3.1 Definitions**

Leasing is defined as the granting of possession and use to another person or entity in return for consideration. For the purposes of this manual, Leasing is the granting of possession of the Agency's property rights to another person or entity for a defined period of time before the property is needed for a public project.

### **3.2 Risks**

There are certain risks associated with leasing public property in the interim before completing a public project. To program for success, the Agency must identify, document, and evaluate risks early in the process and plan accordingly for possible challenges.

Some of the specific risks include:

1. The market may not support rental or lease of the property for the time period allowable.
2. Potential for tenant to refuse to vacate the premises in the timeframe needed for the project.
3. Repairs or maintenance may exceed the equity in the property within the time frame of the reasonable life cycle of the structure.
4. Safety or unknown issues may create unexpected or excessive liability.

It is critical to fully evaluate the project needs and schedule concurrently with the evaluation of the market rent and repair or maintenance expenditures to ensure proper public fiduciary responsibilities can be upheld by the Agency.

### **3.3 Rules**

The Arizona Constitution states in Article 9 Section 7—Gift or loan of credit; subsidies; stock ownership; joint ownership; “Neither the State, nor any County, City, Town, municipality, or

---

other subdivision of the State shall ever give or loan its credit in the aid of, or make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation, or become a subscriber to, or a shareholder in, any company or corporation, or become a joint owner with any person, company, or corporation, except as to such ownerships as may accrue to the State by operation or provision of law or as authorized by law solely for investment of the monies in the various funds of the State.”

### **3.4 Authority**

#### **3.4.1 Management**

The management level at which contracts can be approved and executed is determined by the Agency approved Policy and Procedures.

- A. **Authority of the Real Estate Services Manager (RESM)**—The RESM is authorized to lease or rent any properties acquired but not presently needed for Agency purposes on terms and conditions established by the RESM, as well as to maintain and care for such property in order to secure rent from them. All Agreements are subject to the approval of RESM.
- B. **Authority to Approve Leases**—All real property purchased for rights of way, future rights of way, or any property purchased in excess of right of way requirements may be leased or rented when such leasing or renting is not in conflict with the Agency construction schedule or other Agency activity.

The appropriate levels of authority are described below:

- C. **Contracts**—All contracts and project budgets are approved by the RESM or their designee.
- D. **Budget**—The Agent (assigned to rehabilitation and maintenance only) shall be authorized to approve all activities to be completed based on the RESM-approved budget. The budget shall be based on reasonable bids for completion of all activities needed to rehabilitate, maintain, or demolish the improvements in accordance with the RESM-approved Feasibility Analysis and Report.
- E. **Exception: Emergency Demolition**—If, due to damage from age, the elements, vandalism, or other causes, an improvement is in such condition that public health or safety is jeopardized and the situation can clearly be classified as an emergency, Property Management can authorize the immediate demolition of the structure through the use of a Task Order Authorization to a vendor on the Agency As-Needed Contract. In all cases, the emergency and subsequent action by Property Management will be documented.

#### **3.4.2 Management Responsibilities**

- A. The Agency shall collect, at the time of execution of the agreement, the appropriate rental rate and deposits.
- B. The Agency shall maintain the appropriate agreement and accounting of revenues and expenses.
- C. The Agency shall complete and document the move-in inspection, including photos.

- 
- D. The Agency shall review and update rental values with an appraiser or market analysis every two (2) years when necessary.
  - E. The Agency shall notify utility companies for turning services on and process utility bills for payment as stated in the agreement.
  - F. The Agency shall give occupants a minimum of 90-day notice to vacate, in compliance with State law, when properties are needed for Agency purposes. In the case of Caretakers, this notice shall be a minimum of 30 days.
  - G. If necessary, the Agency may institute legal proceedings in Justice Court for collection of rent, enforcement of lease provisions, or disposition of tenants, guests, and other persons.
  - H. The Agency may negotiate and enter into annual maintenance and repair contracts by licensed and bonded contractors for those items not inclusive in the agreement.
  - I. The Agency shall inspect and accept or reject contractor-completed maintenance and repair work.
  - J. The Agency shall evaluate compliance to contract specifications for the completion of maintenance and repairs.
  - K. The Agency shall request payments to the contractor under the terms of the contract.
  - L. The Agency shall periodically inspect all rentals to ensure tenant is maintaining property in a condition equal to or better than it was at the time of possession and to confirm the number of tenants and authorized use of the property as established in the original agreement.
  - M. The Agency shall clean and clear properties to be rented.
  - N. The Agency shall obtain rental price by appraisal or market analysis.
  - O. The Agency shall publish notice of properties for rent or lease once each week for four consecutive weeks. "For Rent" signs may be posted on the property. For charitable or government agencies, publication must be completed at least once.
  - P. The Agency shall hold rental auctions (refer to statutory requirements). Auction date shall be not less than 30 days after last publication.
  - Q. If no bids are presented, the Agency will obtain a caretaker at an appropriate monthly rental rate approved by the RESM.
  - R. The Agency shall obtain tenant applications and review the applicant's financial credit record and/or prior rental references.
  - S. The Agency shall obtain executed agreements from the successful bidder and submit for execution as outlined in Section 3.5.

---

## 3.5 Agreements and Contracts

All properties will be leased or rented by means of a properly prepared, processed, and approved lease, rental agreement, or extended occupancy agreement.

### 3.5.1 Agreements

Property Management enters into contracts for the occupancy of Agency owned properties, including:

- A. **Permits and Temporary Use Agreements**—Agreements frequently necessary to secure temporary use of property as needed for completion of projects.
- B. **Caretaker Agreements**—Agreements exempt from the publication/auction process and are primarily used to protect properties from vandalism.
- C. **Rental Agreement**—Month-to-month agreement that defines terms and conditions of the occupancy of a publicly owned property for a defined amount of monetary compensation.
- D. **Lease Agreements**—Agreements with a term of occupancy longer than month-to-month that defines the terms and conditions of the occupancy of a publicly owned property for a defined amount of monetary compensation.
- E. **License Agreements**—Agreements granting a permissible use of publicly owned property. Generally, the public right of way for a private improvement, such as landscape, irrigation, signage, parking, etc.

### 3.5.2 Contracts

Rental agreements and extended occupancy agreements are different types of contracts. Accordingly, those written between the Agency and second parties will contain the basic requirements of all contracts, that they are in writing, dated, contain the names of the parties involved, and specify the consideration.

In addition, Agency rental agreements will contain other clauses as follows:

- A. **Cancellation Clause**—This clause provides notice to the tenants that they will vacate the premises within a minimum of thirty (30) days from receipt of notice to do so from the Agency.
- B. **Hold Harmless Clause**—This provides notice to the tenant that the Agency and its employees will not be liable for accidents occurring to anyone on the premises. If the property involves public utilization:
  - a. The lease must specify the required liability insurance.
  - b. Within seven (7) days after the consummation of the lease, the Lessee must furnish a certificate of public liability insurance.
  - c. If there is a question of compliance with the insurance certificate and the lease terms, a copy of the same will be sent to Risk Management for concurrence.
- C. **Eligible or Ineligible Relocatee Clause**—This provides notice to the holdover tenant that the regulations pertaining to the rights and benefits for eligible relocation entitlements pertain to this agreement. Alternately, it may provide notice to the new occupant that the regulations pertaining to the rights and benefits for relocation



---

entitlements do not pertain to this agreement.

- D. **Non-Discrimination Clause**—This provides notice to the tenant that the intent of Title IV, Civil Rights Act of 1964, applies to the rental agreement and that no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the facilities on the grounds of race, color, creed, sex, age, handicaps, or national origin.
- E. **Sublease Clause**—As a general rule, there will be no subleasing; however, subleases will be considered on a case-by-case basis.
- F. **Environmental Clauses**—These clauses will be included in agreements for the lease of all Agency properties. They provide notice to the Lessee of the responsibilities of both Lessee and Lessor with regards to environmental issues and the leased premises.

### 3.5.3 Occupancy Agreements

- A. **Extended Occupancy**—Properties not immediately needed by the project may be temporarily leased by the Grantor or tenant until such time as property is needed for construction purposes. All extended occupancies must be done through a signed and approved extended occupancy agreement. Such agreements will be negotiated in accordance with the following procedures:
  - a. Upon receipt of the appraisal package, the Agent will prepare an extended occupancy agreement for Grantor- or tenant-occupied properties. The agreement will be tailored to include terms, conditions, and limitations for the extended occupancy.
  - b. All extended occupancy agreements shall grant free rent for the first thirty (30) days after close of escrow or Order of Immediate Possession (OIP) deposit date. If the Grantor or Grantor's tenant intends to remain on the property beyond thirty (30) days after close of escrow or OIP date, the agreement shall specify the terms of the rental payments. Upon agreement:
    - i. All rents may be collected at Close of Escrow for the full rental period;
    - ii. Rent payments will commence after the thirty (30)–day free rental period; or
    - iii. Rental payments will commence immediately, with the thirty (30) days following the written Notice to Vacate defined as the free rental period.
- B. **Vacated Property**—When the property is vacated, the following actions will be taken:
  - a. The Agent will ensure that the vacate notice and keys are obtained and in file. This may be accomplished by either the Acquisition Agent or Property Management.
  - b. An Agent will prepare a memo to Property Management terminating the agreement. It will contain information for refunding the prepaid rent and security deposit, if applicable. If rents are delinquent, the memo will indicate actions being taken to collect.
  - c. Delinquent rent cannot be recovered through withholding relocation benefits; therefore, the following steps should be taken:
    - i. If Property Management indicates a hardship situation exists and requests that rent be waived, their memo must be approved by the RESM. This memo shall be sent to Finance indicating the amount that is to be waived as recommended by the RESM.

- 
- ii. The Agency shall follow the Rental Payments and Delinquent Rental Accounts Policies and the Actions to Evict tenant Policies.
  - iii. If applicable to Grantor-occupied properties, the Agent will submit the letter notifying the escrow company to release withheld funds.
  - iv. The property may be referred to an Agent for a Feasibility Analysis and Report. The report will be submitted with a recommendation that the improvement(s) be rehabilitated, demolished, or secured.
  - v. If the property is to be rehabilitated and rented, the Agent will initiate all appropriate procedures to prepare the building for rental and find a new tenant.
  - vi. If the property is to be cleared, an Agent will initiate procedures in accordance with appropriate Demolition Policies.

### **3.5.4 Rental Agreements**

If the lease is not an extended occupancy agreement, a standard agreement will be prepared. In addition, an approved application cover letter will be prepared setting forth the rental rate, the amount due with the returned agreement, the method of payment, and the notification that any prorated rent and/or security deposit will be remitted to the Agency.

- A. Distribution of the rental agreement and the approved application and cover letter will be as follows:
  - a. Original and copy of the rental agreement with the original letter to the applicant.
    - i. Applicant retains the notification letter and signs and returns the two (2) original rental agreements.
    - ii. The two (2) original rental agreements will be routed for appropriate approvals.
    - iii. If approved, a consummated copy of the rental agreement will be mailed, along with the appropriate cover letter, to the applicant, and the original will be placed in the rental folder.
- B. Copies of the fully executed agreement will be distributed as follows:
  - i. To Grantor or tenant.
  - ii. To Property Management rental file.
  - iii. To Acquisition File maintained in Real Property.
  - iv. An Agent will annotate the Available for Rent and Rented Reports as well as the file accordingly.

### **3.5.5 Rental Agreements (Multi-Unit Property)**

- A. **Managed by the Agency**—Individual units of a multi-unit property for which a master water meter and electric meter serves the entire property will be rented to qualified applicants on an individual unit basis. The Agency will pay for the water and electricity under this arrangement. An Agent will prepare and process a standard rental agreement altered to accommodate the particular circumstances. This is an option to pass through the incurred expense(s).

### **3.5.6 Termination of Leasing Contract**

Leases may be terminated for the following reasons:

1. Expiration of the term of the lease.
2. Noncompliance with the terms of the lease (default).
3. As requested by tenant or as otherwise allowed in the lease document.

---

**Note:** Prior to any lease termination requiring notice, care must be taken to ensure that all parties having any interest in the lease are identified and given notice.

- A. To complete the termination process, the Agency:
- a. Provides written notification to the tenant of lease termination if the Agency is initiating lease termination.
  - b. If tenant is initiating lease termination, Property Management shall notify Transportation or the RESM of receipt and confirm proper action.
  - c. Inspects the property to verify it has been vacated and the condition of the site conforms to the lease. If it has not been vacated, an unlawful detainer may be required.
  - d. Requests payment of any rent due, refunds overpayments, or initiates collection actions if necessary.
  - e. Closes lease file unless collection action has been initiated.
  - f. Upon termination of agreement and vacancy of the property:
    - i. Property Management shall obtain the keys to the premises and complete and document the move-out or vacate inspection including photos with tenant present, if available. Utilities need to remain on.
    - ii. Property Management shall refund all appropriate deposits within fourteen (14) days of vacancy.
    - iii. Property Management shall appropriately close out the agreement file, including a full accounting of revenues and expenses.
    - iv. Property Management shall coordinate appropriate demolition or rental of property as needed for proper Property Management.
    - v. *Lease Cancellation Notice*—When the tenant has vacated the property, the Agent will advise the RESM of lease cancellation, the notice will contain the following information:
      1. Project number.
      2. Parcel number.
      3. Date of cancellation.
      4. Rental agreement number.
      5. Name of tenant.
  - g. The file will be annotated.
- B. When, due to the construction schedule or other requirements, it is necessary to terminate a rental agreement, an Agent will dispatch a Lease Termination Letter to the occupant of an Agency-owned property. The letter will be sent by certified mail.
- a. The letter will contain at least the following information:
  - b. Project number
  - c. Parcel number
  - d. Name and address of the tenant
  - e. Rental agreement number
  - f. Date on which tenant must give up possession (expressed as number of days following official notice).
  - g. The date on which the tenant receives and signs the Lease Termination Letter will be considered the date of official notice. If the certified mailing is returned to the Agency, Official Notice is considered to be seven (7) days from the date of return. The returned letter must be retained in the file, unopened.

---

## 3.6 General

### 3.6.1 Contact Report

When an Agent contacts a property owner, tenant, rental applicant, contractor, vendor, or any person or group on government business, it is essential that an accurate record of the transaction be maintained. For this purpose, a Contact Report shall be maintained in the file to record all Agency activities. The Contact Report shall contain the date of each activity and a description of the activities or communication signed by the Agent. The Contact Report will be filed in the appropriate folder.

### 3.6.2 Dust Control

The Environmental Protection Agency (EPA), under court order, developed and implemented a Federal Implementation Plan (FIP) for control of particulate matter with diameters of 10 microns or less (PM10). The primary cause of the PM10 problem in the Phoenix, Tucson, and other metropolitan areas of Arizona is dust on unpaved and paved roads kicked up by vehicle traffic and windblown dust from construction sites, earth-moving operations, unpaved parking lots and roads, disturbed vacant lots, agricultural fields and aprons, and other disturbed areas. The FIP was promulgated in August 1998 and became effective in September 1998. Agencies are committed to inventory and evaluate their parking lots and vacant lands and implement a deliberate action plan.

Property Management is responsible for dust stabilization, to accepted standards, of vacant lots. This category includes rights of way not yet under construction and excess land. The following dust-stabilization measures will be utilized.

- A. **Weed Abatement**—Apply dust suppressant(s) immediately prior to or during weed abatement, prevent or eliminate material tract-out onto paved surfaces, and apply dust suppressant(s), gravel, compaction, or alternative control measures immediately following abatement. This measure will be required within eight (8) months of the effective date of the FIP. This requirement applies to vacant lots with disturbed surfaces of 0.50 acres or greater.
- B. **Vacant Lots: Disturbed Surfaces**—Establish ground cover vegetation, apply a dust suppressant, resort to a natural state, or apply gravel within eight (8) months of the effective date of the FIP or 60 calendar days following the disturbance, whichever is later. This requirement applies to vacant lots with disturbed surfaces of 0.50 acres or greater.
- C. **Vacant Lots: Motor Vehicle Disturbances**—Place signs, fencing, shrubs, trees, barriers, surface gravel, or chemical/organic stabilizer within eight (8) months of the effective date of the FIP or within 60 calendar days following the initial determination of disturbance, whichever is later. This requirement applies to vacant lots greater than 5,000 square feet in size.
- D. **Alternative Control Measures**—Owners/operators may submit other measures to the EPA for approval.

The measure, or measures, utilized will be applied on an individual property basis, weighing practicality and cost to the taxpayer.

---

The EPA FIP fugitive dust rule for unpaved parking lots, unpaved roads, and vacant lots includes record keeping and reporting requirements that will help ensure source compliance with the rule's control requirements.

### 3.6.3 File Management

There will be two folders. One will be a Lessee folder and will contain the application, the lease or rental agreement, copies of notices, task order forms, contact reports and any other information that pertains to that individual Lessee. The other folder will be a property folder and will contain a Feasibility Analysis Report, if required; the lease or rental agreement; copies of task order forms; contact reports; and any other documentation, correspondence, or other papers which pertain to the parcel or individual improvement.

The folders are numbered with the parcel number and the Rental Agreement number. An example of a Rental Agreement number might be "RAXXX-XX" ("RA" is an abbreviation for the words "rental agreement") or another number system as established by the Agency. In this example, the three (3) numbers following are simply consecutive numbers that start with 001. An alphanumeric suffix could also be utilized to indicate the number of tenants of a particular property.

### 3.6.4 Insurance for Acquired Properties

Property acquired by Agency for right of way or any other purpose is insured for public liability, fire, and damage. In order that there will be a central source for all insurance matters, the Agency has established the Risk Management procedures as follows:

- A. **Property Damage**—Upon receipt of notification (from tenant, fire department, or whomever) that an improved property administered by Property Management has been damaged from any cause, an Agent will inspect the premises, if practical. Following preliminary, the Agent will initiate a memo to Risk Management. The memo will contain the following information:
  - a. Project number.
  - b. Road name.
  - c. Section.
  - d. Parcel number.
  - e. Address of property.
  - f. Date of loss.
  - g. Time of loss.
  - h. Damage (total or partial).
- B. **Estimates and Repair Damage**—The Property Management Agent will obtain two (2) or more estimates from qualified contractors for the required repairs. Repair work will normally be performed by the lowest bidder. A set dollar amount shall be agreed upon in advance (i.e., not to exceed \$1,000).
- C. **Insurance Certificates**—Insurance certificates are required for all leased properties, except single-family residential usage. Renter's insurance shall be advised for all single-family tenants.
- D. Property Management will maintain a log of insurance renewal dates for fire and liability insurance required of Lessees, and will check their log not less than monthly to verify continuous coverage of insurance. The Lessee shall be required to notify Property

---

Management of any lapse or expiration of insurance coverage.

- E. Additionally, Property Management will place current insurance certificates in their respective lease files as confirmation of current coverage.
- F. Lessee's failure to maintain required insurance coverage will be cause for notification by the Property Management that their lease is in default and will be terminated if coverage is not maintained.
- G. When Property Management leases a parcel of land, either improved or unimproved, that will involve public use, the Lessee will provide to the Agency a public liability insurance policy in an amount commensurate with the risk. The lease will specify the amount of insurance required, and the lease and the insurance policy may be submitted to Risk Management to ensure that the protection afforded is truly the protection required. If Property Management has any doubt concerning the type or amount of coverage, they will contact individuals at Risk Management for clarification.

### **3.6.5 Land Inventory**

Land Inventory, as it pertains to Property Management under this Manual, shall include all surplus property and all fee-owned parcels of land in excess of Agency needs acquired with RTA Funds or in conjunction with an RTA-funded project.

### **3.6.6 Other Requirements and Contingencies**

There may be unforeseen circumstances that will require regular or emergency action by Property Management.

### **3.7 Landlord/Tenant Responsibilities**

The responsibilities of tenant and landlord are the same as they are for the rental of a similar property in the private sector. Both tenant and landlord are bound by the provisions of Arizona Revised Statutes (ARS) Title 33, Chapter Ten (10) the Landlord and tenant Act:

- A. The Agency, as landlord, will spell out, in a written rental agreement, the responsibilities of both parties.
- B. The tenant will follow all terms and conditions as set forth in the rental agreement.

### **3.8 Rental Rates**

#### **3.8.1 Consideration/Economic or Market Rent**

All leases must be based on economic or market rent or consideration equivalent to economic or market rent. Each appraisal for properties acquired should include information related to the appropriate rental rate for remaining tenants. If no rental rate is provided, then the procedure for determining short-term rent for residential properties will be done as a value memo.

There are three approved ways to determine the rental rate of Agency property.

1. **Appraisal**—An appraisal is the most accurate determination of fair market rent. Appraisals are required on all leases that have an annual total rent of \$25,000 or more.
2. **Value Memo**—A value memo is acceptable for all rental rate determinations under

---

\$25,000/year.

**3. Market Analysis**—The formula method is used on properties expected to bring in less than \$10,000/year in rent.

*Note:* If the Market Analysis determines that the annual rent will be over \$10,000, a value memo or appraisal will be required.

- A. **Occupant Rent-Back**—tenant-occupied properties shall be based on current rate for the first 90 days. After the initial 90-day period, rent shall be adjusted to market rent. Agency common practice allows all occupants up to thirty (30) days rent-free to vacate. If the occupant requires more than thirty (30) days to vacate, rent will accrue starting thirty (30) days after the close of escrow at a rental rate established by Property Management or the appraiser.
- B. **Rental Rate Criteria**—Rental rates for Agency-owned properties shall be established by using the following criteria:
- a. Purchase price of the property.
  - b. Current economic rent in the neighborhood (from private sector).
  - c. Location of the property.
  - d. Condition of the property.
  - e. Existing rental rate being paid by the present occupant.
  - f. Any other significant factors of comparison that may influence the rental rate.
- C. **Rate of Return on Investment**—As a general policy, rental rates will be high enough to provide a reasonable rate of return on investment to the Agency and will be reevaluated on an annual basis. The following will be used as general guidelines, but should be evaluated on what the market will bear:
- a. *Residential (no special amenities)*—Seven percent (7%) per year of the acquisition cost.
  - b. *Residential (special amenities)*—Twelve percent (12%) per year of the acquisition cost.
  - c. *Commercial and Industrial Properties*—Eight percent (8%) per year of the acquisition cost.

Non-payment of rent, except in those instances of consideration in lieu of economic/market rent, is considered illegally gifting per the Arizona Constitution. If no rent is being charged by previous owner, the Agency must determine economic rent and, upon Agency ownership, a lease and payment of economic rent must commence.

Oftentimes, economic rent could be less than Agency's costs to perform management activities throughout the term of the lease. Therefore, a minimum rental rate must be established based on property location; urban properties should be based on a market evaluation. For rural properties, the minimum rental rate will be \$350 per year (to be paid annually) plus the Government Property Lease Excise Tax (GPLET). For urban properties, the minimum rental rate will be \$500 per year (to be paid annually), plus GPLET.

**D. All Properties:**

- a. A lower rate may be established in certain instances when conditions warrant.
  - i. A higher rate may be established for special properties, particularly if

- 
- ii. general market conditions support the increased rate.
  - ii. Eligible relocatees who continue to rent from the Agency under a rental agreement or extended occupancy agreement may have their rental rate increased or decreased if the market warrants and the adjustment is justified by comparable properties in the immediate area.
  - iii. In order to document the methodology used to establish rental rates, Property Management shall document the calculations used for determination of rent. The specific method (comparable property rent, percentage of acquisition price, etc.) as well as the other factors influencing the rental rate (i.e., month-to-month lease, poor access, tenant to perform maintenance) shall also be noted. Summary of the calculations shall be completed for each lease and signed/approved by the Property Manager and retained in the rental folder.

**E. Review and Adjustment of Rental Rates**—Rental rates will be reviewed within thirty (30) days of termination of existing agreements to establish rental rates on new rental properties or renewal to ensure that the Agency is receiving proper rent for each property. During this review, the rental market will be researched for comparable income properties and the rental rates for these properties will be used to confirm or adjust the Agency rates.

Changes in tenancy, the usage of Agency rental properties, or other factors impacting the properties can also require a review and possible adjustment of the rental rate at any time. Such conditions should be dealt with on a case-by-case basis. If a particular property merits a rental rate adjustment, the Agent will notify the tenant and revise the rental agreement using the adjusted rate. When a rental rate increase is indicated, an Agent will prepare an addendum to the agreement as well as an addendum letter.

- a. The addendum must be signed by the tenant, routed for appropriate approvals and be placed in the rental file as an integral part of the rental agreement.
- b. A copy of the addendum is sent to RESM to allow them to update their records and send to:
  - i. To Grantor or tenant.
  - ii. To Property Management rental file.
  - iii. To acquisition file maintained in Real Property.

An Agent will annotate the rent roll as well as the file accordingly.

**F. Extenuating Circumstances and Hardship Cases**—There may be infrequent special cases wherein a tenant of an Agency-owned property, due to circumstances beyond his or her control, can no longer pay the established rental rate. It may also be true that the best interest of the Agency will be served if the rental rate is reduced with or without compensatory services from the tenant. If the Agent is notified that such a case exists, the Agent will conduct an investigation to gather all available information. If the Agent believes that a rent reduction is in the best interest of the Agency, the following steps will be initiated:

- a. If the rent reduction is in the best interest of Agency, the Agent will prepare a memo to the Manager, Property Management, setting forth all the evidence, and requesting authority to reduce the rent in an amount commensurate with the seriousness of the situation.
- b. *Copies and Distribution*—If the request is approved, the Agent will take the



---

actions necessary to implement the rent reduction, and the memo will be distributed as follows:

- i. Original to rental file (as attachment to rental agreement).
- ii. Copy to acquisition file maintained in Real Property.
- iii. Copy to Finance Department.

- G. **Abatement of Rents**—Lessee may request abatement of rents for specified costs to repair or maintain property leased from the Agency, provided that:
- a. The repair was done by a licensed contractor responding to an emergency situation and paid for by the Lessee at the time of the emergency, or
  - b. The Lessee is performing a property maintenance function that would normally be performed by the Agency, and the abatement represents only the cost of materials and not the Lessee's labor. This type of abatement must be approved by Property Management.

### 3.8.2 Accrual Dates

- A. **Negotiated Purchase**—Grantor/tenant-Occupied Residential Properties: When the Agency purchases a residential property, and the occupant elects to continue occupancy, rental charges accrue from the date specified in the escrow instructions. Normally rent will commence thirty (30) days after the close of escrow or thirty (30) days after delivery of the Relocation Determination letter, whichever is later.
- B. **Negotiated Purchase**—Grantor/tenant-Occupied Commercial Properties: When the Agency purchases a commercial property, and the occupant elects to continue occupancy, rental charges will commence thirty (30) days after the close of escrow.
- C. **Acquisition through Condemnation**—When the Agency acquires property through condemnation, and the occupant elects to continue occupancy, rental charges accrue thirty (30) days after the established possession date.

## 3.9 For Rental Occupancy

Occupancy is on a month-to-month basis with an initial one-year term, depending on the scheduling of projects for which the rental property was acquired. Rentals may be offered when the project for which the property was acquired is more than one (1) year from the start of the construction. Rentals are offered at market rents based on appraisal procedures and are awarded to the highest bidder at auction, as required by Arizona State law. The minimum rent is set by appraisal or market analysis of the market rate. The public auction is held after a minimum thirty (30)-day legal notice is published in a newspaper of record. Rental agreements must be approved by the Agency under established procedures. Rental terms are month-to-month, except on a lease, with the first-year occupancy assured to the renter by agreement. There may also be conditions requiring access by the Agency or their Agents to the property as may be needed for project studies and design activities. Specific terms and conditions on any regular rental property will be identified within the Agreement, subject to termination by a minimum of a thirty (30)-day notice.

### 3.9.1 Lease of Improved Residential Properties

- A. Properties will be made available for lease at market rates to a private or governmental entity in the best interest of the Agency. This is the preferred method for leasing surplus property.

- 
- B. Properties not leased at market rate will be advertised as available to legally established non-profit human services agencies. Agencies interested in using the property will be asked to submit a proposal describing their intended use of the property and proposed rental rate. Within urban areas, only proposals for lease at a rate greater than or equal to 10% of the market lease rate and no less than \$250/year shall be considered. The lease term, including options to renew, will be no longer than five (5) years. Appropriate agency approval is required for all leases. Unless otherwise expressly approved by the Agency, each lease shall include certain standard terms, including:
- a. The Agency shall ensure that each lease with a below-market rent includes a provision that allows the Agency to audit the Lessee's books, records, and financial statements.
  - b. Each lease shall include specified lease terms, with such term not to exceed five (5) years for any lease to a non-profit entity for less than market lease rate, unless otherwise expressly agreed by the Agency.
  - c. All leases of Agency-owned property shall include a no-cause termination clause which may be exercised by the Agency during the term of the lease.
  - d. All leases of Agency-owned property shall include a relocation clause that will preclude a tenant from being eligible for relocation benefits.

### **3.9.2 Lease of Improved Commercial and Unimproved Residential Properties**

- A. Vacant or improved commercial property and unimproved residential property may be listed as available for lease or offered for lease through a publicly noticed competitive bid process at market rates.
- B. If after a listing or publicly noticed competitive bid process the Agency is not able to lease the property at market value, the property may be leased to a legally established non-profit entity at a rate greater than or equal to 25% of the market lease rate (no less than \$1,200/year) and for a term of up to five (5) years, including options to renew. The term may be extended beyond the five-year term upon Agency approval. All such leases shall include rent escalator clauses using industry-recognized practices.
- C. If a property is determined to be surplus to the Agency's needs, the property may be offered for sale to the general public pursuant to approved policy.
- D. Unless otherwise expressly approved by the Agency, each lease shall include certain standard terms, including:
- a. The Agency shall ensure that each lease with a below market rent includes a provision that allows the Agency to audit the Lessee's books, records, and financial statements.
  - b. Each lease shall include specified lease terms, with such term not to exceed five (5) years for any lease to a non-profit entity for less than market lease rate unless otherwise expressly agreed by the Agency.
  - c. All leases of Agency-owned property shall include a no-cause termination clause which may be exercised by the Agency during the term of the lease.
  - d. All leases of Agency-owned property shall include a relocation clause that will preclude a tenant from being eligible for relocation benefits.

### **3.9.3 General Rental Folder**

For each site that is proposed, a rental folder is prepared. The folder contains the following:

- 
1. Rental rate determination.
  2. Advertisement.
  3. Application with Income verification, criminal check, credit check, prior rental history, etc.
  4. Fully executed agreement with Agent Contact Report.
  5. Any correspondence or other papers and documentation that pertain to the leased site.

### **3.9.4 Leasing Eligibility**

Anyone, except Agency employees, may be eligible to lease surplus property that complies with the Agency requirements pertaining to acceptable background, financial capability, and business capability to perform the stated use.

### **3.9.5 Processing the Rental Agreement**

- A. The Agency will provide a rental application to any person or party who is interested in leasing any property owned by or under the control of the Agency. The application must be completed by the applicant and returned to the Agency prior to any reviews or drafting of documents.
- B. Once the application has been completed by the applicant and submitted to the Agency, the application will be reviewed for completeness, clarity of the proposal, eligibility of the applicant, credit history of the applicant, and availability of the property for lease. The Agency must review all required documentation listed below prior to issuance of a new Agreement:
  - a. All exhibits—pictures.
  - b. Right of way maps showing the location of the parcel and improvements.
  - c. All covenants or other documents that create restrictions or encumbrances on the property.
  - d. Underlying leases, licenses, permits (e.g., if the property is being subleased or if there are multiple tenants).
  - e. Acquisition documents.
  - f. All documents referenced in the agreement including electronic copy of existing lease.
  - g. Pertinent facts that may have some bearing on the agreement.
  - h. Emails, including those with engineers.
  - i. Rental or lease agreement.
  - j. Value memo/appraisal.
  - k. Permits, if required (general permit, access connection permit).
  - l. Application form.
  - m. If a legal description is included in document, legal description *must* be reviewed and approved by the Agency.
- C. Upon receipt of the approved lease, the Agency will secure tenant signature. If the lease is for a single-family residence built prior to 1978, appropriate lead base paint/asbestos information will be supplied to the tenant with receipt acknowledged in writing by the tenant.
- D. The original and two (2) copies of the rental agreement will be submitted to Property Management, for review and approval. When the approved rental agreement is returned, the following actions will be taken:
  - a. A letter returning the tenant's copy will be prepared and a copy of the rental agreement will be mailed to the tenant with this letter. Also enclosed, if

- 
- applicable, will be a copy of the appropriate inspection form for the tenant's information.
  - b. The original of the rental agreement will be placed in the Rental File.
  - c. A copy of the rental agreement and the updated Property Management Contact Report will be inserted in the acquisition file maintained in Real Property.

### **3.9.6 Permits and Temporary Use Agreements**

As projects are initiated, it is frequently necessary to secure temporary use permits and agreements from public agencies or railroads. These authorizations may require periodic renewals, payment of rents or fees, or reporting of conditions compliance (i.e., monitoring reports). Obtaining and maintaining such permits or agreements are the responsibility of the RESM. The RESM shall maintain proper filing control procedures to ensure periodic use payments or conditions of such authorizations are completed to secure the necessary project rights. In order to establish define control measures over specific payment dates and amounts, Property Management will maintain the appropriate file upon receipt from the RESM.

- A. When a newly acquired parcel file is sent to Property Management, the RESM will compile the file with copies of all relevant documents.
- B. Property Management will be provided an informal file, containing the following information:
  - a. Project number.
  - b. Project name
  - c. Parcel number.
  - d. Grantor/Owner.
  - e. Document type.
  - f. Expiration or Renewal Date or Term, if any.
  - g. Construction bid date.
  - h. Estimated completion date.
  - i. Use fee and due date.
  - j. Date of filing.
  - k. Copy of original Document.
  - l. Contact information of Grantor.
- C. The original acquisition file shall be maintained by the RESM.
- D. The informal file will be maintained by Property Management:
  - a. The Property Manager shall place action items in a database to track all action items to insure all property rights necessary for the project are properly secured.
  - b. Property Management shall review the file a minimum of ninety (90) days in advance of payment due date, renewal date, or date of termination.
  - c. Property Management shall confirm with Transportation or the RESM that the property interests or use is still necessary.
  - d. For monthly rentals, the Property Management will initiate the processing and payment of the monthly rent to the owner/managing Agent.
  - e. Prior to processing monthly payments, a review of each lease or agreement will be made to ascertain the status of acquisition or condemnation.
  - f. In the event that the Agency acquisition process does not meet the projected schedule or if any other circumstances arise that would change the cost effectiveness of the situation, Property Management shall recommend that the

---

RESM consider termination of the Agreement. The RESM may cancel the agreement after giving adequate notice.

- g. Upon notice of termination, Property Management shall notify Transportation or the RESM of receipt and confirm proper action.
- h. Property Management shall process all appropriate payments or renewals.
- i. If negotiations of terms are necessary, the RESM shall oversee or complete these tasks as needed.
- j. If a new Agreement must be obtained, the Property Manager shall return the file to the RESM for the appropriate activities.

### **3.9.7 Caretaker Rental**

Caretaker agreements are the mechanism used to keep properties occupied that would otherwise be vacant and at risk, pending what can be a lengthy auction process to lease the property. Caretaker occupants are selected upon Agency approval subject to verification of references listed on the rental application and agreement to the caretaker rental terms and conditions. Caretaker agreements are approved and signed by the RESM. The agreement term shall not exceed 12 months. Occupancy is considered short term, with termination allowed after a minimum 30-day notice. Caretaker agreements are subject to approval annually, with rent based on market rent with consideration for occupant maintenance responsibilities, anticipated construction conditions, nature and term of the occupancy.

Caretaker rental is appropriate when project construction activities may be scheduled within a one (1)– to two (2)–year period or may be undertaken on short notice, and the property can best be protected against vandalism, nuisances, or presenting special risk to the neighborhoods by being occupied. A tenant who occupies the property may be a caretaker or holdover tenant. Leasing such property under a competitive process at market rates may not be cost effective, or the Agency may be unable to offer a market rental tenant/Lessee assurance of occupancy that will make the market rental financially feasible to a tenant/Lessee. Caretaker rental properties are offered at budget estimates with consideration of the substantial inconvenience to the occupant(s) during construction activities, such as high or extreme construction noise, temporary loss of parking on the property, a high risk of loss of access due to construction, temporary street and driveway closures, utility relocations with intermittent interruption of service, and other unforeseen events. In addition, a reduced rate may be offered in exchange for maintenance of facilities. A caretaker occupant must agree to vacate after a minimum 30-day notice. Exact circumstances for caretaker rentals depend on the project and/or location.

The following must be completed to process caretaker agreements:

- A. The RESM shall determine caretaker qualifications, responsibilities, and information. These items shall include, but not be limited to:
  - a. The names of parties to occupy the property.
  - b. Developing and receiving agreement to a list of caretaker duties and responsibilities, as well as the term of the agreement.
  - c. Obtaining caretaker rental rates by market analysis, appraisal, or negotiated rates based on the prior rental agreement if the occupant is a holdover tenant. The RESM shall provide a draft of the caretaker agreement to the appraiser.
  - d. *(Optional)* Advertise a notice for caretaker opportunities which lists caretaker duties and responsibilities in an appropriate publication (i.e., area newspaper, Daily Territorial, Craig's List, MLS, or other).
  - e. Obtain caretaker applications, prior rental references, and credit report (*credit*

---

*report is optional).*

### **3.9.8 Personal Property**

The Eminent Domain statutes permit the acquisition of real property only. By exclusion, therefore, personal property cannot be acquired. Although some fixtures qualify as real property, ordinary items of furniture are almost always personal property. When the Agency acquires multi-family properties or, occasionally, single-family residences, that have been rented "partly furnished" or "fully furnished," the furniture cannot be acquired. Although it is not recommended to lease assets with personal property, if the construction schedule or other considerations prompt the Agency to continue renting the units to the current occupants, some contractual arrangement concerning the furniture must be made with the Grantor. Therefore, under these special conditions, the Agency will lease the furniture from the Grantor for a specified period at a specified price determined by Property Management. This price is normally expressed as a percentage of the present rental rate for each unit and is normally paid quarterly to the Grantor. The period of the lease is normally expressed: "Until the premises are vacated by the current tenant." The details of the lease are specified in a Purchase Agreement during the acquisition process. In relation to furniture leases, Property Management will:

- A. As each tenant is relocated, the Agent will advise and notify the Grantor of the fact that the personal property (furniture) is to be removed from the premises within fifteen (15) days, unless a different time limit was specified in the contract.

### **3.9.9 Assignment of Lease**

- A. A tenant may make a written request for Agency approval to assign the lease to another party. The Agency shall review the request and determine whether an assignment of the lease is appropriate or if a new lease is necessary. The review should include a property inspection to determine if the present tenant is in compliance with the lease terms; a rental rate adjustment, if appropriate; and a background and credit check if applicable. Existing rental account must be current with no outstanding balance prior to completion of assignment of lease to new tenant.
- B. Once the review is complete and determined to be acceptable, the Agency prepares an assignment of lease or examines any other assignment form submitted by the requesting parties. Any assignment form other than an approved Agency form must be approved by the RESM and must include the following:
  - a. Release by the present tenant (Assignor).
  - b. Assumption by new tenant (Assignee).
  - c. Approval by the Agency.
  - d. The assignee's address for notification and rental statement purposes.
- C. Once the assignment form has been approved, the Agency secures the signatures of the old and new tenants and submits the assignment and new tenant's notification and billing addresses and current photo(s) of the leased premises to Property Management for further handling.
- D. Once the assignment is fully executed, the original will be placed in Property Management's files and copies will be sent to the RESM, the assignor, and the assignee.

---

### **3.9.10 Protective Leasing**

- A. When in the course of negotiations for the purchase of an improved property, an Agency representative finds an improved property which is vacant, available for rent, and is located in the proposed corridor limits, the representative will immediately notify the RESM. The RESM shall gather and forward the following information for internal consideration of protective leasing:
  - a. The number of available units and the correct address.
  - b. The number of bedrooms, bathrooms, and any other pertinent information concerning the house or apartment.
  - c. The rental amount.
  - d. The name of owner/managing Agent, address, and telephone number.
- B. Upon receiving the above information, the RESM will decide if it is cost effective to rent the vacant unit. In order for it to be cost effective, the rental of available properties must be consummated some time prior to our written offer. If rental properties become vacant after the Agency's written offer has been presented, the subsequent tenants may be eligible for moving costs only, eliminating the benefits of protective rental by the Agency. As a general rule, when acquisition is imminent and appraisals have been started, the RESM should rent the vacant property on behalf of the Agency. This will provide a project savings on any potential relocation benefits for existing occupants.
- C. If it is not cost effective to rent the vacant unit, RESM will advise the owner/managing Agent of its decision not to rent.
- D. If it does appear to be cost effective, RESM will negotiate and prepare a rental agreement that is cancelable by the Agency after giving thirty (30)-day notice of its intent to terminate.
- E. The rental agreement must be signed by the Grantor and accepted and approved by the RESM.
- F. Upon full execution of the rental agreement, the RESM shall transfer the file to Property Management for processing in accordance with the "Controls for Long-Term Agreements and Temporary Use".

### **3.10 Advertising**

- A. Property Management may advertise in appropriate news media outlets to attract potential tenants.
- B. Property Management may also advertise the available property in the Tucson Multiple Listing Service (MLS).

### **3.11 Rental Applications**

An Agency will furnish a rental application to each person interested in renting Agency-owned properties. The rental application must be fully completed and returned to Property Management before the applicant can be given consideration. A letter application may supplement the standard rental application, but may not replace the requirement for the rental application.

- A. **Review of Applications**—Upon receipt of the completed rental application, an Agency

---

may request a credit report through a credit bureau. Past rental history, proof of employment or verification of income, and a criminal background check shall also be completed and reviewed. Using the information obtained in the application, credit report, and verification of rental history, income, and criminal background, an Agent will evaluate whether the applicant is qualified to rent Agency property. If qualified, applications will be placed on file by an Agent in the order of the date received to await availability of the appropriate rental property.

- B. Showing and Renting the Property**—When a property becomes available for rent, an Agent will review the approved applications. Agents will then show the property to qualified applicants until for lease. If a tenant is not selected from the approved applications, the Agency shall advertise for lease the property. When a tenant has been approved to lease the property, the Agent will schedule a move-in inspection of the property.

The Agency should conduct a prompt inspection of the property that has been vacated by a Lessee. In the event that such an inspection reveals a possible environmental problem, the leasing Agent is advised to contact an Agency environmental staff member with a request to inspect the property for environmental issues. The results of this inspection process will dictate whether or not the Agent will request a release of a security deposit and whether further legal action against the tenant is necessary.

### **3.12 Leasing of Surplus Properties**

Responsibility for the care and protection of excess lands is vested in the RESM, but this responsibility may, upon written notification from the RESM, be assigned to Property Management. The responsibility for the sale or lease of excess lands and facility sites is vested in Property Management. For any particular property, an interested applicant will submit a rental request to the Agency, who will:

- A. Determine the availability of the parcel.
- B. Request approval or denial of the lease from the RESM.
  - a. If the RESM disapproves the request for lease, the Agent will submit a letter to the applicant explaining that the parcel is not available.
    - i. If the RESM approves, the Agent will:
      - 1. Establish a rental rate.
      - 2. Prepare and process the lease (or other occupancy contract).

### **3.13 Payment Control Procedures**

It will be the responsibility of Property Management to conduct periodic inspections of the files.

- A. The Agency shall be responsible for monitoring the lease during the tenant's occupancy. Monitoring shall include:
  - a. Acting as liaison between the tenant and Agency by answering questions and resolving any problems which arise.
  - b. Inspecting the leased premises as necessary to ensure compliance with lease terms.
  - c. Adjusting rental rates in accordance with lease provisions.



---

### **3.13.1 Rent Collection**

In compliance with accounting requirements, all rental payments must be deposited within 24 hours of receipt. The initial rental payment, which may be paid at the time the rental agreement is signed, may be paid and deposited in the region or mailed directly to the Agency by the tenant.

### **3.13.2 Rent Adjustments**

When a lease contains a provision for rent review or adjustment, rent should be adjusted as follows:

- A. Adjust the rent every year by either:
  - a. The percentage change that occurred during the preceding calendar year in the U.S. Consumer Price Index for all urban consumers (U.S. CPI-U), using the data as published by the U.S. Department of Labor's Bureau of Labor Statistics; or
  - b. In an amount that reflects changes in comparable rents as identified in an appraisal/market evaluation. After the fifth year, rent should be reviewed and revised based on an appraisal/market evaluation.
- B. If construction is expected to exceed the estimated completion date, a file will be so noted and appropriate action will be taken to extend the existing agreement or enter into a new one.
- C. The RESM will be advised of any forthcoming payment due or changes in negotiated agreements.
- D. The file will be reviewed within 90 days of the date of the necessary extension, renewal, or termination of the agreement.

The Property Manager shall follow the practices of the "Controls for Long Term Agreements and Temporary Use".

### **3.13.3 Refunds for Early Vacation**

- A. If a tenant vacates prior to the end of the rental period, the Agency confirms the following:
  - a. All rent payments are current.
  - b. The tenant gives proper notice as required by the lease prior to vacating.
  - c. The premises are left reasonably clean and in a condition similar to that which existed prior to leasing.
- B. The Agency initiates a refund by transmitting a memo, a property inspection with photos of the vacated premises, and a status report to Finance. For nondisplacee leases, rent may be refunded based on the terms of the individual lease.
- C. Agency reviews and approves, if appropriate, the refund request; prepares and processes an appropriate voucher; and mails the refund to the tenant when it becomes available. Once processed, a copy of the final check will be forwarded to the RESM.

### **3.13.4 Delinquent Rentals**

- A. Property Management shall generate a rental delinquency/default report that lists all leases that are more than 15 days delinquent. With the aid of this report, and in

---

conjunction with the Agency, Property Management:

- a. Prepares and mails a delinquency letter to each tenant listed that is more than 15 days delinquent requesting payment.
  - b. Attempts to contact tenant.
  - c. Follows up on the delinquency in the next billing cycle and checks Finance to determine if the delinquent rent has been paid. Final attempt to collect rents due and owed are made by mailing a certified letter to the tenant setting forth goals and deadlines for payment of the delinquent rent. The certified mail receipt number must be noted in the letter to the tenant. Copies of this letter must reside in the property management file.
- B. If tenant remains on the premises and does not submit rental payment, Property Management should follow procedures titled “Actions to Evict tenant”.
- C. After a completed action to evict the tenant, Property Management shall inspect the property to verify that the property has been vacated and left in an acceptable condition. The Agency will work together to enforce any court judgment.
- D. Property Management shall then prepare a detailed report with photos of the premises and damaged items, including a list of any missing items. The report should include a description of any abandoned personal property, excessive debris, or hazardous materials.
- E. If a property is vacated and rent is still due and owing, the Agency may turn the delinquent account over to a private collection agency for further handling.
- F. If the debt is uncollectible, the Agency may proceed to write off the debt and makes appropriate determinations and reporting.

### 3.13.5 Accounts Receivable

All reporting should be performed on a monthly basis.

### 3.13.6 Fees for Occupancy

- A. **Rent**—Payment of the first month's rent is required from all tenants prior to occupancy of Agency-owned property. The first month's rent may be pro-rated on a daily basis if rental is starting after the first of the month.
- B. **Security Deposits**—A security deposit is required from all tenants of Agency-owned property, except for those with leases involving nominal rent (less than \$1,200.00 annually), an eligible relocatee/displacee, hardship cases, or for extenuating circumstances. A relocatee/displacee may be a Grantor of real property to the Agency wishing to occupy the premises beyond the date that possession passes to the Agency. Non-Grantor relocatees/displacees may be a Lessee (tenant of the Grantor wishing to continue occupying the premises after possession passes to the Agency) and may be required to submit a security deposit to the Agency at the time of payment of the first month's rent. The purpose of the security deposit is to indemnify the Agency against property damage in excess of normal wear and tear or against non-payment of rent. Deposits required on residential properties are equal to one (1) month's rent. Deposits required on commercial properties or vacant land are established in proportion to proposed use. Although a security deposit is normally required for the lease of Agency-

---

owned land, a bond may be accepted with the approval of the Agency. Rent and deposits are paid by check or money order and mailed or delivered to the Agency as stated within the fully executed Agreement.

### **3.13.7 Processing Rental Agreement Funds**

Upon receipt of an applicant-signed original and copy of a rental agreement, the payment for the first month's rent and the security deposit will be processed as follows:

- A. Payments may be received as check, money order, or credit card if allowable by the Agency. If payment is made by check or money order, the payment will be sent to the Finance Department for proper recording in accounts receivable.
- B. The rental agreement will be annotated as follows:
  - a. Date initial payment is received.
  - b. Amount and type of initial payment.

### **3.13.8 Rental Payments and Delinquent Rental Accounts**

- A. **Rental Payments**—For most rental agreements, rent is due on the first day of each month and delinquent after the seventh day of each month. However, any rental agreement negotiated and approved after the first day of the month will be prorated on a daily basis and the rent paid will be for only those days remaining in the month.
  - a. Rental payments should be payable and mailed to, or made in person to the party identified in the Agreement.
  - b. Initial or periodic rental payments, or the payments of the initial security deposit, made to an Agent or to Property Management will be processed in accordance with procedures specified in 3.11.7. Processing Rental Agreement Funds.
- B. **Delinquent Rental Accounts**—Rental agreements for which payment is not received by the seventh day of the month in which it is due shall be classified as delinquent. The length of time the account remains delinquent dictates the course of corrective action, which Property Management will initiate to collect the delinquent rent.
- C. **Late Charge**—Property Management, upon preparing a lease, will establish a late charge. If on the seventh day of the month the rent remains unpaid, the late charge will be calculated on a daily basis from the eighth day until the rent is received. Late charges will be paid by tenants simultaneously with the rental fee. Property Management, at its discretion, may elect to waive late charges.
- D. **Reports of Delinquent Rental Accounts**—Property Management shall provide a "Delinquent Rental Report" to the RESM twice each month. The report should list all delinquent rental accounts as of the report date. Property Management shall review the report in a timely manner and, when a delinquent lease is detected, initiate the appropriate action.
- E. **Actions Required to Produce Stable Rental Payments**
  - a. *Seven (7) Days Past Due*—When a rent payment is seven (7) days past due, the Agent contacts the tenant either by telephone or in person and requests the account to be brought current to include all accrued late charges. If there is an unsatisfactory response or no response at all to the contact, the Agent then sends, either by registered mail with return receipt requested or by hand delivery,

- 
- a Notice to Pay Rent or Quit to the tenant. All such contacts are documented via contact sheet and placed in the respective parcel file.
  - b. *Seven (7)–Day Grace Period*—Following the tenant’s receipt of the Notice to Pay Rent or Quit, a seven (7)–day grace period is generally allowed for compliance. If the tenant pays all delinquent rents during the seven (7)–day grace period, occupancy is automatically reinstated.
  - c. *Notice of Termination of Rental Agreement Letter*—This notice contains a deadline that, if missed, results in termination of the lease and an issuance of a written notice for the tenant to vacate the premises. All notices will conform to the Arizona Landlord/tenant Act. If by the end of the grace period the tenant has neither paid the delinquent rent nor made satisfactory arrangements with the Agent to fully liquidate the indebtedness, a Notice of Termination of Rental Agreement is sent and distributed as follows:
    - i. The Notice of Termination of Rental Agreement shall be sent by certified mail or hand delivered by an Agent.
    - ii. If the ex-tenant, within a short period of time after receipt of the Notice of Termination of Rental Agreement, fully liquidates the indebtedness or makes satisfactory arrangements to do so, the Agent may, according to their best judgment:
      - 1. Issue instructions to regain possession of the premises.
      - 2. Reinstatement the tenant as a legitimate occupant.

### 3.13.9 Collecting Delinquent Rents from Ex-Tenants

When a tenant vacates an Agency-owned property and owes rent, despite the Agent’s efforts to recover; the Agent will either seek legal action or write-off the bad debt.

- A. **Legal Action or Bad Debt Write-off**—If efforts to locate the ex-tenant have failed, or if they have been located and no payment has been received, the account will be forwarded to the Agency’s legal counsel for further action. If the amount is such that it is not feasible to pursue collection, the Agent shall prepare a memo to the Finance Department requesting the delinquent rent be written off as uncollectible. The memo will be accompanied by a written statement advising of non-collectable debt from the Agency’s legal counsel. Amounts recovered by that office would be remitted back to Finance, minus appropriate expenditure by the Legal Department. The Agency legal counsel will notify Property Management of delinquent rent settlement advisal. Property Management shall prepare a memo to Finance requesting the delinquent rent be removed from the delinquent rent roll. The memo will be accompanied by the appropriate settlement advisal issued by the Agency legal counsel.
- B. **Documentation**—It is essential that the assigned Agent document each step taken and put such documentation in the Rental File.

### 3.14 Actions to Evict Tenant

- A. At the expiration of the time allowed in the Notice to Pay Rent or Quit, if the tenant has neither liquidated the indebtedness nor vacated the premises, an Agent will prepare a "Request for a Forcible Entry Detainer Action Memo". The original and three (3) copies will be submitted to the Property Manager and the following entities:
  - a. Original to Agency Legal Department, together with the following attachments:
    - i. Copy of the rental agreement.
    - ii. Copy of each notice to tenant, pertaining either to delinquent rent or an

---

order to quit. If delivery was made by certified mail, a copy of the return receipt must be included; if personal delivery was made, the name of the person making such delivery must be included.

- b. Copy to Property Management rental file.
  - c. Copy all records to the acquisition file maintained in Real Property.
- B. Following legal resolution of the "Request for Forcible Detainer Action" and evacuation of the premises by the tenant, the Agent will prepare and process an inter-office memo notifying the RESM.
- C. **Agent Takes Possession**—When the property has been vacated, an Agent will inspect and assume possession of it for the Agency.
- D. **Rehabilitation Cost Estimate**—An Agent will inspect the property and may prepare a Feasibility Analysis and Report, or an update thereto, as applicable. Based upon the recommendation contained in the Agent's report, Property Management will determine whether the improvement is to be re-rented, demolished, or secured.
- E. **Resume Normal Property Management**—From this point, the disposition and management of the property will be in accordance with appropriate chapters of this Manual.

### 3.15 Inspection of Real Property

Efficient property management demands that leased property be periodically inspected.

- A. The purpose of property inspections is to insure that:
- a. The tenant is maintaining the property in a condition equal to or better than it was at time of possession, as required by the terms of the lease.
  - b. Property meets the requirements of being habitable as required by ARS and the terms of the lease.
  - c. No environmental or health-related conditions have occurred since the previous inspection.
  - d. The property is being used in accordance with the terms of the lease.
  - e. There is no evidence of unauthorized sub-leasing on the property.
- B. **Frequency of Inspections**
- a. A drive-by (exterior) inspection monthly, where practical to do so, to ensure that the tenant maintains the property as called for in the rental agreement. Date of inspections shall be documented in the rental file.
  - b. An on-site inspection, including interior of buildings, at least once every calendar year. Date of inspection shall be documented in the rental file.
  - c. Within 3 days of Lessee or tenant vacating the premises.
  - d. Immediate upon determination of vacancy by the tenant without notice.
  - e. The land or improvements, or both, undergo a substantial change in character; for example, if the Lessee or tenant creates conditions which might attract and sustain rodents.
  - f. The Agent has cause for concern and believes an inspection is warranted.
- C. **Documentation**—Whenever Property Management inspects property; the results will be recorded on either a Property Inspection Report or Agent Contact Report. When all

---

appropriate actions in relation to the inspection have been completed, all appropriate documentation will be inserted in the permanent rental file.

- D. **Tenant Notification of Landlord's Inspection**—Prior to entering onto or within the premises of a leased property, the authorized Agent will give the applicable tenant at least two (2) days (48 hours) notice of the intent to inspect.

### 3.16 Determination of Property Disposition

#### 3.16.1 Evaluation of Property Disposition

When the Agency acquires an improved parcel of real property for right of way purposes, the RESM has the responsibility to determine what the most beneficial ultimate disposition of the improvements will be. The following options will be considered:

- A. **Construction Schedule**—If the construction schedule is within three (3) years, it preempts any other consideration. Whether or not the improvements to the land or the land itself can be leased, or the improvements sold or demolished, has relevance only if the construction schedule for the particular project is sufficiently in the future to make such action practical.
- B. **Retention**—The Agency may elect to move and use the improvements at another location. If RTA program funds were involved in the acquisition of the improvement, the value of the improvements will be credited in an amount commensurate with the salvage value of the improvement to the RTA.
- C. **Renting or Leasing**—If the construction schedule is more than three (3) years in the future from close of escrow, the renting or leasing of the structures may be pursued. If this course of action is taken, the Agency will inspect the improvements to assure that they are in a rentable condition as defined in the Feasibility Analysis and Report.
- D. **Auction Sale**—If the construction schedule is within three (3) years, reducing the potential that leasing the improvements may be practical, an Agent will inspect the property to determine whether the improvement can be moved within the prescribed time frame. The Agent may ask house-moving specialists to inspect the property to ensure that the structure is worthy and capable of movement. If the Agent believes that the improvements are salable, an auction will be held in order that everyone interested has an equal opportunity to bid for them (see Chapter 5).
- E. **Demolition and Clearance**—At the time of project need, bids for demolition of improvements and clearance of the land will be solicited.
- F. **Asbestos Testing and Abatement**—Prior to the sale or demolition of any improvements located on Agency-owned property, each improvement shall be tested for asbestos. If positive results are obtained, the asbestos will be abated in accordance with procedures set forth in Federal, State, and local laws.
- G. When making the determination concerning the disposition of improvements to the land, the RESM may request that a Feasibility Analysis and Report be prepared for the property. This analysis provides a detailed list of rehabilitation requirements and a conclusion concerning whether or not rehabilitation is in the best interests of the Agency. Based upon all data provided from all sources, the assigned Agent will recommend a

---

course of action to the RESM who will make the initial decision. Depending upon the variety of disposition, higher echelons of management may be required to concur with or reject the demolition of improvements and clearance of the land will be solicited. This course of action is followed as a last resort because it produces no income; indeed, it is an additional cost to the Agency above the acquisition cost.

Upon acquisition of property and or structures by the Agency, all monies spent to repair or maintain the property must follow these guidelines:

- H. An inspection is conducted by the RESM; photographs of exterior, interior, landscaping, outbuildings and any other components of the purchase shall be taken, and the RESM shall complete an inspection report identifying the condition of all public assets acquired (good and bad).
- I. If property or structures are intended to be rented or leased, they shall be safe, sanitary and inhabitable. *This does not mean that unnecessary work must be done nor special requests of the renter or Lessor be met.*

When considering the cost to repair a property, this formula shall be used:

- J. If the monies spent cannot be recuperated within a three (3)–year rental or the financial investment to produce a marketable property is not recoverable in the timeframe of the interim use, then the repairs or maintenance must be re-evaluated and the structures may need to be considered for demolition.

### **3.17 Vacant Lands Management**

The Agency, as an owner of public lands, reserves the right to protect itself and the public from unauthorized use of its property. In the interest of public health, sanitation, or quiet enjoyment, it is necessary from time to time to take the actions indicated in subsequent paragraphs.

- A. **Prevention of Unauthorized Entry**—There are occasions when the public uses Agency-owned vacant land for public parking, a public playground, and automobile or motorcycle raceway, etc. Such uses may be extremely dangerous and produce noise and air pollution. In order to prevent injury or nuisance, Agency may:
  - a. Post "No Parking" and/or "No Trespassing" signs: When unauthorized uses of public lands are observed by or reported to Property Management, appropriate notices to the public will be prominently posted on the premises.
    - i. For enforcement of the "No Parking" or "No Trespassing" provisions, Agency will normally have the assistance of the City Police Department.
    - ii. When the purpose for which the sign was posted no longer exists, Property Management will issue instructions to remove the sign. If the sign has deteriorated to the degree that it cannot be used again, it may be discarded; if it can be used again, it will be maintained in an appropriate place by Agency.
  - b. *Trenching and Fencing*—If usual efforts fail to prevent vehicle entry to Agency-owned vacant lands, it may be necessary to dig trenches and/or erect fencing around the perimeter of the parcel. This may be accomplished through Property Management, upon request, or by a task order.
  - c. *Removal of Unauthorized Vehicles*—If the property has been clearly identified with "No Parking" and/or "No Trespassing" signs, and unauthorized vehicles

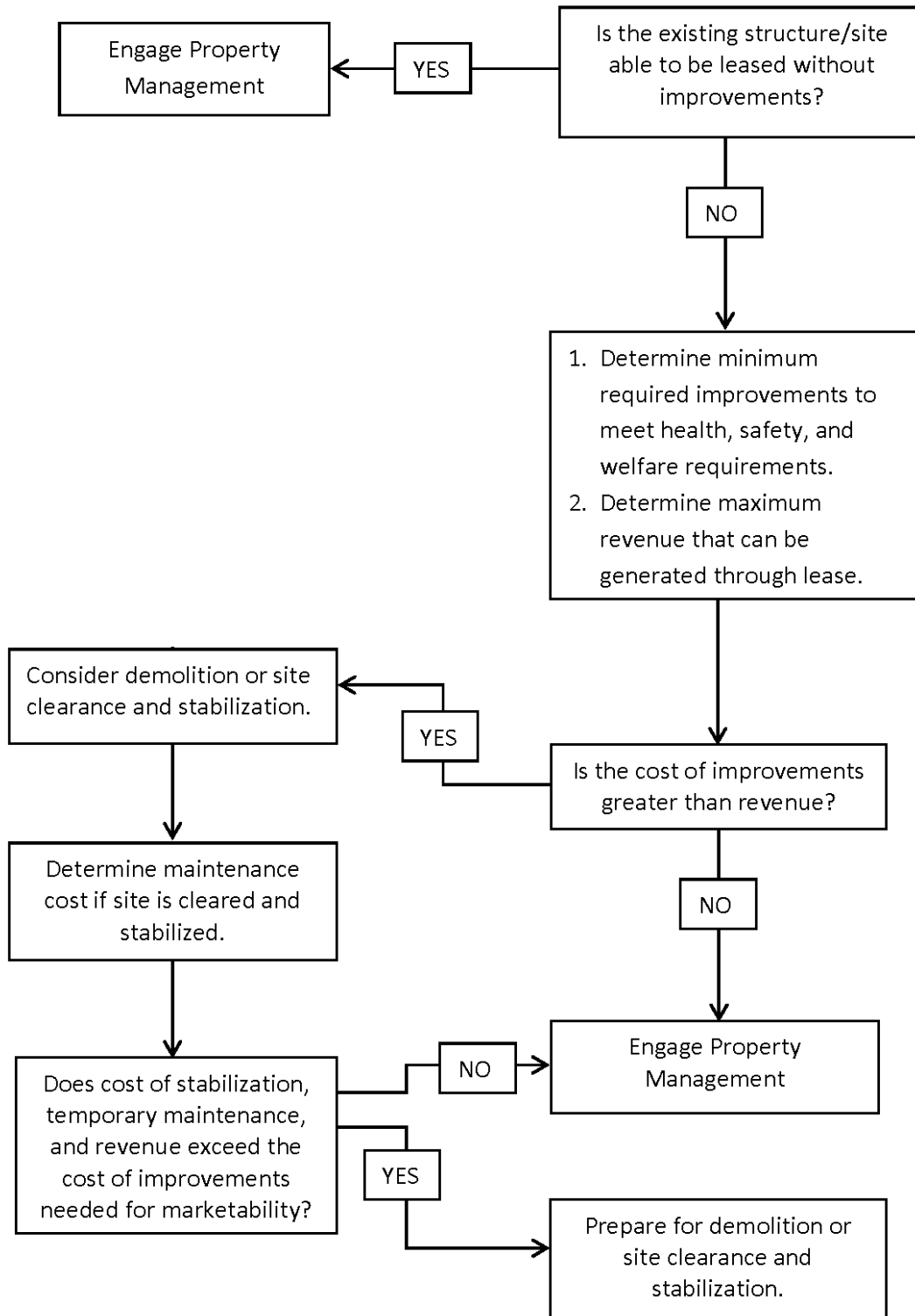
---

continue to utilize it for parking or any other purpose, Property Management will utilize the appropriate contractor under contract with the Agency to remove and/or impound the vehicles. This will be accomplished through the use of a task order.

- B. **Noxious Weed and Dust Control**—Weed and dust control will be accomplished by task order or contract as identified in Section 3.6.2.A.
- C. **Improved Property Landscape Maintenance**—When an improved parcel is vacant, but available for lease, it is necessary that the yards be maintained to prevent them from becoming eyesores. Property Management will utilize the appropriate contractor under contract with the Agency to maintain, on an ongoing basis or as needed, the grounds of each parcel. Upon the premises being re-rented, Property Management will terminate the maintenance service.
- D. **Pool Maintenance**—When Agency acquires a property with a pool or spa, Property Management will utilize the appropriate contractor under contract with the Agency to maintain and repair the pool/spa until such time as the improvements are to be demolished or sold.



**Flow Chart 2. Determination of Interim Use**



---

## Chapter 4—Property Management

- 4.1—Scope
- 4.2—Administration
- 4.3—General
- 4.4—Implementation
- 4.5—Rehabilitation
- 4.6—Maintenance
- 4.7—Contractor Selection
- 4.8—Contractor Oversight
- 4.9—General Contract terms
- 4.10—Rodent Control
- 4.11—Security

### 4.1 Scope

The procedures specified in this chapter are intended to describe some of the functions and activities performed for property rehabilitation and maintenance by the Agency. The properties to which these procedures apply include all improved rental properties that are currently owned or will be acquired by the Agency for public project purposes, excepting only those parcels that are cleared soon after acquisition to facilitate construction.

### 4.2 Administration

Rehabilitation and maintenance operations will be administered by the Agency's Property Management department. The functions and activities will be performed by the Agency or designees for rehabilitation and maintenance. There may be occasions when the services of commercial contractor estimators are required; these shall properly be contracted by the Agency.

### 4.3 General

At some stage in the life of an improved rental property, the structures may have depreciated to the degree that they are no longer capable of generating a stable income. This depreciation may be the result of physical deterioration, functional obsolescence, economic obsolescence, or any combination of these. Economic obsolescence is usually considered to be incurable; the other two (2) forms of depreciation can usually be corrected in some degree and prolong the economic life of the property. The purpose of rehabilitation is to restore structurally sound buildings to a fit and habitable condition, which is sufficient to generate a regular income stream. A decision to rehabilitate a building is sound only if the restoration costs can be recovered over the certain economic life of the property and if the probable income from the property will provide a reasonable return on investment. Such restoration requires continuing maintenance over the life of the property, and the amount of maintenance will vary with the original quality of construction, the neighborhood, the tenants, and other factors.

### 4.4 Implementation

The Rehabilitation Program and the Maintenance Program are separate activities. The major phases of each are as follows:

- A. **Rehabilitation Program**—This Program will normally be implemented prior to the rental of an improvement and will proceed through four (4) consecutive phases:

- 
- a. Physical property inspection.
  - b. Repair specifications and cost estimates.
  - c. Feasibility analysis and report (if applicable).
  - d. Rehabilitation or clearance of the improvement.

**B. Maintenance Program**—This Program, consisting of normal upkeep, minor, major, and emergency repairs, will usually involve the following elements:

- a. Notification or complaint from tenant.
- b. Tenant contact and property inspection.
- c. Inspection by contractor, if required.
- d. Determination of repair method.
- e. Cost estimate of necessary repairs.
- f. Inspection and certification of completed repairs.
- g. Accountability and documentation.

## **4.5 Rehabilitation**

### **4.5.1 Rehabilitation and Repairs**

Before any non-emergency work is started by the approved contractors, the Agency shall:

- A. Prepare a written list of repairs or maintenance items.
- B. Obtain a not-to-exceed estimate of costs from the contractor.
- C. Review the estimate.
- D. Prepare a budget and forward to the Real Estate Services Manager (RESM) for review.
- E. Upon receipt of approval, issue contractor a written notice to proceed.
- F. If, during the course of work, additional repairs or maintenance items are discovered which exceed the original cost estimate, additional approvals shall be obtained as outlined in Step D above. Repair and maintenance estimates for less than \$15,000.00 may be approved by the RESM. *Verbal requests or approvals of work from the agency to the contractor are not acceptable. In emergency situations, verbal requests and approvals shall be accepted, with a hard copy form completed thereafter.*

Once the work is reported completed by the contractor, the Agency shall make an inspection for completion and satisfaction of the requested work. When invoices are received from the contractors, they shall be compared to the repair list prepared by the Agency, and all work shall comply with the scope of work under the contract. The scope of work and invoice amount shall not exceed the estimate costs previously approved without additional written authorization from the Agency authority. Invoices shall be processed for payment by the Agency within 30 working days, and all questions concerning the issuance of the contractors' checks shall be referred to the RESM.

*All pictures and copies of inspection lists, invoices, and written communication shall be kept in the applicable property file.*

*Reports or requests for repairs or any other matter are made to the Agency as stated within the fully executed rental or lease agreement.*

---

#### 4.5.2 Rehabilitation Cost Estimates by Commercial Contractor Estimator

A commercial estimator holding an appropriate contractor's license may, on occasion, be utilized to produce the rehabilitation cost estimate. This requirement might occur if the building restoration were extremely complex or technical or if the buildings were very large commercial or industrial types.

- A. **Estimator Selection**—The Agency shall make the final selection of the commercial estimator, and the selection will be accomplished in accordance with the Agency standard procurement practices and procedures established for that purpose. Except in the most unusual circumstances, the company selected specifically to perform estimator services shall not be retained to perform the building restoration. When selected, the estimator will be retained by a contract administered by the Agency. The estimator's contract will provide for the initial property inspection, preparation of a comprehensive rehabilitation cost estimate (including materials and workmanship specifications), periodic inspection of in-progress work of the repair contractor, and the inspection when the work is completed.
- B. **Subsequent Estimator Activities**—The commercial estimator will conduct an inspection before, during, and after restoration and at other times as required. Reports of these inspections will be submitted to the Agency as soon as possible after each inspection. While the rehabilitation work is underway, the estimator will be responsible for coordinating all change orders, handling all special or unusual conditions in connection with the subject property, and maintaining regular communications with Agency, the restoration contractor, and any subcontractors.

#### 4.5.3 Physical Inspection

When an improved property has been acquired and the determination has been made that it should be rented, the RESM will provide the property address, the project number, and the parcel number to the Property Manager with a request for a feasibility analysis and report. Property Management will visit the property and conduct a detailed physical inspection, documenting observations while on the site.

- A. **The Land**—The landscaping and grounds will be given careful scrutiny for signs of disease, gross inattention, clutter, debris, and unevenness of terrain (holes, ditches, etc. should be filled). The condition of fences, walls, gates, flatwork, miscellaneous yard improvements, and the need for pest control will be noted.
- B. **Exterior of the Building(s)**—The Agency will examine the exterior of the improvements, with particular attention given to the roof and overhangs, the exterior walls, the foundation, the utility meters and boxes, the air conditioning, the water heater, the exterior doors and porches, and any other exterior components or accessories. Accessory buildings such as garages and storage sheds will be inspected. If the windows and doors have been boarded for security, the requirement to remove them will be noted.
- C. **Interior of the Building(s)**—The Agency will inspect the interior for cracks in the walls and ceilings, broken windows, the condition of floors and carpets, painted surfaces, shelves, cabinets, hardware, etc. Plumbing, gas, and electrical outlets will be inspected for utility and safety, noting whether or not these systems will require the services of skilled specialists.

- 
- D. **Photographic Evidence**—As an attachment to the analysis and report, at least one (1) photograph of each side of the building and each room is required. If the evaluator believes that other photographs will contribute to the clarity and easy understanding of the report, as many photographs as are required may be attached. As a general rule, photographs of gross vandalism, severe physical deterioration, or defects that may be dangerous or unhealthy will be attached to the report.

#### 4.5.4 Repair Specifications and Cost Estimate

Following the inspection of the property, the Agency (or contract estimator) will prepare a comprehensive, detailed estimate of the costs required to rehabilitate the subject property, specifying the nature, quality, and extent of remedial repairs to be performed. Following are some of the considerations and requirements of the estimate:

##### A. Standards

- a. The cost estimate will be developed by a contract estimator, and the specifications will be prepared in accordance with the standard practices of the construction trade and local codes and requirements.
  - b. The cost estimate developed will assume that all work will be performed by licensed and bonded commercial contractors. All specifications will be in accordance with the standard practices of the construction trade and local codes and requirements. Any and all costs charged by commercial contractors should be fully documented and budgeted.
- B. **Cost Data**—In preparing the estimate, the Agency will utilize all available data contained in the Agency files and current costs for materials and labor in accordance with current service contracts awarded by the Agency for maintenance and repairs. The Agency may also utilize price indexes contained in construction cost manuals, quotations from local materials suppliers, and estimates from local commercial contractors.
- C. **Materials Labor Breakdown**—If the cost estimate is being developed by staff, the itemized list of repairs and costs will be followed by a breakdown that will give totals for materials, labor, and special items that may be performed only by commercial contractors. This breakdown is also necessary for estimates prepared by a contract estimator and shall be specified in the contract.

#### 4.5.5 Feasibility Analysis and Report

When the Rehabilitation Cost Estimate is completed, a report of final recommendations will be prepared upon request, based either on the Agency's own cost estimate or on that prepared by a contract estimator.

- A. The report will reference the property address, the project number, and the parcel number.
- B. The stated purpose of the report shall be to estimate the costs necessary to restore the subject property to a rentable condition; a brief description of the physical condition of the property will also be made.
- C. The structure of the report will consist of the following essential elements:
  - a. An itemized list of the proposed repairs and other rehabilitation work.
  - b. Monthly rent computations and net income projections, including deductions for prior expenditures.

- 
- c. The Agency's final conclusions, justifications, and recommendation.
  - D. All estimates of expected income will be based on projections through the available life of the site prior to the need for the project. The estimates should be completed based on one (1)–year, three (3) –year, and five (5)–year projections unless otherwise specified, and should adequately justify the total costs of rehabilitation, as well as the costs of normal maintenance during the rental period.
  - E. Whenever a tenant vacates a rental unit, the Agency will inspect the property and may submit a full feasibility analysis and report or an update to a prior report on the same rental unit.
  - F. The finished feasibility analysis and report will be submitted to the Property Manager and RESM for approval and signature. If the final recommendation was for rehabilitation rather than demolition, the signed report will be processed for action. When the Agency has implemented the findings of the report, it will be placed in the appropriate rental file.

#### **4.5.6 Rehabilitation or Demolition of Improvements**

The decision to rehabilitate or demolish improvements to the land will be based upon the recommendations specified in the feasibility analysis and report.

- A. If it is recommended by the Agency that the improvements should be demolished and appropriate authorities concur in the recommendation, the demolition procedures of this manual will be followed.
- B. If it is recommended by the Agency that the improvements should be rehabilitated and appropriate authorities concur in the recommendation, one (1) of the following courses of action will be taken:
  - a. A contractor or group of contractors will be used to accomplish the necessary repairs. The contractors utilized are those who have entered into a contract with the Agency for maintenance and repair services.
  - b. Tenant labor may be used to affect the necessary repairs upon written Agreement.
  - c. Any combination of (a) and (b) above.
- C. The selection of the type of labor (i.e., a contractor or the tenant) will be used based upon:
  - a. The market value of the improvement(s) and the probable income that the property can generate over the projected one (1)–, three (3)–, and five (5)–year periods, unless otherwise specified.
  - b. The extent and complexity of the necessary repairs.
  - c. The technical ability of the tenant to perform the necessary repairs.
  - d. *Safety Considerations*—Electrical, plumbing, or gas repairs will always be performed by qualified license and bonded contractors.
- D. Some portion of the total repairs for single-family residences normally can be performed by the tenants. In accordance with the recommendations of the feasibility analysis and report, the Agency may permit tenant labor in lieu of rent for a specific period following initial occupancy. The Agency will be responsible for decisions regarding tenant labor, rent, and adjustments, including paint and material allowances. A written agreement shall state all terms of the agreement and stipulate the repairs to be made by the tenant.

---

The agreement shall be placed into the rental folder and a task order will be prepared. The tenant's work will be inspected and approved.

#### **4.5.7 Rehabilitation Contract**

When it is determined that complete rehabilitation is feasible and economically sound, and the total cost will be in excess of \$10,000.00, the work will be performed by a licensed and bonded contractor or group of contractors. In this case, the Agency shall make the final selection of the contractor(s) based on qualifications, and the selection will be accomplished in accordance with procurement standard practices and procedures established for that purpose.

#### **4.5.8 Rehabilitation with Tenant Labor**

For most single-family residences and some other properties, some of the necessary repairs can be performed by the prospective tenant. Examples of such repairs are the patching and painting of interior walls, exterior and interior cleaning, shampooing of wall-to-wall carpeting, the replacement of bowls and dishes for ceiling light fixtures, etc.

- A. If the Agency's recommendation specified rehabilitation to be the most economical course of action, the feasibility analysis and report will be delivered to the Agency for action.
- B. The report will contain an estimate of the rental income that can be expected from the property and will also contain a recommendation for the maximum period of occupancy, which should be awarded for tenant labor in lieu of rent.
- C. When interviewing tenants, the Agency will ascertain the extent of repairs which each desires to perform. Depending upon the tenant's desires, abilities, and limitations, the Agency will attempt to arrive at a mutually acceptable arrangement for specific repairs to the property.

### **4.6 Maintenance**

#### **4.6.1 Regular Maintenance**

Once a given property has been rehabilitated and the normal occupancy period is established, it will periodically become necessary to perform certain maintenance functions on the land and building(s) in order that they may remain in a habitable condition.

- A. Maintenance on the land generally encompasses the watering of all yards, trees and shrubs; periodic cutting and trimming; and related yard work duties, which are normally required in the standard rent contract.
- B. Maintenance on buildings includes the degree of normal upkeep required to maintain the dwelling in a decent, safe, and sanitary condition, which is normally a requirement of the standard rent contract.
- C. In addition to post-repair inspections (as discussed in the following paragraphs), the Agency will conduct periodic inspections of all occupied properties to assure that the premises are being maintained in good condition and in compliance with existing rental agreements.

#### **4.6.2 Normal Upkeep**

Throughout the rental period of a property, normal wear and tear will reduce the utility of various

---

components of the improvement. Usually, these defects require minor repairs or the replacement of parts, and are within the capability of the average tenant. Upon notification from the tenant, or any other source, that some part of the improvement needs minor repair, the Agency may authorize the tenant to purchase the materials, make the repairs, and deduct the cost of the materials from subsequent month's rent. When the work has been accomplished, the Agency will inspect the repairs for quality and, particularly, safety. Also, there are occasions when the tenant's complaint will be referred to the Agency immediately, and the Agency will inspect the defect. After analysis, the Agency will determine whether or not the repair is within the capability of the tenant. If it is not, the Agency will arrange for an approved contractor to perform the repair.

#### **4.6.3 Major Repairs**

Throughout the rental period of a property, any repairs, which are beyond the capability of the tenant, will be the responsibility of the Agency. Upon notification by the tenant that some fixture is inoperative, or some part of the house has been damaged, a task order will be prepared which specifies the general nature of the complaint. Upon completion the Agency will:

- A. Physically inspect the inoperative appliance or the damaged area and determine the cause of the deficiency.
  - a. If the tenant, through neglect, malice, or any other cause, is directly responsible for the damage, the Agency will refer the tenant to the appropriate clause in the rental agreement that specifies that such repairs are the responsibility of the tenant.
  - b. If the damage has resulted from any other cause, the Agency will estimate the cost of repairs and complete the appropriate portions of the task order.
- B. Contact the appropriate contractor under contract with the Agency and request an inspection and a cost estimate. Normally, an Agency representative will join the contractor at the building and discuss the nature and cost of the repairs.
- C. If the repair cost is less than \$10,000.00, provide written authorization to proceed to the contractor. Normally, the Agency will visit the building while the repairs are being performed and ensure that the quality of work is accomplished in accordance with Agency standards, the standards of the industry, and the local codes.
- D. When the contractor's work is completed, make a detailed physical inspection of the repairs. If the Agency is satisfied that the work has been performed professionally and in accordance with specifications, the Agency will:
  - a. Complete the description of the event and sign and date the task order.
  - b. Upon receipt of the contractor's invoice, process the invoice and the completed task order for payment.
- E. If the Agency does not have an existing as-needed contract for a specific repair, the Agency will proceed as follows:
  - a. Contact at least three (3) contractors for submission of bids as follows:
    - i. Over \$10,000—Written quotes or Invitation for Bids Request for Proposals.
    - ii. Between \$1,000 and \$10,000—Written quotations (three [3] minimum).
    - iii. Less than \$1,000—Competition not required. Reasonable competition should be utilized.
  - b. Select the lowest, most responsible bid and assign work to contractor.



---

#### **4.6.4 Emergency Repairs**

"Emergency Repairs" are those which necessitate immediate attention for reasons of health, safety, or essential need and which are normally beyond the capabilities of the average tenant. When contacted by the tenant, the Agency or designee for weekend, holiday, and evening calls, will:

- A. Proceed with contacting the appropriate contractor in accordance with the procedures set forth above.
- B. Under special circumstances, such as weekends, holidays, or severe time limitations, rental agreements provide that emergency repair services may be obtained by the tenant's own initiative.
  - a. Upon completion of such repairs, a full inspection will be conducted and a report will be prepared. The report will be approved by the Agency and placed in the rental file.
  - b. The cost of these emergency services may be paid as follows:
    - i. If the tenant paid the vendor's invoice, the cost may be deducted from the next subsequent month's rent provided that the cost is documented by the vendor's invoice, the invoice is marked "paid" and signed by the vendor's representative, or the invoice is accompanied by the vendor's receipt of payment after subsequent inspection showed that the work was necessary and that it was performed in accordance with Agency standards.
    - ii. If the tenant paid the vendor's invoice, the tenant may be reimbursed for the cost of the repairs, provided:
      1. The tenant requests reimbursement.
      2. Subsequent inspection showed that the work was necessary and that it was performed in accordance with Agency standards.
      3. The Agency, after investigation, approved reimbursement.

#### **4.7 Contractor Selection**

The Agency shall make the final selection of the contractor(s) utilized by the Agency for maintenance and repairs. The selections will be accomplished in accordance with procurement standard practices and procedures established for that purpose. Agency will maintain the following:

- A. List of approved contractors.
- B. Copy of complete bid package, including terms and specifications.
- C. Copy of executed contract and emergency numbers for each of the contractors.
- D. Price sheets, as bid, for each of the contractors.

#### **4.8 Contractor Oversight**

It is the responsibility of the Agency to provide adequate oversight of its contractors to assure proper performance under the terms of the Agency contract. Services needed for proper management of Agency properties may be completed through several contract delivery methods. All contracting for services shall be in accordance with State and local procurement laws and procedures.

---

Also to be considered are the contract terms, including special terms and conditions, uniform terms and conditions, statement or scope of work specifications, contract budget/fee, and amendments to the contract.

The extent of oversight should be commensurate with the nature (complexity) and dollar value of the services provided by the contractor. Contractor oversight should reflect a spirit of partnership between the Agency and its contractors in an attempt to achieve the highest possible quality of service under the contract.

The Agency enters into contracts for the performance of various functions, including:

- A. Monitoring, testing, and abatement of asbestos.
- B. Demolition of improvements and clearance of land.
- C. Maintenance, repair, and rehabilitation of improvements.
- D. Maintenance of vacant land.
- E. Collection of delinquent rents.
- F. Escrow and trust account services.
- G. Other functions required by the Agency.

#### **4.9 General Contract Terms**

Legally, “a contract is a deliberate agreement between competent parties, upon legal consideration, to do or abstain from doing some legal act.” The requirements of any contract are:

- A. That the parties be competent (i.e., that neither is a minor or insane).
- B. That there is an offer and acceptance (i.e., that the agreement is voluntary and there is a meeting of minds).
- C. That there is a consideration (i.e., that each party obligates himself to providing something of value).
- D. That the items of exchange are not expressly forbidden by law.
- E. That the agreement be in writing and signed by both parties.
- F. The contract must also be dated.
- G. Requests for contracts and maintenance of contracts are coordinated through the RESM.

In all contracts initiated by the Agency, the provisions of Title VI, Civil Rights Act of 1964, will be given appropriate consideration.

---

## 4.10 Rodent Control

The responsibility for rodent control belongs to the Agency. The Agency reviews the plans of acquired properties to determine if further investigation into rodent infestation is necessary. The responsibilities of the procedures for each of the units are specified below.

### A. Responsibility and Procedures

- a. *Inspection and Eradication Procedures Following Acquisition*—When the suspect parcels have been acquired and the Agency has taken legal and actual possession, the Agency will make a physical inspection of the properties to confirm or deny that there is evidence of rodents. Depending on whether or not evidence of rodents exists, the Agency will, in the case of:
  - i. *No Evidence of Rodents*: Establish a suspense date for re-inspection if considered appropriate.
  - ii. *Evidence of Rodents*: If there is even a remote possibility of rodent infestation, list the project and/or parcels involved on a contact report, state that the parcels were physically inspected, describe the evidence (e.g., verbal reports from tenants or neighbors, visual sighting, physical evidence), and give a comprehensive analysis of the remedial actions to be taken. The Agency will prepare a letter to the appropriate agencies.
  - iii. In the event that the agencies cannot or will not take effective action within a reasonable period of time as determined by the Agency, the Agency will contract for eradication through the use of a task order.
- b. *Periodic Re-inspection of Acquired Property*
  - i. *Vacant Land*: If the initial analysis indicated that the presence of rodents was improbable, no re-inspection is required. If the initial analysis and inspection disclosed that the land contained landfills, garbage dumps, etc., a re-inspection during the anniversary month of Agency possession will be made by an Agent, whether or not eradication was initially attempted.
  - ii. *Improved Parcels*: Following the initial property inspection, a determination will be made concerning the ultimate disposition of the improvements to the land. If the land is to be cleared by any means within a reasonable time, no re-inspection of the property is required. If, conversely, the improvement(s) are to be retained and leased, the procedures specified in this section will be followed.

- B. **Rehabilitation and Maintenance Responsibilities and Procedures**—An Agent will be alert for evidence of rodents whenever an improved property is inspected. If the Agency enters an improved property in response to a tenant's request for assistance and observes evidence of rodents, the data will be recorded in the Agency's contact report. The Agency will then take those actions specified in this section for corrective measures.

## 4.11 Security

When acquired buildings remain unoccupied, awaiting clearance or occupancy, it may be necessary to secure them from the elements, theft, or vandalism. When it is determined that such course of action is appropriate, the Agency shall take the action necessary to fence the premises and otherwise prevent access. These actions will be accomplished through a task order in accordance with the procedures set forth above. There may be occasions when the value of the property will warrant the hiring of security guards. The guards will be retained with a

---

contract and be processed in accordance with contractor selection procedures set forth above.

---

## **Chapter 5—Surplus Property Inventory and Disposal**

### 5.1—Definition

### 5.2—Rules

#### **5.1 Definition**

Land acquired by the Agency which exceeds actual construction and maintenance requirements, or which is later declared as such, will be identified by the Real Estate Services Manager (RESM) as “surplus property” prior to its assignment for Property Management.

The purpose of this chapter is to present procedures for the inventory control and disposal of all excess lands under the administration of the Agency.

#### **5.2 Rules**

##### **5.2.1 Inventory of Surplus property**

A complete record of all surplus property, acquired in fee will be maintained by the Agency.

- A. Since surplus property will eventually be disposed of, pertinent data for such an inventory will require readily accessible storage in the physical files.
- B. Included in the physical records will be maps, or plats, prepared for all parcels of excess land.
- C. Data will be compiled in a manner that will permit its inclusion within an automated inventory system.

##### **5.2.2 Disposal of Surplus Property**

When a parcel of surplus property is exchanged for project rights of way, such transactions will be initiated by written request from the RESM. The RTA will then be notified of the surplus property parcel being exchanged, if purchased with RTA funds, but generally will not be involved in the transaction. Upon completion of the exchange transaction, RESM will send copies of all pertinent documents and information to the RTA.

When the excess parcel is to be sold at a public sale, disposal will be accomplished by procedures as described in Section 5.2.4. Competitive Bid Sale Procedures.

When the parcel of surplus property is to be sold to an agency of the Federal government, the State, or any County, City or Town of this State, without a public auction, the disposal will be accomplished as described in Section Procedures for Section 5.2.7. Sale Without Auction Procedures.

If the RESM deems it appropriate, a commission may be offered to licensed real estate brokers whose clients complete a purchase of property unless the broker is the purchaser, the broker is acting under an Agency as-needed contract, or the purchaser is another governmental agency. The rate of commission shall be negotiated by the RESM and the broker and paid at close of escrow.

##### **5.2.3 First Rights of Refusal**

State law authorizes prior owners or their heirs to repurchase rights or first rights of refusal of

---

lands declared excess to Agency's needs. The Agency shall be responsible for securing repurchase rights waivers if required.

#### **5.2.4 Competitive Bid Sale Procedures**

These procedures below are applicable to all parcels of surplus property scheduled for public sale or exchange. In general, the sequence is as follows:

- A. Property Management receives direction from the RESM to dispose of the property. Property Management requests concurrence of all affected departments within the Agency. It is understood that no property can be sold as surplus property until internal Agency approval of the disposal has been obtained.
- B. The Agency assembles a disposal package consisting of a detailed right of way map, project as-built plans, legal descriptions, a title report, Assessor's ownership records, and environmental clearance. In some cases, the Agency may have a disposal package but lack a current environmental clearance. The Agency will coordinate efforts with all necessary departments in preparation of the disposal package. There shall be a list of any special requirements (such as reservation of easements) to be attached to the deed. The deed of acquired property will be checked to be certain there is no reversionary clause.
- C. Obtain any necessary Agency Board or Council approvals.
- D. Make site inspection and request survey and/or flagging if necessary.
- E. The market value of the excess parcel will be established by at least one (1) Surplus Property Appraisal or by Market Analysis. The Agency will determine which excess parcels may require either an appraisal, if valued in excess of \$50,000.00 (\$25,000.00 on projects which include Federal Funding participation), or a market analysis, if valued at \$50,000.00 (\$25,000.00 on projects which include Federal Funding participation) or less. The Agency will produce the entire Market Analysis.
  - a. *Surplus Property Appraisal*—If it is estimated that the value of the surplus property to be disposed of will be more than \$50,000.00 (\$25,000.00 on projects which include Federal Funding participation), one or more appraisals of the property will be requested.
  - b. For all appraisals, a separate appraiser will perform an appraisal review to determine if the value is reasonably supported and concurred to value. If not reasonably supported, a second appraisal or a value will be ordered by the reviewer. The Agency will identify Federal aid parcels prior to requesting the appraisal.
  - c. The Agency shall set a minimum bid, which will include the appraised value, cost of appraisal, miscellaneous costs, title and escrow fees, plus an administrative fee (1-week salary plus 40%) as appropriate to the property.
  - d. *Market Analysis*—If it is estimated that the value of the surplus property to be disposed of will be \$50,000.00 (\$25,000.00 on projects which include Federal Funding participation) or less, the Agency will produce a Market Analysis. If the anticipated minimal-valued disposal parcel is located in an area where other parcels have recently been or are in the process of being appraised, comparable market data from these appraisal reports may be utilized to calculate the proposed minimum bid for the subject disposal. If this procedure cannot be utilized, the Agency will be responsible for researching comparable sales data.

---

The comparable information will include:

- i. Assessor parcel number.
  - ii. Date of sale.
  - iii. Sales price per unit (square foot, acre, etc.).
  - iv. Total size of the comparable property.
  - e. Additional information concerning zoning, access, location, and other potential adjustment features will also be provided, if readily available. The Agency will calculate the proposed minimum bid for the subject surplus property for disposal purposes. The proposed minimum bid must be approved by the RESM.
- F. The Agency shall determine if sale will be by sealed bids or open auction.
- G. The Agency will set the date for auction. The auction shall be held not less than thirty (30) days after the first publication.
- H. The Agency shall publish legal notice in the proper local newspaper as public notice. A legal notice is required by law, but the daily newspaper, multiple listing service, or other forms of advertisement may also be used. One publication is all that is necessary, although more may be beneficial to attract as many bidders as possible. For high-value parcels expected to generate competitive bids, place notice of auction in the daily newspaper for the two weekends preceding the auction. Advertisement should include the property address, the legal description (or tax code for nominal value parcel), the appraised value, the minimum bid that will be accepted, terms of the sale, the date of the auction, the place the auction will be held, its time and the contact person. A description of the properties for sale will be posted on the Agency's web page of surplus property offerings.
- I. The Agency shall mail notices to adjoining owners and post a "for sale" sign on the property.
- J. The Agency shall prepare information packets for interested parties.
- K. The Agency may show the property.
- L. On auction day, register all bidders on a Bidder Registration form. Each bidder shall be given a Notice to Bidder form. A \$500 deposit will be required to initiate the sale process. This deposit may be applied to the purchase price if applicant is the successful bidder. Bidders must show their earnest money check. If bids are to be sealed, instruction of a bid deadline, delivery/receipt of bids in person or by mail and date, and a time and place for bid openings must be provided. Bid receipts must be date-stamped with a record of receipt. Bids received after the deadline must be recorded and returned unopened with notification explaining it was not received by the deadline.
- M. Open the auction promptly with an explanation of the bidding process and by reading the advertisement from the newspaper.
- N. Bidder Registration forms and bidder tabulation sheets shall be kept in the file.
- O. Call for a bid at the minimum bid amount. All bidders and the advancing bids shall be recorded.

- 
- P. When the final bid is accepted, the auction will be called closed, and no further bids will be accepted.
  - Q. An Earnest Money Agreement shall be completed. A Surplus Property Purchase Agreement, Environmental Release, and Receipt for Deposit must also be completed and will indicate purchase terms, property identification, date of bid, and signature of the buyer.
  - R. The Agency shall verify bids and bidders and note each accordingly.
  - S. The Agency shall complete a bidder package, including: (1) Bidder Registration form, (2) Notice to Bidder form, (3) Report of Auction and High Bid, (4) copy of the published advertisement, and (5) affidavit of auctioneer.
  - T. The transaction must be transmitted to the Agency Administrative Board along with the deed for approval by the Agency.
  - U. Earnest money (10% of sales price or \$500, whichever is highest) will be delivered to the Agency by the highest bidder within seventy-two (72) hours of the auction or as published. If a \$500 initiation fee was collected from high bidder, it is applied to the earnest money and/or purchase price.
  - V. Upon approval of the Agency, escrow will be opened and earnest money deposited to escrow. Title and escrow fees are split: 50% paid by the Agency, and 50% paid by the buyer.
  - W. Closing should take place within thirty (30) days of the approval by the Agency, but extensions may be granted depending on circumstances.
  - X. Upon closing and recording of the deed, the proceeds of the sale shall be deposited into the appropriate Agency fund with notation as to the funding source when the property was acquired.
  - Y. Identifying information and the bid amount will be obtained from the second highest bidder, who may be notified should the successful bidder default.
  - Z. In the event no offer is received equal to the appraised value subsequent to employing all marketing strategies, then marketing of the property may proceed at a value not less than 80% of the approved appraised value. Based upon all available information, the amount of reduction in the sale price will be recommended by the Property Manager.

#### **5.2.5 Direct Sale (Value Below \$10,000.00)**

Surplus property may be disposed of by direct sale. This method of property disposition is appropriate for sale to the adjacent property owner(s) or to the underlying fee owner(s) and will be done by Quitclaim deed.

All surplus property sales of less than \$10,000.00 will be on a cash-only basis, except when it is deemed by the RESM that a credit transaction is in the best interest of the Agency.

- A. The successful bidder must present a cashier's check, money order, or cash in the amount of the required earnest money (10% of sales price or \$500.00, whichever is greater). Full payment may be accepted, but shall not be deemed final until the surplus



---

property purchase agreement and receipt for deposit has been accepted and approved by the Agency. Should a sale be rejected by the Agency, the proceeds will be refunded to the bidder. No interest will be payable by the Agency on monies paid by buyer.

- B. When a sale is approved, a conveying instrument for the property will be prepared by the Agency, and execution of said instrument would be obtained and recorded.
- C. When the conveying instrument has been recorded by the Agency, it will be returned to the Agency. A copy will be sent to RESM and the original sent by registered mail to the grantee.

### **5.2.6 Credit Sale Requirements**

All surplus property sales of \$10,000.00 or more may be credit transactions if approved by the RESM. Approval will not be given without satisfactory evidence of credit worthiness, including, but not limited to, tax returns, credit reports, etc., and personal guarantee, if deemed necessary.

### **5.2.7 Procedures for Sale without Auction**

Agency may convey excess property to any agency of the Federal government, this State, or any County, City or Town of this state without the necessity of a public auction if the sale is in the public interest and if the excess property is to be used for a specific public purpose.

Applicant must be a governmental entity or solely charitable, social, or benevolent nonprofit organization incorporated in or operating in Arizona. Requestor shall complete an Application for Sale of Surplus Property without Public Auction.

- A. List of any special requirements (such as reservation of easements) to be attached to the deed. Check deed of acquired property to be certain there is no reversionary clause.
- B. Make site inspection.
- C. Request basic environmental assessment from the environmental compliance section of the Arizona Department of Environmental Quality (ADEQ).
- D. Prepare any necessary maps and print a copy of Assessor's ownership records (APIQ).
- E. Order title report.
- F. The Agency shall advertise and sell the subject property if the Agency has not previously approved the sale.
- G. Request survey, legal description, and/or flagging if necessary.
- H. Request an independent fee appraisal.
- I. Appraisal. The price shall be no less than 90% of the appraised value. Set minimum bid which includes appraised value, cost of appraisal, plus an administrative fee (usually 10% of appraised value). The purchasing Agency may pay the compensation based on the original appraisal if valued within twelve (12) months of the date of proposed conveyance if the property is to be used for a public purpose.
- J. If the property was originally purchased with RTA Funds, maintained fully with RTA

---

funds, and needed for a new or separate RTA-funded project, the Agency shall convey the surplus property at no expense to the new public agency. The new agency shall pay the Agency based on an appraisal (within twelve [12] months of the date of conveyance) if the property is to be used for a public purpose. If the property is to be used for a specific project purpose, the new public agency shall reimburse the Agency for its expenditures for the property if not paid by RTA Funds.

- K. Place one legal publication in a local newspaper. Publication should include the property address, abbreviated legal description (or tax code for nominal value parcel), the appraised value, proposed purchaser, proposed use of property, and the contact person.
- L. Mail notice to applicant.
- M. Agency approval is required, and the deed will be prepared and sent for approval by the Agency.
- N. Upon approval of the Agency, escrow will be opened. Title and escrow fees are split between Agency and buyer.
- O. Closing should take place within thirty (30) days of the approval by the Agency, but extensions may be granted depending on circumstances.
- P. Upon closing and recording of deed, the proceeds of the sale shall be deposited into the appropriate Agency fund with notation as to funding source when property was acquired.
- Q. If the property is not used for a project purpose, the property shall revert to the Agency. If the RTA determines any property conveyed under this section is needed by the Agency for a transportation purpose, the Agency may acquire the property from the agency at a cost equal to the amount paid by the agency or the fair market value at the time of the repurchase by the Agency, whichever is less.

### **5.2.8 Updating Inventory Records**

After each disposal, whether by sale or exchange, the necessary data will be entered into the inventory records.

---

## **Chapter 6—Demolition**

6.1—Purpose

6.2—Scope

6.3— Asbestos Surveys, Asbestos Abatement and Abatement Monitoring, and Recovery of Ozone-Depleting Compounds

6.4—Salvage Operations

6.5—Demolition Procedures

### **6.1 Purpose**

The purpose of this chapter is to explain in detail the procedures necessary to complete the demolition of structures on Agency property, including asbestos surveys, abatement (removal) of asbestos-containing materials (ACM), abatement monitoring by an oversight consultant, and proper disposal of ozone-depleting compounds as administered by the Agency.

### **6.2 Scope**

The procedures specified in this Chapter represent a list of the functions and activities involved to complete demolition of improvements by the Agency. The properties (facilities) to which these procedures apply include all improved parcels that are currently owned or will be acquired by the Agency for project purposes.

### **6.3 Asbestos Surveys, Asbestos Abatement and Abatement Monitoring, and Recovery of Ozone-Depleting Compounds**

#### **6.3.1 Administration**

Asbestos surveys, asbestos abatement, and abatement monitoring will be initiated by the Agency, under a lawful contract awarded to the lowest competent bidder, with an asbestos abatement contractor or asbestos oversight consultant services.

The functions and activities necessary to initiate the process will be performed by a qualified Agent or subcontractor of the Agency. This Agent is required to be certified as a contractor/supervisor by successfully completing an Environmental Protection Agency (EPA)–approved course given by the Asbestos Institute.

#### **6.3.2 General**

Federal regulations (i.e., EPA and Occupational Safety and Health Administration [OSHA] regulations) are very strict about the removal and disposal of regulated asbestos-containing materials (RACM). In addition, it is the Agency’s policy to remove all categories of asbestos-containing materials (ACMs) prior to demolition.

The Agency should obtain an as-needed contract with a minimum of three (3) properly licensed vendors to provide Asbestos Removal Services. These contracts relieve the Agency of the cumbersome task of proceeding through procurement in a timely manner, determining what is required by the regulations, and how to select a qualified vendor. They will make these services more readily available so that scheduled demolition projects can proceed without the long delays usually experienced in procuring these services.

#### **6.3.3 Implementation**

Prior to the sale or demolition of improvements (including mobile homes) located on parcels

---

acquired by the Agency, each improvement must be surveyed to determine the presence of asbestos. If ACM is found in any improvement, it must be removed prior to the sale or demolition of said improvement.

- A. The Agency will solicit bids from qualified contractors. A minimum of three (3) bids will be solicited.
- B. When all bids are submitted by the invited contractors, they will be evaluated by the Agency.
- C. After the lowest qualified and responsible bidder is identified, the Agency will issue written authorization to proceed with the necessary surveys. The contractor selected to do the surveys may also perform the oversight (monitoring) function for the removal of any ACM identified in the report.
- D. Upon receipt of the oversight consultant's report, the Agency will determine if abatement is required prior to the sale or demolition of each facility surveyed.
- E. Invoices for payment for services rendered will be submitted to the Agency, which will process the invoices for payment.

#### **6.3.4 Abatement Procedures**

- A. After a careful review of the oversight consultant's report, the Agency will identify all ACMs to be removed by a qualified asbestos abatement contractor.
  - a. RACM consists of the following:
    - i. All friable asbestos material.
    - ii. Category I non-friable material that has become friable.
    - iii. Category I non-friable material that has been or will be subjected to sanding, grinding, cutting, or abrading.
    - iv. Category II non-friable material that has become, or has a high probability of becoming, crumbled, pulverized, or reduced to powder by the demolition process.
  - b. Category I ACM consists of the following:
    - i. Packings.
    - ii. Gaskets.
    - iii. Resilient floor coverings.
    - iv. Asphalt roofing products.
  - c. Category II ACM consists of all asbestos materials not listed under Category I. This includes asbestos, cement (transite) pipes, panels, siding, and other similar materials.
- B. The Agency will submit a written Request for Abatement Survey Bids to do the necessary asbestos abatement prior to sale or demolition. The request will include the following:
  - a. The project number, parcel number, and address of the facility.
  - b. The amount and location of the RACM to be abated.
  - c. The desired or mandatory completion date.
  - d. Keys to the facility, if available, or instructions for gaining access.
- C. The Agency will solicit bids from qualified contractors. A minimum of three (3) bids will be solicited.

- 
- D. When all bids are received, the Agency will evaluate them and select the lowest qualified and responsible bidder.
  - E. When the abatement contractor is identified, the Agency will issue written authorization to proceed with the abatement work and will notify the oversight consultant.
  - F. The Agency will work with the two (2) contractors to coordinate their activities to establish a start date and an estimated completion date and to ensure that the required ten (10)–day notice has been submitted to the Arizona Department of Environmental Quality (ADEQ) and to the proper oversight asbestos coordinator.
  - G. The Agency will monitor the abatement process on a regular basis.
  - H. The Agency will prepare and maintain an asbestos abatement folder for each parcel or group of parcels to be abated. The folder will be labeled with the project number, parcel number, and street address of the facility. Ultimately, the folder will contain all correspondence, contact reports, and all documents that pertain to the abatement of the facilities on that parcel. All records regarding asbestos must be maintained for a minimum of thirty (30) years. This is in accordance with current Federal regulations.
  - I. Invoices for payment for services rendered will be submitted to the Agency, which will process them for payment. Copies of these invoices will be filed in the asbestos abatement folder.

### **6.3.5 Emergency or High Priority Procedures**

When there is a need to clear a parcel or group of parcels on an emergency basis or to meet accelerated construction schedules, the normal bidding process may be forsaken. The Agency may assign the survey/oversight and abatement work to any qualified consultant/contractor who is able to meet the deadlines.

### **6.3.6 Recovery of Ozone-Depleting Compounds**

In general, Section 608 of the Federal Clean Air Act, as amended, and 40 CFR, Part 82, Subpart F, specifies methods for proper disposal of ozone-depleting compounds (chlorofluorocarbons [CFCs], and hydrochlorofluorocarbons [HCHS's]) and their blends during servicing and disposal of air-conditioning and refrigeration equipment.

## **6.4 Salvage Operations**

The procedures specified in this section cover the functions and activities pertaining to the salvage or outright sale of improvements to real property managed by or referred to the Agency. The properties to which these procedures apply include all improved properties which are currently owned or will be acquired by the Agency for project construction purposes.

### **6.4.1 General**

- A. When the Agency acquires an improved parcel of real property for a right of way, the Agency has the responsibility to determine what the most beneficial disposition of the improvement(s) will be, provided that the construction schedule does not preempt such disposition. Normally, the renting or leasing of the property is economically most productive. If, due to location, the condition of the structures, or other factors, leasing is not practical, the sale and removal of the structures may produce some revenue following completion of the project. If the condition of the improvement is such that it is

---

not economical to sell at public auction, as a last resort, demolition and clearance is necessary. If the construction schedule will not permit the leasing or renting of the property, but the project is sufficiently in the future to permit the improvements to be sold and moved, public auction sales or removal by the Agency may be considered.

- B. **Construction Schedule**—When a parcel of real property has been acquired for project construction purposes, the construction schedule preempts any other consideration mentioned in this section. Whether or not the improvements to the land, or the land itself, can be leased or the improvements can be sold or demolished has relevance only if the construction schedule for the particular project is sufficiently in the future to make such action practical.

#### 6.4.2 Site Clearance Soon After Acquisition

- A. **Clearance by Prime Contractor**—If the construction schedule is so close at hand that the rental or public auction of an acquired parcel is impractical and the Agency elects to move and use the improvement(s), the structure(s) will be cleared by the prime contractor. The contractor may dispose of the salvage in any manner that appears most efficient under the existing circumstances.
- B. **Grantor Retention**—When the Agency acquires an improved parcel, the Grantor has the right to move and retain the building(s) and all fixtures and appurtenances thereto only if the Agency does not elect to retain the improvements. Grantor retention, where allowed, should be at salvage value. If the Agency intends to lease the property after the Grantor vacates, the property should be left intact, and salvage should be the total building or nothing. However, if the building is going to be demolished, the Grantor may salvage individual components of the building. The Grantor's decision to retain the improvement(s) is made during the acquisition process, prior to signing the final papers. The Acquisition Agent will submit a request for a Salvage Value by Personal Property Appraisal at the approval of the Agency. The Agency may consult their records, and provide the price at which the improvement(s) may be retained.
- a. *Salvage Value Determination*—When an improved parcel is acquired by the Agency, the Grantor is paid the appraised value for the structures, fixtures, and appurtenances. Eventually, these improvements will be cleared from the land. Therefore, the structures are no longer worth the appraised value, but have value only to someone who wishes to bear the expense to move them or disassemble and move the components. The Agency shall obtain an appraisal to determine the value of buildings and other structures and the price they might bring if offered for sale. There are two (2) situations which require a salvage value determination from Agency; they are:
- i. When the Grantor elects during the acquisition process to move and use the improvements at another location, the Real Estate Services Manager (RESM) will request a salvage value determination by appraisal. The Agency will inspect the property, research all available records, and consult knowledgeable individuals in appropriate commercial trades, then provide in writing the estimated value which the improvements would bring if offered for sale on the open market. The RESM will use this information in negotiations with the Grantor.
  - ii. If the Grantor declines the invitation to move and use the improvements, the Agency may foresee a practical use for them in another location. If the Agency elects to move and use the improvements, the Agency will

---

provide a salvage value determination, but only for record; it will be placed in the acquisition package.

- iii. The information contained in and the distribution of the salvage value determination is as follows:
  1. Information: parcel number, project number, property address, description of improvements, salvage value.
  2. Distribution: original to RESM (if applicable), copy to the appropriate funding Agency (participating projects only), copy to Agency project file.
- b. *Distribution of Escrow Funds*—During the acquisition process, a proportion of the purchase price for the property is withheld in escrow to indemnify the Agency against unexpected property damage, the removal of fixtures specified in the appraisal as real property, and other contingencies. If the Grantor elects to purchase and move the improvements, and also elects to pay the costs from the funds withheld in escrow, the Agency will prepare a memo authorizing escrow release (this may be completed electronically). The memo will indicate the amounts to be disbursed to the Agency and to the Grantor. The memo will direct the escrow Agent to disburse the amount owed to the Agency, but to hold the amount owed to the Grantor until the improvements are moved from the land and a satisfactory site clearance inspection has been completed.
- c. *Payment of Salvage Items*—Salvage item payments can be taken from the acquisition payment through the Escrow Agent.

C. When the Agency takes possession of a property, which must be cleared, and neither the Grantor nor the Agency elects to retain the improvements, the Agency will determine whether it is beneficial to the Agency to sell them at public auction. Prior to determining whether improvements will be sold or demolished, the Agency will proceed with procedures set forth for asbestos surveying and abatement. The Agency will, when possible, seek the advice of local house movers and others to assist in the determination. If the structures are to be sold, they will be sold at public auction.

### 6.4.3 Contractor Bonds and Deposits

There are some contractual agreements entered into by the Agency wherein the second party must show good faith by placing with the Agency a deposit or a bond in a specified amount. Some of these deposits or bonds are statutory and some are required by Agency policy.

- A. **Buyer's Performance Bond**—When an improvement is sold at auction, the successful bidder will provide to the Agency a site clearance deposit in a specified amount. If the provisions of the Bill of Sale or the Improvements Removal Agreement are not performed by the date specified and it can be conclusively demonstrated that the buyer was responsible for the failure, the site clearance deposit may be forfeited to the Agency.

### 6.4.4 Early Procedural Steps

- A. The Agency will provide a list of the improvements to be sold. The list will include all information gathered at this time for each unit or item.
- B. The Agency will inspect each unit or item to be sold and index items which are for sale on the same contract. Prior to the recommendation, the Agency may have the improvements inspected by a local independent house mover. The purpose of this inspection is to assure that the structures are sound, capable of being moved, and that

---

no Agency codes will be violated by moving them.

- C. When it is certain that the structure(s) will be moved or cleared from the land, the Agency will read and record all utility meter numbers and notify the utility companies, in writing, to terminate service and remove their property from the premises.
- D. Sometime prior to the sale of the improvement(s), each will be photographed by the Agency or a designee.
- E. If the services of security police are required at the auction, the Agency will coordinate appropriately for the appropriate number of guards to be present.
- F. The Agency or a designee will fill in all appropriate blanks in a bid tabulation form, the Bill of Sale, an agreement for removal, and other applicable documents for each unit or item to be sold. These will be taken to the auction for processing.
- G. If appropriate, the Agency will establish a minimum price that the Agency will accept for each unit or item. This will be announced to all bidders prior to any offers at the auction.
- H. When all of the above preliminary procedures are completed, or are at least started, the Agency will establish a date for the auction. All advertising will announce that the auction will be held at a specific place at a specific time.

#### **6.4.5 The Public Auction for Non-Realty**

- A. **Approval for the Auction**—When a group of appropriate buildings or items are available for sale, the Agency will first obtain verbal approval from RTA (if they participated in the acquisition). Then, a letter is written to RTA advising them of the verbal approval and requesting written approval to clear the parcels by public auction. The letter will also contain a statement that relocation assistance has been offered, the occupants have been physically relocated, the property is permanently vacated, and that there was a rodent-control inspection. An attachment to the letter will contain the following information for each parcel:
  - a. *Attachment*.
    - i. Project number.
    - ii. Parcel number.
    - iii. Parcel address.
  - b. The original and two (2) copies of the letter and the attachment will be routed for signature and will be distributed as follows:
    - i. Original to RTA.
    - ii. One copy to sale file.
- B. **Advertising the Public Auction**—The Agency will prepare and process a Public Auction Notice.
  - a. *Public Auction Notice*—The notice will contain:
    - i. Time, date and place of sale.
    - ii. Items to be offered for sale.
    - iii. Index sales number.
    - iv. Project and parcel number for each item.
  - b. *Distribution*—The Public Auction Notice will be distributed as follows:
    - i. Original(s) to newspaper(s).
    - ii. Copy to sale folder.



- 
- C. **Conduct of the Auction**—The Agency will conduct the public auction at the advertised time and place. The Agency conducting the sale will first read aloud, to those attending, the contents for sale on the bid tabulation and the terms and specifications governing the submission of bids, then declare the auction open for bidding. Each item described in the notice will be auctioned individually.
- a. *Payment Requirements for Successful Bidders:*
    - i. A deposit may be paid by the successful bidder with a cashier's check or money order, or by posting a bond in the required amount. Whichever method is used, the amount will be paid to the Agency at the time the bid is accepted at the auction.
    - ii. The successful bid price for the building (or other improvements) will be paid to the Agency with a cashier's check or money order, as per the deadline described in the Terms and Specifications document.
  - b. *Bill of Sale and the Agreement for Removal*—The Bill of Sale and the Agreement for Removal, prepared in duplicate prior to the auction, will be completed by the Agency with the name and address of the successful bidder, the amount of such bid, and any other required information. The successful bidder will sign all copies.
  - c. *Temporary Receipt*—A Temporary Receipt and Temporary Receipt for Improvements will be prepared in duplicate by the Agency at the time of sale and will contain the following information:
    - i. Information:
      - 1. Sale number.
      - 2. Item number.
      - 3. Parcel number.
      - 4. Name of successful bidder.
      - 5. Amount of bid payment received.
      - 6. Amount of site clearance deposit received.
    - ii. All copies of the Temporary Receipt will be signed by the Agency representative or a designee. Distribution will be as follows:
      - 1. Original to successful bidder.
      - 2. Copy to Agent for sale folder.
    - iii. All monies received will be given to Agency, along with copies of both the Bill of Sale and receipt for each item sold.
  - d. *Second Opportunity to Bid*—If, during the course of the auction, items offered for sale received no bids, the person conducting the auction will call for bids on these items before the auction is concluded. If one (1) or more bids are received, the sale will be accomplished in the manner set forth above. If no bids are received, disposition of the property will be determined by the Agency.

**D. Disposition of Auction Papers**

- a. *Bill of Sale and the Agreement for Removal*—The Bill of Sale and the Agreement for removal will be routed through the following for information and approval, and distributed as indicated.
  - i. Information and Approval: RESM
  - ii. *Distribution*—When approved, the original agreement will be added to the sale folder and a copy will be delivered to the successful bidder.
- b. Annotation of Forms:
  - i. All appropriate information concerning the sale of the improvements will be recorded in the file.

---

#### 6.4.6 Actions Required Following Auction

- A. **Report of Sale Form/Auction Bid Approval Memo**—The Agency will prepare and process a Report of Sale Form/Auction Bid Approval Memo and an Auction Bid Approval Letter. The memo will contain the following information and receive the distribution indicated:
- a. Information:
    - i. Sale date.
    - ii. Sale time.
    - iii. Sale location.
    - iv. Name of person who conducted auction.
    - v. Complete list of items offered for sale.
    - vi. Disposition of items offered for sale.
    - vii. Name of each successful bidder.
    - viii. Address of each successful bidder.
    - ix. Amount of each successful bid.
    - x. Number of participating bidders at the auction.
  - b. Distribution:
    - i. Original to sale folder.
    - ii. Copy of report, together with letter of transmittal, to RTA.
- B. **House Moving Agreement**—At the auction, the Agency or the person conducting the auction will complete the Bill of Sale and the Agreement for Removal. If the successful buyer fails to carry out the provisions of the contract by the time specified, and no extension is granted, the amount of the deposit is forfeited to the Agency.

#### 6.4.7 Site Clearance Inspection and Report

The successful bidder for each unit or item agrees to clear the land by a specified date and guarantees clearance with a deposit. When the land is cleared, the bidder will notify the Agency that the job is completed. Upon such notification, the Agency or a designee will inspect the site to verify that it has been cleared. When the clearance is satisfactory, the following actions will be taken:

- A. **Improvement Sales Clearance Memo**—The Agency will prepare a “Site Clearance Deposit-Refund Memo” notifying that the unit or item is cleared and that the deposit is to be returned to the bidder. The letter, with the voucher, is routed for signature. The letter will contain the information and receive the distribution indicated below.
- a. Information:
    - i. Project number.
    - ii. Parcel number.
    - iii. Sale number.
    - iv. Item number.
    - v. Description of improvement.
    - vi. Name of successful bidder.
    - vii. Amount of deposit
  - b. Distribution:
    - i. Original with voucher to RESM.
    - ii. Copy to sale folder.
- B. If the site is not properly cleared, the bidder will be directed to accomplish the job completely and correctly.

---

#### **6.4.8 Final Action**

If the building, which has just been sold and moved, was constructed on concrete footings and the floors were concrete slab, the Agency or a designee will provide a list of such footings, piers, collars, or slabs with a recommendation that they be removed through a demolition contract.

### **6.5 Demolition Procedures**

The procedures specified in this chapter cover the activities pertaining to the demolition of improvements to real property managed by the Agency. The properties to which these procedures apply include all improved properties that are currently owned, or will be acquired, by the Agency for project construction purposes.

#### **6.5.1 Administration**

Demolition operations will be administered by the Agency; the designee will perform the functions and activities. All such functions and activities will be carried out under the purview of a contract issued by the Agency.

#### **6.5.2 General**

When the Agency takes possession of a parcel of real property intended for project construction, the improvements to the land must be cleared at a time that conforms to the construction schedule. If the construction schedule requires clearance as soon as possible, and neither the Agency nor the Grantor elects to move and retain the buildings, the land may be cleared by the prime contractor. If the construction schedule permits, the parcel may be rented or the improvements may be sold or demolished. If it is determined that the improvements are to be demolished, the procedures set forth in this chapter will apply.

- A. Verify Agency-owned property and properly surveyed/staked prior to any demolition activities.
- B. Verify occupant is completely moved out and not returning and property is vacant.
- C. If keys are not available, inspect and certify taking of possession.
- D. Determine if there is any outstanding salvage work to be done by tenant.
- E. Take pictures of the property and salvaged items removal.
- F. Verify or order termination of all utility services.
- G. Determine whether utility supply or connection relocation is required to serve a remainder portion of property. If it is necessary prior to demolition, determine the responsibility for relocation/installation of new utility supply, utility or sewer connections, or septic systems, including septic tanks and leach fields. *Note:* The owner of remainder property may have received compensation for the needed relocation/re-connection, and be responsible for the work to be done. If the owner did not receive compensation for the new supply or connection, the Agency shall complete the relocation/re-connection by hiring a general contractor, a specialty trade contractor, or through the project construction activities for a changeover. If the Agency has a general repair and maintenance contract available to perform minor construction work, the relocation/re-connection work may be done under the contract.

- 
- H. Inventory items, including plants, are to be salvaged by demolition or salvage contractor. Schedule for salvage work to be completed.
  - I. Schedule completion of an asbestos inspection and survey.
  - J. Insure all proper permits for native plant removal and demolition have been obtained. Copies shall be retained in the property file.
  - K. Prepare a scope and schedule for all demolition activities, including removal of underground utility lines no longer necessary on the property, and all necessary permits, hauling fees, and hazardous materials removal and disposal.
  - L. Obtain Agency approval of the Demolition Scope and Schedule of Services.
  - M. Solicit bids for the completion of demolition activities through Agency-approved processes.
  - N. Select qualified contractor to perform demolition activities in accordance with the approved scope and schedule, review consideration of salvage credit.
  - O. Verify that conflicts with properties adjoining the acquired property (i.e., common wall, fence, trees, driveways, access) or other issues have been resolved prior to demolition.
  - P. Coordinate for installation of any required boarding-up or fencing. Schedule a contractor inspection to take place after the tenant salvage period. Ensure all plant salvage has been completed prior to the contractor inspection. Issue Notice to Proceed to the demolition contractor.
  - Q. Notify ADEQ and any other required agencies that demolition is needed, together with any special instructions as to conflicts.

### **6.5.3 Preliminary Procedures**

When the Agency has determined that demolition of the improvements is the course of action to be taken, the Agency will prepare a demolition folder. A separate folder may be used for each parcel. The folder will be labeled with the project number, parcel number, and street address. Ultimately, the folder will contain all correspondence and documents that relate to the demolition of the improvements on that parcel.

### **6.5.4 Initial Inspection of Parcel**

- A. The Agency will ensure that the parcel is clearly identified by a street address so that prospective bidders can easily locate it.
- B. During the initial inspection, the Agency will also record the appropriate utility meter numbers and later request the utility companies to abandon their services (gas, electric, water, telephone, and cable).

### **6.5.5 Asbestos Surveys and Abatement**

Prior to the demolition of any improvement (including mobile homes, but not signs and billboards), the Agency will request an asbestos survey to determine the presence of asbestos. This survey, as well as any subsequent necessary abatement, will be accomplished in

---

accordance with the procedures outlined. Only after all ACMs have been removed from the facilities on a given parcel will the demolition process continue.

#### **6.5.6 Erosion and Storm Water Run-Off Procedures**

- A. ADEQ's Arizona Pollution Discharge Elimination System (AZPDES) storm water requirements:
  - a. Prior to demolition activity, a demolition site must be evaluated in order to plan for securing potential run-off of sedimentary and/or polluting material.
  - b. Reference the *"Agency Erosion and Pollution Control Manual"* for planning to secure a site from discharge of any sedimentary and/or polluting materials.
  - c. Best Management Practices (BMP) are to be implemented by ideally securing a demolition site and by trenching and berming the perimeter to contain sediment and/ or polluting material from discharging from the work site.
  
- B. Storm Water Pollution Prevention Plan (SWPPP) filing procedures:
  - a. If storm water discharge cannot be contained on a worksite, then a SWPPP must be developed along with a Notice of Intent (NOI) to be filed with either ADEQ or EPA, whichever is applicable.
  - b. The SWPPP, if required, must be developed along with an NOI in accordance with Federal, State, and local requirements.

#### **6.5.7 Request for Demolition**

Only when a facility is certified as cleared of asbestos, utilizing the Asbestos Abatement Certification form, will the Agency initiate the demolition process. If it is more prudent or cost effective to group together several facilities in the same project or in the same general area, and the construction schedule permits it, the Agency will proceed with a group of facilities instead of just one. The process starts with mailing or faxing to the demolition contractors a Request for Quotation (RFQ). The RFQ will contain, as a minimum, the following information:

- A. Project number, parcel number and street address.
  
- B. A detailed scope of work listing everything that is to be removed and everything that is to remain.
  
- C. Special requirements, if any.
  
- D. Desired or mandatory completion date, if applicable.

#### **6.5.8 Demolitions on Cost-to-Cures**

Offers are occasionally made to the Grantor to include funds, which will allow the Grantor to completely remove or relocate improvements within the right of way acquired by the Agency. The Agency will prepare a cost-to-cure holdback deposit to ensure the work is completed for which the Grantor was paid. This deposit will ensure the Agency will retrieve any costs if work needs to be completed at cost to the Agency. A completed "Cost-to-Cure Holdback Determination Memo" shall be sent to the RESM. A copy of the memo will be placed in the Property Management and Demolition file folder.

Because these cost-to-cures have the potential for violation of EPA/ADEQ regulations by letting the Grantor arrange for asbestos and demolition, whenever possible, the RESM and Agency will handle all of the demolition activities of any improvements to be cleared from the right of way. Theoretically, the Grantor will only receive as a cost-to-cure the amount necessary to

---

rehabilitate the improvements on the remainder property. The Agency will coordinate the demolition with the Grantor to achieve a satisfactory solution.

As an alternative, if a cost-to-cure is paid that covers all costs of the demolition, the Agency will provide oversight to ensure satisfactory compliance with EPA/ADEQ requirements. This oversight will require close coordination with the Grantor. If, in the opinion of Agency, there is a risk of EPA/ADEQ violation by allowing the Grantor to arrange for the demolition activities, even if we provide oversight, the Agency will incur the additional cost to have the work done by our contractors.

#### **6.5.9 Authorization to Begin Demolition Work**

A demolition contractor, or contractors, will not be selected until the structure or structures involved have been certified for completion of asbestos abatement by the assigned Agent, utilizing the Asbestos Abatement Completion form, with sign-off by the Agency. When the successful bidder has been identified, the Agency will notify the contractor in writing that they are authorized to begin the demolition work for the amount of their successful bid. A completion date will be stipulated at this time. Additional information to be provided to the demolition contractor:

- A. Name of the party who conducted the initial asbestos surveys.
- B. Name of the Asbestos Abatement Contractor, if applicable.
- C. Re-emphasize the requirement to submit a National Emissions Standards for Hazardous Air Pollutants (NESHAP) "Notification of Demolition and Renovation Activities" in a timely fashion. The notice must be properly filled out and must bear a postmark of at least ten (10) working days prior to the planned start date.
  - a. Any revision to this notice must bear a postmark of the planned start date or earlier.
  - b. The notice must be submitted to the applicable County agency, even if no asbestos was found in the facilities to be demolished.
  - c. Require the contractor to send a copy of this notice to Agency for review prior to the start of the demolition work.
- D. Additionally, when a mobile home is to be demolished, the Agency must get the original title from the RESM and sign it over to the demolition contractor.
  - a. A copy of the transfer of title is to be sent to the Arizona Motor Vehicle Department advising them of the transfer.
  - b. The demolition contractor will have the title transferred to his/her name for a dismantle or salvage title within 30 days.
  - c. A copy of the signed title to be turned over to RESM.

#### **6.5.10 Periodic Inspections of Contractor's Work**

During the performance of the demolition work, the Agency will inspect the demolition site(s) on a regular basis. Essentially, the inspections will evaluate the contractor's adherence to the contract specifications. A contract report will be compiled and maintained in the demolition folder. This report will document all actions related to contract administration, conversations with the contractor, inspections, and general observations.

#### **6.5.11 Amendments to Contracts**

During the course of the demolition work, circumstances beyond the control of the contractor

---

may necessitate amendments to the contract. This may include the removal of such things as septic tanks, basements, and extra slabs hidden under the surface, old foundations, and similar items whose existence was not previously known. The Agency will verify and report these hidden structures and estimate the additional cost based on experience. The Agency will recommend, in writing, a contract adjustment and act as primary negotiator between the Agency and the demolition contractor. Should the two sides fail to agree on the contract adjustment, the appropriate Agency representative will be asked to intervene and negotiate a settlement.

#### **6.5.12 Site Inspection and Acceptance**

When the work is completed, the Agency will inspect the site. Upon receipt of the contractor's invoice, the Agency will process it for payment, provided the work has been satisfactorily completed.

#### **6.5.13 Sign Removal**

When the Agency acquires real property for right of way, there are frequently outdoor advertising signs within the part taken. Pima County and the City of Tucson have legally recorded settlement agreements with Clear Channel, Inc., pertaining to the required removal of many billboards within Pima County. These signs have no value to the Agency and must be moved by the owner.

In all cases, the owner has the first right to move and retain the improvements by paying the salvage value for them. Agency participates in sign removal in two (2) ways: (1) If the owner wishes to move and retain the sign, the Agency will provide the salvage value, expressed in dollars, and (2) if the owner does not want the sign, the Agency will initiate actions to have the sign removed. The procedures for these functions are as follows:

- A. **Salvage Value**—If the owner of the sign elects to move and retain the sign, RESM will send a memo to the Agency requesting a salvage value for the sign and, if appropriate, the amount of the site clearance deposit. The Agency will:
  - a. Maintain records of comparable sign salvage values. These will be as comprehensive as possible. The Agency will also gather data from sign companies, contractors, and other reliable sources.
  - b. From all available sources, determine a salvage value for the subject sign(s) and, if required, the amount of the site clearance deposit. The Agency will enter these amounts on the memo from RESM and return it to them. The Agency will also file a copy of the memo.
  
- B. **Sign Removal**—When the acquisition process has reached the appropriate stage, RESM will notify the Agency. If the owner does not want the sign, the Agency will remove the sign using the same demolition procedures previously outlined in this chapter.

#### **6.5.14 Landscape Salvage**

Many properties acquired by the Agency have items of landscaping which may be needed by the project for native plant compliance. This variety of salvage operations is different from others in that the landscape items are of interest to the Agency only; no outside approval or notification is appropriate, and only internal sources are required for completion.

- A. When a determination has been made that an improvement is to be sold or cleared from a parcel owned or managed by the Agency, the location, variety of landscape items, and probable sale or clearance date will be given.