Audit at a glance

City Real Estate Portfolio Practices
MAY 2020

ABOUT | The city’s Real Estate Division was established by Executive Order No. 100. The division — within the Department of Finance — is responsible for managing the city’s real estate portfolio through property acquisition and disposition, leases, and space planning.

In the report

**FINDING: The Real Estate Division Is Not Properly Overseeing the City’s Real Estate Portfolio**

1. **LACK OF PROPER OVERSIGHT:** The Finance Department’s Real Estate Division lacks proper oversight of the city’s real estate portfolio to ensure proper management of real estate activities and ensure policies and procedures are updated, detailed, and consistent with city policies.

   - Specifically, we found:
     - The Real Estate Division does not provide adequate project management of real estate activities, and it does not have a centralized way to monitor milestones in space planning projects, including possible delays.
     - Documentation retained in property files and project files is inconsistent and does not contain analysis to justify the division’s decisions.
     - There are inconsistencies between processes performed, division policies and procedures, and the city’s policy for city-owned and leased real estate.
     - The division does not maintain a documented, comprehensive real estate portfolio.

     Instead, Real Estate maintains several sources of property information such as physical and electronic property files, the deeds database, a property card catalog — which contains historical property information from the 1960s to 1980s in physical and scanned form — and working spreadsheets to manage properties in the city’s real estate portfolio.

     Further, we also noted the division’s website states there is not a list of city-owned or surplus property available. The division relies on the Assessor’s Office to provide a list of city-owned property, and it relies on the office’s processes to ensure information is complete and accurate.

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Without proper management of real estate activities, inefficiencies may exist resulting in the inability of the division to provide adequate oversight of the city's real estate portfolio.

2. LACK OF A DOCUMENTED STRATEGIC VISION:
In addition, the Real Estate Division lacks a documented strategic vision. It has no strategic plan of its own nor does it have performance measures to monitor whether the division is achieving its goals.

Not having a strategic plan means the division lacks the ability to provide a long-term perspective for service delivery and budgeting — which could result in inefficient and ineffective services and use of tax dollars.

Without strategic planning, Real Estate also faces difficulty in justifying to the public or elected officials the reason for its decisions when there is no specified long-term goal.

For example, in January 2020, the City Council rejected the division’s request to lease more space in the Denver Post building, and some council members said Real Estate’s lack of a strategic or comprehensive, long-term plan was one reason why the council initially did not approve the new lease. While council members eventually passed the resolution in February 2020, some members continued to express concern with the division's lack of a comprehensive real estate plan.

Regarding Real Estate's lack of performance measures, the division said it does not have tangible items conducive to being tracked annually and its policies and procedures state the nature of real estate negotiations and transactional matters do not easily lend themselves to numerical measures. However, the Government Finance Officers Association emphasizes the importance of having performance measures to “provide information on whether goals and objectives are being met.”

Additionally, we found real estate organizations for several other cities we surveyed track performance measures that Denver’s Real Estate Division could consider in assessing its performance.

Some Denver council members said Real Estate’s lack of a strategic or comprehensive, long-term plan was one reason why the council initially did not approve the new lease of the Denver Post building.

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