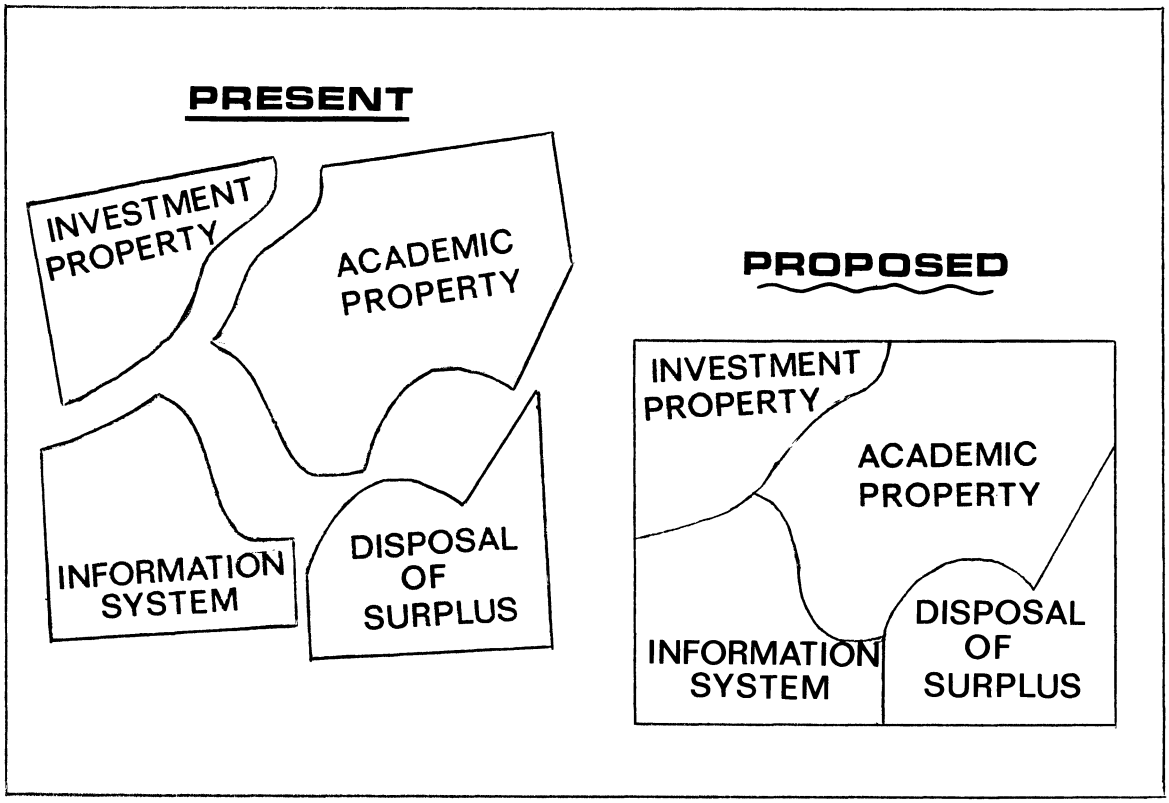
Joint Legislative Audit Committee

Office of the Auditor General

REPORT TO THE CALIFORNIA LEGISLATURE

UNIVERSITY OF CALIFORNIA'S MANAGEMENT OF REAL ESTATE



Office of the Auditor General

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REPORT 715.4

REPORT OF THE

OFFICE OF THE AUDITOR GENERAL

TO THE

JOINT LEGISLATIVE AUDIT COMMITTEE

715.4

UNIVERSITY OF CALIFORNIA
REAL ESTATE MANAGEMENT

FEBRUARY 1978

Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature

February 17, 1978 715.4

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the fourth in a series of Auditor General reports relating to the University of California. This latest report describes the management of about 129,000 acres of land and over 10,000 structures.

The findings of the Auditor General and the response of University President David S. Saxon are complementary and should be read together in order to gain a balanced understanding of a major management task.

By copy of this letter, the University of California is requested to advise the Joint Legislative Audit Committee within sixty days of the status of implementation of the recommendations of the Auditor General that are within the statutory authority of the University.

The auditors are Kurt R. Sjoberg, Audit Manager; Gary S. Ross; and Nancy L. Szczepanik, CPA.

Respectfully submitted,

MIKE CULLEN
Chairman

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SUMMARY

The University of California has an ownership interest in approximately 58,000 acres of land located in 37 counties within California and 4,765 acres located in eight other states. In addition, the University also has lease or use agreements on 67,000 acres of California land.

There are in excess of 10,000 structures on university property with a replacement value for insurance purposes of $1.9 billion. All real property owned or leased by the University is exempt from property taxes.

We reviewed the University's real property management function and the completeness of their records pertaining to real property ownership. We also analyzed the University's adherence to Regents' policies on real property matters and its efforts to dispose of real property no longer needed for investment or academic purposes.

We found that:

- All university real property used for "academic purposes" is the responsibility of the President, while the Treasurer exercises control over real property held for endowment or investment purposes. Responsibility for procedural real estate matters involving real property used for academic purposes is not formally assigned to a

functional unit. As a result, the Treasurer's Office of Real Estate is performing much of this activity on an informal basis at the request of the President and other officers of the University (page 7)

- The "academic purpose" designation of real property assigned to the President lacks definition, and as a result we had difficulty in determining an academic affiliation for several parcels of university-owned property (page 12)

- The University lacks an adequate real estate information system commensurate with the value and diversity of its real property interests (page 16)

- The University lacks a consistent policy on real property investment and a formal program for orderly disposal of surplus real property (page 24).

We recommend that the University consolidate the procedural aspects of real estate acquisition, lease and disposal into a single functional unit with the requisite technical expertise. We also recommend that the Regents provide a clear definition of "academic purpose" properties and apply that criteria to all existing and future holdings. We further recommend that the University implement the Treasurer's Information System with enhancements outlined in this report and that the Regents clarify their policy on real estate investment and implement a program for the orderly disposal of surplus real property.

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the University of California's policies, procedures and practices in managing its real estate holdings.

This report, the fourth in a series* dealing with certain operations and activities of the University of California, provides an analysis of the University's procedures for acquiring, managing and disposing real property associated with academic activities and property acquired as a result of gifts or endowments or purchased for investment purposes.

The real property holdings of the University include an ownership interest in approximately 58,000 acres of land located in 37 counties within California and 4,765 acres located in eight other states. In addition, the University has lease or use agreements on approximately 67,000 acres of land within the State. Real property owned or leased by the University is exempt from property taxes.

* Earlier reports are U.C. Davis Child-Rearing Practices and Academic Abilities Research Project (Letter Report 715.1), August 1977; The Patent and Royalty Program of the University of California (Report 715.2), October 1977; The Foundations' Expenditures Need Review and Control (Report 715.3), December 1977.

The academic facilities include an estimated 10,000 structures with a replacement value for insurance purposes of $1.9 billion. The book value of land and grounds improvements used for academic purposes as of June 30, 1977 was approximately $230 million and real estate held for investment was valued at $11 million. Book value is based on cost if the real property was purchased and, if donated, the fair market or appraised value at the time of the donation. Investment properties except land are also subject to depreciation. Many of the University's land holdings were acquired over a hundred years ago; therefore, book value does not represent its worth today.

The University of California is subject only to such legislative control as may be necessary to ensure compliance with the terms of the endowments of the University and the security of its funds. In addition, the Legislature may also control the submission, approval and enforcement of budgets and the filing of claims for all state agencies including the University of California. With the recent enactment of SB 963 (Stull), the Legislature was authorized to prescribe competitive bidding procedures for sales of university real property.

The By-Laws of the Regents of the University of California assign responsibility for certain real estate activities to four of the six standing committees of the Regents. The committee responsibilities are:

Committee on Educational Policy

Recommends policy on the acceptance, use and allocation of gifts of real property

Committee on Finance

Recommends action on matters relating to purchasing, selling or leasing real property and reviews the recommendations of the Committee on Educational Policy related to gifts of real property

Committee on Grounds and Buildings

Considers matters related to the University's real property used for academic purposes

Committee on Investments

Authorizes the purchase, sale or lease of real property held or acquired for investment purposes.

Scope of Review

We studied the management of the University's real estate program by performing the following major audit procedures:

(1) Evaluating the accuracy of U.C.'s records of real property ownership as compared to other sources of information at the state and county level

(2) Reviewing the U.C.'s real property management information program

(3) Reviewing the U.C.'s adherence to Regent's policies pertaining to real property matters

(4) Reviewing the U.C.'s efforts in disposing of real property no longer needed for academic or investment purposes.

We also sent questionnaires to the 58 county assessors in California to determine the completeness of the U.C.'s records of holdings and the current market value of real property held. We received responses with varying degrees of detail from 52 county assessors.

AUDIT RESULTS

RESPONSIBILITY FOR PROCEDURAL REAL ESTATE MATTERS INVOLVING REAL PROPERTY USED FOR ACADEMIC PURPOSES IS NOT FORMALLY ASSIGNED TO A FUNCTIONAL UNIT

The responsibility for procedural real estate matters involving real property used for academic purposes is not formally assigned to a functional unit. Responsibility for all university real property is divided between the President and the Treasurer under the overall control of the Regents.

Regents Standing Order 100 places responsibility for all nonacademic properties of the University of California with the Treasurer. It assigns to the President of the University the responsibility for all matters not delegated to other officers (i.e., Secretary, Treasurer, or General Counsel) of the Regents. The President delegates some aspects of academic property management to the campus chancellors. As a result, there is no centralized function to provide procedural services or coordinate university real estate matters systemwide.

For example, as of November 1975 the University was paying about $245,000 per month in lease payments throughout the system while at the same time the University possessed a significant number of rental properties. There is no central clearing point where rental requirements

and available sources are matched to prevent the possibility of the University renting property in an area where it owns a suitable and vacant location.

The Treasurer's Office staff includes two real estate professionals. This office performs functions described on the following page for all nonacademic properties under the Treasurer's control. At the request of the President, the office also performs some of these activities on behalf of academic properties:

(1) Negotiates and processes acquisitions of real property; orders title searches, surveys and appraisals as required

(2) Manages the insurance program for nonacademic properties

(3) Negotiates lease agreements where the U.C. is the lessor

(4) Collects rents and mortgage payments

(5) At the request of the Regents, reviews gift proposals involving real estate

(6) Prepares environmental impact reports, zoning requests, tax exemption applications and reports on university ownership of real property for governmental entities (i.e., State Department of General Services and State Lands Commission)

(7) At the request of the Secretary of the Regents, reviews proposed property lease agreements where the U.C. is the lessee

(8) Prepares bid solicitations and manages sales of real property no longer needed

(9) Negotiates oil and gas leases on university-owned property

(10) Resolves title problems, easements, fractional ownership interests and assists the general counsel in eminent domain matters

(11) Oversees maintenance of nonacademic properties.

Although the Treasurer's Office has not been given centralized authority on all real estate matters, there are certain real estate activities which must, by Regent Directive, be prepared and/or approved by officers of the University. The real estate function within the Treasurer's Office is now performing staff work in these areas.

Recent constitutional changes and subsequent legislation require competitive bidding for surplus university-owned real property. This appears to be an activity requiring considerable expertise in real estate matters. This, coupled with the magnitude in physical size,

diversity and dollar value of the University's real property holdings, would justify the formal assignment of responsibility for certain real estate functions.

CONCLUSION

The Regents have delegated the responsibility for academic real property to the President of the University, and the Treasurer of the Regents has been assigned responsibility for all nonacademic property. However, no centralized function or office has been formally designated to provide procedural services or coordinate university real estate matters systemwide. Presently, the Treasurer's Office provides expertise in real estate matters for all nonacademic property and, upon request, provides assistance on real property transactions to other units.

RECOMMENDATIONS

We recommend that all real estate activities involving the procedural aspects of acquisition, lease or disposal of University property be centralized in a single functional unit. The existing real estate function within the Treasurer's Office appears to possess the necessary technical expertise to fulfill such a role, as they are already performing some of this activity on an informal request basis.

BENEFITS

The formal delegation of procedural real estate matters to the Treasurer's Office would allow that organization to properly staff and organize to provide systemwide coordination. Increases in efficiency and effectiveness should result.

these are nontax paying properties." The agreement with the donors of this property provided that the Regents were free to sell or otherwise dispose of this property after October 2, 1967.

River Street Property (Santa Cruz County)--this parcel contains a dwelling of 2,650 square feet and approximately 1,312 acres of land in the City of Santa Cruz. On October 10, 1966 the campus recommended to the Regents that the property be sold as it was no longer needed. No action has yet been taken to dispose of the property. The county assessor placed a value of $55,000 on the property.

Sedgwick Ranch (Santa Barbara County)--the Regents own an interest in a cattle ranch of approximately 5,864 acres. The ranch is carried at a book value of $2.4 million which represents the University's share of its market value at the time of donation (1970). We were unable to ascertain what, if any, academic purpose this property is used for.

McGuire House (Santa Barbara County)--this parcel includes a home of 9,500 square feet on approximately one acre in a prime location in the City of Santa Barbara. It had an estimated market value of $79,100 in 1966. The property is rented to a private organization for $6,000 per year.

LaJolla Farms (San Diego County)--this property consists of 111 acres remaining of an original purchase of land and improvements adjacent to the San Diego campus. The

University has sold 20 unimproved lots and one residence. The only "academic purpose" we could identify in the total parcel was 6.7 acres of beach front property and a home of approximately 8,000 square feet which is the Chancellor's residence. The property also includes 24 acres devoted to horse stables and a race track which is under lease.

These examples are not representative of the many clearly academic holdings assigned to the President, such as campus buildings, research stations or agricultural research units. They are merely illustrative of the need for a clearer definition of the term "academic purpose." We did not review all of the University's property holdings because of the logistics and expense involved in locating parcels spread throughout 37 counties and 8 other states.

Proper classification of property would assure that those parcels not used for academic purposes would be properly classified as investment properties and subjected to the application of prudent investment criteria and subsequent disposal.

CONCLUSION

The term "academic purpose" is liberally construed or applied to properties which serve no apparent academic purpose. Without accurate classification, proper management of U.C.'s real estate holdings cannot be assured.

RECOMMENDATIONS

We recommend that:

- The Regents clarify the criteria to be applied to properties held for "academic purposes"
- All properties now held should be evaluated and classified in accordance with the new criteria.

BENEFITS

Proper designation and assignment of real property would assure that nonacademic properties are marketed or become income-producing depending upon their investment potential.

THE UNIVERSITY LACKS AN ADEQUATE REAL ESTATE INFORMATION SYSTEM COMMENSURATE WITH THE VALUE AND DIVERSITY OF ITS REAL PROPERTY INTERESTS

The University's holdings in real property are numerous and substantial. The actual number of holdings and their current market values are not available from the U.C. because its real estate information system is inadequate.

We researched current real estate listings maintained by the U.C. and other state agencies and asked the 58 county assessors to estimate U.C. holdings within their jurisdictions. Although we were unable to determine the total market value of U.C. real property, we found enough significant errors and understatements in the existing listings to conclude that the system needs improvement.

For real estate accounting and reporting purposes, the U.C. system uses cost or fair market appraisal at time of acquisition. Considering that some of its properties were acquired in the 1800s, book value does not fairly represent its worth today. For example, the University's plant asset value for plant assets and improvements throughout the entire system was $230,058,000 as of June 30, 1977. In comparison, the Los Angeles County tax assessor places the value of U.C. land in that county alone at $152,000,300. The University's real property holdings in Los Angeles County approximate 1,108 acres out of a statewide total of 58,000 acres.

The University acknowledges ownership in excess of 10,000 buildings and structures used for academic purposes with a stated replacement value for insurance purposes as of February 1, 1977 of $1,911,608,624.

In addition to academic properties the University owns partial interest in a shopping center, cattle ranches, vegetable farms, producing gas wells and rental property.

We reviewed all available sources of information pertaining to the University's real property holdings. The sources included information from county tax assessors, State Lands Commission Reports, the Proprietary Land Index prepared by the State Department of General Services and various reports and accounting registers of real property ownership and leaseholdings generated by the University. The objective of the review was to determine the accuracy and adequacy of the University's real property ownership data. A brief description of each information source used is included in Appendix A.

Leased Property--University as Lessee

The University maintains no established or formal system for reporting property leases where the University is the lessee. Lease expense as of November 1, 1975 was $245,258 per month. Data submitted by the campuses to the University Controller's Office indicates there were about 190 active leases for facilities used primarily for office space as of

December 31, 1976. There were additional leases and easements under agreement by the University in conjunction with the National Land and Water Reserve System (NLWRS).

Errors and Deficiencies Found

Our review of all available information relating to the University's real property interests illustrated that the University lacks an adequate system of real estate information. For example, the following types of errors or deficiencies were discovered during the review:

(1) A property in Lassen County was found to have title problems dating back to 1891. Presently, they do not have clear ownership. The University is now attempting to resolve this problem with the Bureau of Land Management

(2) Many parcels of property are carried on the Annual Listing of Investment Book Value at $1. The American Institute of Certified Public Accountants (AICPA) Audit Guide for Colleges and Universities and the University Accounting Manual recommend that gifts be recorded at fair market value at date of gift

(3) Forty acres of Congressional land in Nevada County is not recorded in the Annual Listing of Investment Book Value

(4) A Napa County property has been recorded both as a plant asset and as an investment property

(5) An Orange County property has been shown twice in the Annual Listing of Plant Assets

(6) Sources of information pertaining to income and expense on investment property are not readily available to allow informed investment decisions.

These problems are not only representative of the errors found in the review but are symptomatic of a more important issue: the lack of a viable source of real estate information upon which to base management decisions.

Treasurer's Information System

The University has developed the Treasurer's Information System (TIS), which when fully implemented, should solve most of the problems revealed during our review of available real estate records. TIS was developed to provide the Treasurer's Office and the Chief Accountant's Office with an accurate and timely means of managing long and short-term investments.

The first phase of the development effort resulted in the Treasurer's Reporting System which was limited to recording and reporting of stocks and bonds.

The second phase, known as the real estate subsystem, would have mechanized the remaining investment accounting functions including the control and management of real estate had it been implemented. The real estate subsystem is comprised of a daily, monthly and annual cycle which serves two purposes:

(1) It records the purchase and sale of real estate and other assets such as oil leases. It also records the appropriate expenditures concerning these assets such as expenses for maintenance and depreciation

(2) It records and maintains the rentals, leases and income created by the real estate or other assets.

TIS is capable of producing daily, monthly and annual reports reflecting real estate activities pertaining to purchases, sales, income, expense, mortgage loans and depreciation. A sample of the monthly real estate income and expense report for a test period is shown in Appendix F.

An attempt was made to implement the real estate subsystem of TIS in 1976; however, due to conversion problems, the effort was abandoned. We have reviewed the documentation on the real estate subsystem and find that it could be a viable management tool; however, the following aspects of the system are deficient and would require correction:

(1) TIS should include all real estate, both academic and investment, and leases with appropriate linkage to the plant asset system

(2) The file record should include legal descriptions, current market value for nonacademic properties, replacement value for insurance purposes and date of release from endowment conditions

(3) The subsystem is not programmed to input TIS data for the reports generated by the State Lands Commission and the Department of General Services. No provision has been made to replace manually prepared lists of property holdings generated by NLWRS and the Systemwide Risk Management Office.

Market Value on Investment Properties

U.C. real estate investments are recorded at cost or appraised fair market value at time of acquisition, less depreciation. This is the usual practice among similar institutions as stated in the AICPA Audit Guide for Colleges and Universities. A permissible alternative, however, provides that investments, exclusive of physical plant, may be reported in the financial statements at current market value.

Our review of the University's real property investments indicates that the "market value" stated does not fairly represent the actual value of U.C. property holdings. For example, a ranch property in

Monterey County is carried on the University's books at $890,400 while the assessor in that county has placed a value of $1,514,180 on the property.

Another ranch in Sonoma County is carried at $935,100 while that county's assessor places its market value at $1,150,900 for land and $207,500 for the improvements. A San Francisco property at 68 Post Street is valued on the University's books at $175,000, while at the same time the University has placed a value on the property for insurance purposes of $1,566,893.

The Treasurer's Annual Report of 1975–76 states that investments in real estate valued at $11,382,000 yielded a return of 6.36 percent on average book value. We believe that the return on real estate investments is considerably less when current market value is considered.

Investment decisions affecting U.C. real property holdings should be made with the knowledge of current market value. Alternate forms of investment may provide higher returns than real estate when yields are compared using property values reflective of current market conditions.

CONCLUSIONS

The University lacks an adequate system of real estate information. The TIS real estate subsystem, with enhancements, would provide the University with an effective system with which to manage their substantial real estate interests. Knowledge of current market values would benefit the real estate investment decision process.

RECOMMENDATIONS

We recommend that the University implement the TIS real estate subsystem with the enhancements to correct the deficiencies noted in this report. We also recommend periodic updating of real estate current market values to aid in management decisionmaking.

BENEFITS

Implementing an improved TIS would make available current and accurate information with which to make informed real estate decisions.

THE UNIVERSITY LACKS A CLEAR AND CONSISTENT POLICY FOR THE ACQUISITION, RETENTION AND DISPOSAL OF REAL PROPERTY

The University has an ownership interest in 58,000 acres of California land and structures with a replacement value for insurance purposes of almost $2 billion. By any measure such holdings would be considered substantial, yet U.C. lacks a clear and consistent policy for acquiring and disposing of real property.

Real Property Acquisition and Retention

The University's policy on real estate investment is unclear and inconsistent. For instance, the 1976-77 Annual Report of the Treasurer of the Regents states:

> ...as a matter of policy, real estate is not purchased for investment to avoid taking it off the property Tax Rolls.

This statement appears inconsistent with Regent By-Law 12.5(b) which states the Regents Committee on Investment shall:

> ...authorize the purchase, sale, or lease of real property held or acquired for investment purposes.

If university policy is to avoid investment in real estate to reduce the impact on the local tax base, then a corollary policy would, in our opinion, be to return property already held to the tax rolls as soon as it becomes unnecessary for the academic program.

The University periodically purchases real property for various purposes such as for academic program needs, the National Land and Water Reserve System and for research facilities. These purchases, added to those parcels acquired as a result of gifts and endowments, comprise a substantial volume of real property transactions.

The following table illustrates the volume of real estate transactions consummated by the University in the past seven years:

U.C. Real Estate Transactions

	Acquired By:		
Year	Gifts or Endowments	Purchase	Sold
1970-71	39	6	7
1971-72	10	7	26
1972-73	9	7	4
1973-74	5	5	6
1974-75	13	1	10
1975-76	68	2	14
1976-77	16	2	15
	160	30	82

The majority of parcels added to the University's holdings are the result of gifts or endowments. Even though the University encourages donors to allow the University broad discretion in the use and/or disposal of gift or endowment property, some parcels must be held for a stated period before they can be sold. The University has sold over twice as

many parcels as it purchased but despite its efforts, a net gain of 108 parcels resulted from real estate activities during fiscal years 1970–71 through 1976–77.

Property purchased for an academic purpose but not put to such use must be considered an investment after a reasonable period of time. A case in point would be the LaJolla Farms property described in the second audit result of this report (see page 12).

Of the original LaJolla Farms purchase of 129.9 acres acquired in 1967, the University still held 111 acres as of December 1, 1977. The only apparent "academic" function that can be attributed to the property is the presence of the Chancellor's residence which occupies approximately 6.7 acres of the parcel. Whereas, the original intent in purchasing this property may have been to serve an academic need, the lack of development and less than expeditious disposal leads us to conclude that LaJolla Farms was or is an investment in real estate in contradiction to the treasurer's policy statement. A map of LaJolla Farms is provided in Appendix G.

Property purchased or otherwise acquired for an academic purpose but later put to other use must be considered an investment in real estate.

The Natural Land and Water Reserve System (NLWRS) was established by the Regents in 1965 to acquire and manage representative samples of California diverse habitats for teaching and research in the natural sciences. As of July 1, 1977, the 23 established reserves included 10,000 acres of owned real estate and included some parcels in prime locations.

The permanency of the reserves varies considerably among the individual parcels. For instance, land previously owned by the Regents and added to the reserve can be removed by a motion of the Regents. Donors of land given to the reserve system are provided with a university-prepared transmittal letter which is provided in Appendix H. This letter is not used in all cases, but it does provide the University with a great deal of flexibility in the use or disposal of the property. Some donors do not place specific conditions on a bequest but allow the University flexibility in its management.

Neither the governing policies of NLWRS nor the January 1965 action of the Regents which established the reserve system provision, established criteria for the continued inclusion of a parcel within the system or for a program to regularly review each property and apply the criteria.

Real Property Disposal

The University does not have a formalized program to identify and dispose of surplus real property.

The traditional method of disposing of unneeded university-owned real estate has been to respond to inquiries from prospective buyers who contact the institution regarding a particular property. The University then determines if the property is indeed surplus, obtains an appraisal of the property's worth, and then negotiates with the interested buyer or his agent to complete the sale. This method of marketing must be considered passive at best and probably has not reached the greatest number of interested buyers.

The Treasurer's Office attempts, as time permits, to review nonacademic properties in an effort to dispose of holdings which are producing less than acceptable income and/or which require maintenance or major repairs considered to be excessive.

We found no such provision to regularly identify and dispose of surplus academic purpose properties. Traditionally, campus chancellors have been given responsibility for academic property on their campuses and at other locations which interface with campus programs. No function or responsibility presently exists for the regular review of all academic purpose property to insure that parcels no longer needed are marketed or reassigned to the Treasurer who is staffed to manage investment properties.

The University deserves much credit for the recently implementing of competitive bidding procedures for sales of surplus university-owned property. An amendment to the California Constitution adopted by the voters in the 1976 general election authorized the Legislature to prescribe competitive bidding for sales of surplus university-owned real property. The legislation to implement this amendment became effective January 1, 1978.

The University implemented competitive bidding on sales of surplus real property in advance of the impending statutory requirement. On July 15, 1977 competitive bids were solicited on five lots within the LaJolla farms subdivision, which is adjacent to the San Diego campus. The sale of the five lots had previously been authorized by the Regents along with nine others on September 19, 1974; however, due to some problems the earlier transaction was not consummated. The average of the five high bid prices on the five lots received from the July 15, 1977 offering was $89,951 greater per lot than the negotiated price agreed upon for the same lots in 1974. Contributing factors to this substantial increase include the fact that lots in this sale were sold individually and the other lots listed were sold in blocks, and the general inflation of property values. What effect, if any, competitive bidding had on the price received could not be determined.

A recap of the sales history of the 34 unimproved lots at LaJolla farms is as follows:

Sale No.	Number of Lots	Transaction Date	Average Price	Method of Sale
A	5	4-30-71	$ 43,400	negotiation
B	7	7-23-71	42,643	negotiation
C	3	7-23-71	38,567	negotiation
D	5	7-26-71	41,700	negotiation
E	14*	9-19-74	58,359	negotiation
F	5	9-06-77	148,310	competitive bid

* Sale E included lots in E and F; however, that total transaction is in litigation and in the meantime the University has solicited and received bids shown in F.

The implementation of competitive bidding procedures is only one part of what should become a structured program to identify all unused or unnecessary academic purpose property and transfer it to the Treasurer where it can be marketed or put to some income-producing use. The ultimate decision to sell any investment property must give due consideration to matters of income, expense and potential for long-term gains which are matters in the Treasurer's purview.

CONCLUSIONS

Clarification is needed on university policy relative to the acquisition, retention and disposal of university-owned real property. The University has successfully implemented competitive bidding procedures but does not presently have a program to identify and market surplus real property.

RECOMMENDATIONS

We recommend that:

- The Regents promulgate and implement a consistent policy on the acquisition, retention and disposal of real property

- The University develop and implement a program to identify and transfer to the Treasurer all academic purpose properties no longer needed. The Treasurer should then either market the properties or put them to some income-producing use.

- If the NLWRS is truly a reserve, then action should be taken to strengthen the designation and remove the possibility that lands would be removed when economic considerations overshadow scientific benefits.

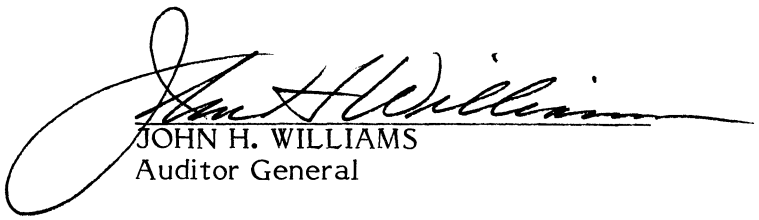
BENEFITS

The University would benefit from the proceeds derived from the sale or rental of unneeded academic purpose property.

Local jurisdictions would benefit from the return of surplus university-owned real property to the tax rolls.

Future generations would benefit from the continued inclusion of certain university-owned properties in the Natural Land and Water Reserve System.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Date: February 14, 1978

Staff: Kurt R. Sjoberg, Audit Manager
Gary S. Ross
Nancy L. Szczepanik, CPA

UNIVERSITY OF CALIFORNIA SYSTEMWIDE ADMINISTRATION

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Office of the President

BERKELEY, CALIFORNIA 94720

February 13, 1978

Mr. John H. Williams, Auditor General
Joint Legislative Audit Committee
925 "L" Street, Suite 750
Sacramento, California 95814

Dear Mr. Williams:

In reply to your letter of February 7, I am forwarding a staff analysis, in which I concur, of the audit findings and recommendations resulting from your review of real estate management at the University. I am also sending with this letter a copy of Treasurer Hammonds' comments, which are in response to the request you directed to him.

Although real estate matters have, in my opinion, been generally handled well at the University, the audit findings do reveal some aspects of the operation where improvements could be made. We will undertake such improvements and give appropriate consideration to the suggestions and recommendations provided in your report.

I regret that a more comprehensive response could not be made within the limited time available. As we proceed with our review, therefore, we may wish to amplify our response.

Sincerely,

David S. Saxon
President

Attachment

ANALYSIS OF DRAFT REPORT OF THE OFFICE
OF THE AUDITOR GENERAL ON THE
UNIVERSITY OF CALIFORNIA
REAL ESTATE MANAGEMENT

Following is an analysis of the audit results and recommendations as set forth in the Auditor General's draft report on Real Estate Management at the University of California.

Audit Finding

RESPONSIBILITY FOR PROCEDURAL REAL ESTATE MATTERS INVOLVING REAL PROPERTY USED FOR ACADEMIC PURPOSES IS NOT FORMALLY ASSIGNED TO A FUNCTIONAL UNIT

Audit Recommendation

That all real estate activities involving the procedural aspects of acquisition, lease or disposal of University property be centralized in a single functional unit.

Analysis

Centralizing certain procedural aspects of acquisition, lease or disposal of University property may be appropriate. This matter will be carefully reviewed including the most appropriate placement for these functions.

The comments made by the Treasurer have been noted and his suggestions concerning coordination of space rental will be given consideration.

Audit Finding

THE "ACADEMIC PURPOSE" DESIGNATION APPLIED TO UNIVERSITY PROPERTY LACKS FORMAL DEFINITION

That:

-- The Regents clarify the criteria to be applied to properties held for "academic purposes";
-- All properties now held should be evaluated and classified in accordance with the new criteria.

Analysis

It seems appropriate that a clearer definition of "academic purposes" be developed and applied to properties. As the Treasurer comments, in practice "academic purposes" has been interpreted to mean "campus related activities," and this may be a more appropriate distinction for identifying those properties which are not under the control of the Treasurer.

Concur that a reevaluation and reclassification of properties as appropriate based on new criteria should be undertaken.

Audit Finding

THE UNIVERSITY LACKS AN ADEQUATE REAL ESTATE INFORMATION SYSTEM COMMENSURATE WITH THE VALUE AND DIVERSITY OF ITS REAL PROPERTY INTERESTS

Audit Recommendation

That the University implement the TIS real estate subsystem with the enhancements to correct the deficiencies noted in this report.

Analysis

To the extent it is cost effective,a system which will include real property information will be developed. Specifications for such a system are now being drawn up.

The specific errors and deficiencies cited in the report will be reviewed and action taken where appropriate.

Audit Finding

THE UNIVERSITY LACKS A CLEAR AND CONSISTENT POLICY PERTAINING TO THE ACQUISITION, RETENTION AND DISPOSAL OF REAL PROPERTY

Audit Recommendations

That:

-- The Regents promulgate and implement a consistent policy on the acquisition, retention and disposal of real property;
-- The University develop and implement a program to identify and transfer to the Treasurer all academic-purpose properties no longer needed. The Treasurer should then either market the properties or put them to some income-producing use.
-- If the NLWRS is truly a reserve, then action should be taken to strengthen the designation and remove the possibility that lands would be removed when economic considerations overshadow scientific benefits.

Analysis

The Treasurer's response deals with this recommendation as it relates to investment property.

With respect to "Academic purpose" property this entire area should be reexamined to determine what additional guidelines might be needed concerning the acquisition, retention and release of academic purpose property to the control of the Treasurer for appropriate disposition or use assignment.

With respect to the NLWRS the existing reserves were comprehensively inspected and evaluated before acquisition by campus-based faculty advisory committees and a Systemwide faculty advisory committee appointed by the President of the University. Acquisition guidelines adopted upon the advice of the Systemwide committee have been used as a standard. The committee is in the process of developing a long-range academic plan which will include the requirement for periodic review of each reserve to assure that it continues to meet established criteria to remain a part of the system.

The recommendation that action be taken "to strengthen the designation and remove the possibility that lands will be removed (from the NLWRS) when economic consideration overshadows scientific benefits" will be carefully studied as a part of the NLWRS academic planning process already underway. The University shares the concern underlying the recommendation but notes that related to this concern is the need to strike a balance between the desire to maintain reserves as a part of the system as long as they meet established criteria and the need to be able to release a reserve as noted above to make the land available for other purposes and to make the resources available for other system needs. Good management of resources calls for such flexibility to permit the University to respond to long-term changes in circumstances surrounding each reserve so that the system can continue to provide the desired diversity.

General Observations

On page 3 the statement is made "All real property owned or leased by the University is exempt from tax". It is not clear what purpose is served by this statement. Our concern is that it may convey an undesirable implication to the reader that was not intended by its inclusion in the report.

It is noted that on pages 12 and 13 a number of parcels of property were cited to demonstrate the need for a clearer definition of the term "academic purpose." Under the circumstances it should not be presumed that these parcels would not be considered as being used for "academic purposes" within a clarified definition of what the term is intended to encompass.

On pages 27 and 27 the report refers to the National Land and Water Reserve System. The reference should be to Natural not National. *

The statement on page A-2 that the report, Summary of University of California Land Areas to the Nearest Acre, "fails" to include investment or endowment properties implies a deficient performance on the part of the University. These properties are not controlled by the President, and they are reported in a separate document issued by the Treasurer. The word "fail" should be deleted and words such as "does not" substituted. *

* Wording changed in final report.

February 10, 1978

Comments on a Draft of Report of the Office of the Auditor General to the Joint Legislative Audit Committee on "University of California Real Estate Management".

Without replying to each example used in the report to make a point, we shall merely answer the main concerns and then make a few comments on several additional issues raised in the report.

First Concern:

Responsibility for procedural real estate matters involving real property used for academic purposes is not formally assigned to a functional unit.

Reply:

The Treasurer agrees that responsibility for real property matters should be centralized and formally assigned to a functional unit for the most part, and that any separation of duties between the President's Office and the Treasurer's Office be well defined.

It should be recognized that in all cases other than investment properties, the responsibility is the President's and the action decisions are initiated by activities under the President. Nevertheless, because of the real property expertise in the Treasurer's Office because of its historical function as Land Agent, the President makes his recommendations in this area to the Board of Regents based on staff work from Chancellors and the President's own staff with action generally carried out by the Treasurer. This is as it should be in connection with purchases and sales; ground leases; oil, gas and mineral activities; easements; and leases of large size or long term where large obligations may be involved. Responsibilities between the President and the Treasurer are clear.

An operating area that should remain primarily under the President relates to rental of space for administrative, academic and related uses. Perhaps a problem is one of semantics because the term "lease" has been used to cover items from the most complicated long-term ground lease to the simplest rental of office space. The most numerous are now in the latter category and involve the individual campuses in large part. It is this category of space rentals that should be centralized under a rental expert to coordinate these activities at all campuses for the President, and the Treasurer shall so recommend to the President.

Clearer definition of duties can be formalized along the above lines by amendment to the By-Laws and Standing Orders.

Second Concern:

The "academic purpose" designation applied to university property

lacks formal definition.

Reply:

Here again is a problem in semantics. The By-Laws (21.4g) says "The Treasurer ...shall operate all properties of the Corporation not used for academic purposes". In practice "academic purposes" has meant "campus related activities", so that the Treasurer has managed all properties that have not been turned over to the campuses for "campus related activities". This also calls for a definition of the word "campus" which would encompass major campuses, laboratories, field stations, reserve systems, etc. For example, student services located in a student union have been considered "academic purposes" and have therefore come under academic management (that is the Chancellor) rather than the management of the Treasurer. A change in definition along the lines of "campus related activities" would clarify this situation, and the Treasurer will so recommend.

Third Concern:

The University lacks an adequate real estate information system commensurate with the value and diversity of its real property interests.

Reply:

The administration has been working on a Treasurer's Information System (TIS) for a number of years but the real property input for TIS has not been completed. To the extent that it is cost effective, the President's office of Information Systems and Computers is dedicated to providing satisfactory TIS which will include real property.

Fourth Concern:

The University lacks a clear and consistent policy pertaining to the acquisition, retention and disposal of real property.

Reply:

The Treasurer's Office does have an orderly program for the disposal of property under its jurisdiction. The number of such properties is relatively small so that management is part of the day-in and day-out routine of the Treasurer's staff which is devoted to real property matters.

The question of a program for the orderly disposal of surplus property is a separable one which comes under the President. He has directed the Chancellors to advise him of surplus property under their jurisdictions and to make recommendations for disposal. Perhaps a formal request by the President to the Chancellors and a report annually to the President for his evaluation and action would be in order, and this will be given consideration.

Related Issues:

1. The report implies that because market values of real properties are not recorded in the books of the University that the Treasurer may not be taking market values into consideration in his management of real estate. Book values are important, but a prime responsibility in management of any property is to know market value. We can assure any critic that the expertise in the Treasurer's Office is more than adequate in this area.

Perhaps what the report has in mind is that it would be helpful if all University property including campuses, field stations, land reserves and bonded properties could be valued at market at least annually, so that bottom line figures would be available. This is a matter of cost effectiveness. Annual appraisals would be required and this would be very costly. If such bottom line figures were absolutely necessary they would be obtained, but only after estimating the cost factor, relating it to the value of the resulting information, and obtaining additional funding to accomplish the task.

2. It was indicated that perhaps a 6.36% return on $11,382,000 in real estate investments would be lower if current market values were used. This is undoubtedly true, but the 6.36% does not include total return which would add to annual income the estimated annual unrealized appreciation in market value. Furthermore, a grouping of such properties makes for false statistical interpretation because some properties may have no current income but may have large annual appreciation in market value. It is the Treasurer's goal to maximize return which means total return. Obviously this means that property will not be sold just because it does not yield current income. It will be sold when in the judgment of management the proceeds of sale can be transferred to better advantage to another type of asset which will improve total return.

3. It has been indicated that owning $11,382,000 in real property investments is incompatible with the Regents' policy of not purchasing California real estate for investment because of a reluctance to take property from the tax rolls. We believe it is not incompatible because the key word in the policy is "purchase". The policy allows the holding of donated property for the maximization of return. Such properties are held, as previously pointed out, until a price can be received which will warrant investing the proceeds in another classification of investment which will hopefully bring a higher total return. The Regents do not purchase California real estate for investment.

4. A tabulation showing properties acquired makes it appear the University is not making a reasonable attempt to dispose of surplus property in an orderly fashion. Acquisitions by gift or bequest were 160 in seven years as listed in the table and sales were 82, for a net annual acquisition of 11 per annum. The number really is not relevant because of the heterogeneity of parcels ranging from vacant lots to large ranches. The 26 properties purchased for educational purposes (primarily for the Natural Land and Water Reserve System) is the result of the University carrying out one of its basic functions.

Final Recommendations:

1. The Regents should promulgate and implement a consistent policy on the acquisition, retention and disposal of property.

Reply:

We believe the policy as it concerns real estate investment is consistent as explained above. Perhaps the policy is misunderstood by not emphasizing the University does not purchase for investment in California. Once real properties are acquired by gift or bequest they are held to maximize return until selling prices can be obtained which will justify transferring the proceeds of sale to another type of investment. The President will give consideration to policy development as the recommendation concerns properties relating to campus activities.

2. The University develop and implement a program to identify and transfer to the Treasurer all academic-purpose properties no longer needed. The Treasurer should then either market the properties or put them to some income-producing use.

Reply:

The recommendation will be given serious consideration.

3. If the NLWRS is truly a reserve, then action should be taken to strengthen the designation and remove the possibility that lands will be removed when economic considerations overshadow scientific benefits.

Reply:

The Vice President-Agricultural Sciences is studying the general area of the NLWRS with regard to its place in the overall educational sphere of the University and will take this recommendation into consideration as he proceeds with his study.

Owsley B. Hammond
Treasurer of The Regents

REVIEW OF AVAILABLE SOURCES OF INFORMATION PERTAINING TO THE UNIVERSITY'S REAL ESTATE HOLDINGS

Responses from County Assessors

Fifty-two counties responded with varying degrees of detail to our inquiries concerning U.C. property ownership. Many supplied current market value, legal description, and in some cases, maps of the property. Our request required considerable additional effort by the county assessors because assessment rolls, as a matter of law, do not show publicly-owned property.

Public Land Ownership Report

This report is issued biennially by the State Lands Commission under Section 14683 of the Government Code. The data contained in the report is submitted by the U.C. and consists of a very brief description of the property and acreage totals for each county where the U.C. owns real estate. A sample page of the report is shown in Appendix B.

Proprietary Land Index

The Proprietary Land Index is issued every five years by the State Department of General Services in compliance with Sections 14730 and 14731 of the Government Code. This report includes a detailed description of each parcel, date of acquisition, purpose and acquisition cost of all U.C. ownership holdings within California. The Treasurer's Office supplies the data on U.C. real property for the report.

We found the Proprietary Land Index to be the best single source of information on U.C. ownership holdings. It does not, however, include leases, out-of-state property or market value. A sample page of this report is provided in Appendix C.

Summary of University of California
Land Areas to the Nearest Acre

This report deals with U.C. property ownership and is prepared and issued annually by the U.C. The report only includes properties used for "academic purposes" and does not include 10,624 acres of investment or endowment properties which are the responsibility of the Treasurer of the Regents. Also excluded are 190 parcels of leased property. The most recent edition of this report is provided in Appendix D.

Schedule of Investments

The Schedule of Investments is issued annually by the Treasurer of the Regents. It includes a listing of real estate totaling 10,624 acres held as endowment funds investment. In addition to a description of each property, the report includes the book value (cost or appraised value at acquisition less depreciation). The information on real estate investments in the 1977 schedule is shown in Appendix E.

Treasurer's Annual Report

The Treasurer's Annual Report contains a single line entry reflecting book and market value of real estate held for endowment funds investment.

Annual Listing of Plant Assets

This is a computer-generated annual report of all real property used for academic purposes. It contains a brief description of the parcel and the acquisition cost.

Annual Listing of
Investment Book Value

This is a computer-generated annual listing of real estate held for other than academic purposes. It includes a brief description of the property and its book value.

Property Ownership Report of the
Systemwide Risk Management Office

The Systemwide Risk Management Office oversees the insurance program for all properties used for academic purposes. This office maintains current information on all academic structures which includes asset number, a detailed description of the property and its replacement value. The risk management program for endowment and investment properties is the responsibility of the Treasurer's Office.

SAMPLE PAGE OF PUBLIC LAND OWNERSHIP IN CALIFORNIA

Published by State Lands Commission

AGENCY	USE	ACREAGE	HHFA LOC*
UNIVERSITY OF CALIFORNIA			
ORANGE COUNTY	IRVINE CAMPUS	1500.80	6800
	SOUTH COAST FIELD STATION	200.00	6800
	S JOAN FRESHWATER MARSH NLWRS	201.76	6800
	ENDOWMENT PROPERTY-REED	398.41	6800
PLACER COUNTY	ENDOWMENT PROPERTY	0.50	6800
PLUMAS COUNTY	MEADOW VALLEY FIELD STATION	80.00	6800
RIVERSIDE COUNTY	ENDOWMENT	0.12	6800
	RIVSIDE CAMPS & CITRS STATION	1105.00	6800
	BOX SPRING RESERVE-NLWRS	160.00	6800
	MORENO RANCH	840.00	6800
	P BOYD DESERT RESCH AREA NLWRS	3613.33	6800
	JAMES PROP SN JACINTO MT NLWRS	30.00	6800
SACRAMENTO COUNTY	ENDOWMENT PROPERTY	466.70	6800
	COUNTY HOSPITAL	54.80	6800
SAN BENITO COUNTY	SAN ANDREAS GEOPHYSICAL OBSER	4.37	6800
	ENDOWMENT	10.06	6800
SAN BERNARDINO COUNTY	ENDOWMENT	1.32	6800
	LAKE ARROWHEAD UNIV EXTEN	39.00	6800
	BURNS PINON RIDGE RESRV NLWRS	265.00	6800
	SACRAMENTO MT. RESERVE NLWRS	591.75	6800
SAN DIEGO COUNTY	SAN DIEGO CAMPUS	1104.00	6800
	BALBOA AVE	3.00	6800
	SCRIPPS INST OCEANOGRAPHY	148.00	6800
	ENDOWMENT PROPERTY	6.48	6800
	KENDALL FROST MISSIONBAY NLWRS	21.16	6800
	LA JOLLA FARMS ESTATES	110.59	6800
	COUNTY HOSPITAL LAND	35.83	6800
	DAWSON LOS MONOS CANYON NLWRS	92.98	6800
	ELLIOTT FIELD STATION	400.88	6800
	ELLIOTT CHAPARRAL RES NLWRS	106.00	6800
	RYAN OAK GLEN RESERVE NLWRS	92.98	6800
	MT. SOLEDAD PROPERTY	10.50	6800
SAN FRANCISCO COUNTY	SAN FRANCISCO MEDICAL CTR	109.82	6800
	HASTINGS COLLEGE OF LAW	1.73	6800
	SAN FRANCISCO ART INSTUTE	1.81	6800
	UNIVERSITY EXTENSION CNTR	5.86	6800
	ENDOWMENT PROPERTIES	0.78	6800
	ENDOWMENT PROPERTIES	0.94	6800
SAN JOAQUIN COUNTY	ENDOWMENT	35.76	6800
SAN LUIS OBISPO COUNTY	ENDOWMENT PROPERTY	160.00	6800
SAN MATEO COUNTY	ENDOWMENT	37.67	6800
	CONGRESSIONAL LANDS	80.00	6800
SANTA BARBARA COUNTY	SANTA BARBARA CAMPUS	578.58	6800
	ENDOWMENT PROPERTY	0.92	6800
	WEST AREA	172.00	6800
	COAL OIL POINT - NLWRS	49.00	6800
	HOLLISTER AVE LAND	6.00	6800
	MARRIED STUDENT HOUSING	15.00	6800
	SEDGWICK RANCH	4427.32	6800

SAMPLE PAGE OF THE

RE104A PROPRIETARY LAND INDEX PAGE 109

09/17/77

Published by State Department of General Services

HOLDING AGENCY	COUNTY	CITY	PURPOSE	ASSESSOR PARCEL NBR
UNIVERSITY OF CALIFORNIA	ALAMEDA COUNTY	BERKELEY	RESIDENCE HALL #4	

AGENCY CODE	FILE NBR	PARCEL SERIES NBR	TYPE OF LAND INDEX	LAND ACRES	LEGAL DESCRIPTION	TRANSFEREE AGENCY CODE
78	8461	1	PROPRIETARY	1.19	COLLEGE HOMESTEAD BL 6 LOT 2,3	

INSTRUMENT	GRANTOR	INSTRUMENT DATE	RECORDED DATE	RECORDED BOOK	RECORDED PAGE	INSURED BY	MINERAL INTERESTS
GRANT DEED	BERKELEY UNIF SCHOOL DIST	11/15/1967	12/07/1967	2088	629		

CONSIDERATION	REMARKS ALERT	AGENCY PARCEL NBR	COMMENTS
$367,650			BERKELEY CAMPUS # 310

****

HOLDING AGENCY	COUNTY	CITY	PURPOSE	ASSESSOR PARCEL NBR
UNIVERSITY OF CALIFORNIA	ALAMEDA COUNTY	BERKELEY	RESIDENCE HALL #4	

AGENCY CODE	FILE NBR	PARCEL SERIES NBR	TYPE OF LAND INDEX	LAND ACRES	LEGAL DESCRIPTION	TRANSFEREE AGENCY CODE
78	9473	1	PROPRIETARY	0.23	COLLEGE HOMESTEAD M&B B&M BL 6 LOT 3	

INSTRUMENT	GRANTOR	INSTRUMENT DATE	RECORDED DATE	RECORDED BOOK	RECORDED PAGE	INSURED BY	MINERAL INTERESTS
GRANT DEED	SCHULZE, PAUL T. ET UX	05/21/1968	06/06/1968	2194	943		

CONSIDERATION	REMARKS ALERT	AGENCY PARCEL NBR	COMMENTS
$93,500			BERKELEY CAMPUS # 319

****

HOLDING AGENCY	COUNTY	CITY	PURPOSE	ASSESSOR PARCEL NBR
UNIVERSITY OF CALIFORNIA	ALAMEDA COUNTY	BERKELEY	RESIDENCE HALL #5	

AGENCY CODE	FILE NBR	PARCEL SERIES NBR	TYPE OF LAND INDEX	LAND ACRES	LEGAL DESCRIPTION	TRANSFEREE AGENCY CODE
78	8354	1	PROPRIETARY	0.15	COLLEGE HOMESTEAD ASSOC. BL 10 LOT 4	

INSTRUMENT	GRANTOR	INSTRUMENT DATE	RECORDED DATE	RECORDED BOOK	RECORDED PAGE	INSURED BY	MINERAL INTERESTS
GRANT DEED	SHORR, ALEEN	07/01/1957	07/31/1957	8431	157		

CONSIDERATION	REMARKS ALERT	AGENCY PARCEL NBR	COMMENTS
$17,500			BERKELEY CAMPUS # 189

****

C-1

APPENDIX C

UNIVERSITY OF CALIFORNIA SYSTEMWIDE ADMINISTRATION

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO — SANTA BARBARA • SANTA CRUZ

SUMMARY OF UNIVERSITY OF CALIFORNIA LAND AREAS, TO THE NEAREST ACRE
(County location in parenthesis following name)

July 1, 1976 (ISF)

	Land Areas in Acres: Main	Outlying	Totals
CAMPUSES (detailed data on Pages 2, 3 and 4):			
BERKELEY (Alameda/Contra Costa/Napa)	1,250	3,029	4,279
DAVIS (Yolo/Sacramento/Solano)	3,579	55	3,634
IRVINE (Orange)	1,703	--	1,703
LOS ANGELES (Los Angeles)	411	861	1,272
RIVERSIDE (Riverside)	1,101	5,480	6,581
SAN DIEGO (San Diego)	1,363	687	2,050
SAN FRANCISCO (San Francisco)	107	--	107
SANTA BARBARA (Santa Barbara)	815	6,007	6,822
SANTA CRUZ (Santa Cruz/Santa Clara)	2,001	3,982	5,983
SUBTOTAL, NINE CAMPUSES:	12,330	20,101	32,431

FIELD STATIONS, RESEARCH STATIONS, LABORATORIES:	
Antelope Valley Field Station (Los Angeles)	79
Blodgett Forest (El Dorado)	2,762
Deciduous Fruit Field Station (Santa Clara)	17
Hopland Field Station (Mendocino/Lake)	5,317
Howard Forest (Mendocino/Lake)	83
Imperial Valley Field Station (Imperial)	255
Kearney Horticultural Field Station (Fresno)	269
Lindcove Field Station (Tulare)	171
Meadow Valley Field Station (Plumas)	80
Napa Experimental Vineyard (Napa)	40
San Andreas Geophysical Observatory (San Benito)	4
Sierra Foothill Range Field Station (Yuba)	5,531
South Coast Field Station (Orange)	200
Tulelake Field Station (Siskiyou)	17
West Side Field Station (Fresno)	321
Whitaker Forest (Tulare)	320
Wolfskill Horticultural Station (Solano)	154
SUBTOTAL:	15,620
UNIVERSITY EXTENSION	
Arrowhead Conference Center (San Bernardino)	39
Downtown Extension Center, Los Angeles (Los Angeles)	1
San Francisco Extension Center (San Francisco)	6
SUBTOTAL:	46
OTHER UNIVERSITY PROPERTIES:	
Congressional Lands (Kern, Lake, Lassen, Mendocino, Nevada, San Mateo)	480
Hastings College of the Law (San Francisco)	2
San Francisco Art Institute (San Francisco)	2
SUBTOTAL:	484
TOTAL UNIVERSITY OF CALIFORNIA OWNED LAND AREA (acres):	48,581

DETAILED CAMPUS DATA

(County location in parenthesis following name)

July 1, 1976

	Land Areas in Acres: Main	Outlying	Totals
BERKELEY:			
Central Campus (Alameda)	177		
Adjacent to Campus (Alameda)	56		
Stawberry Canyon (Alameda)	105		
Lawrence Berkeley Laboratory (Alameda)	117		
Upper Hill Areas (Alameda/Contra Costa)	784		
4th & Harrison (Alameda)	11		
Blake Estate, Kensington (Contra Costa)		10	
*Bodega Marine Laboratory and Reserve (Sonoma)		326	
*Central Sierra Reserve (Placer)		(1,680)	
*Owen R. Cheatham Grove (Humboldt)		(160)	
Corson Camp Property (Napa)		29	
Diablo Laboratories, Linde Air Property (Alameda)		6	
Gill Tract, Albany/Berkeley (Alameda)		83	
*Hastings Natural History Reservation (Monterey)		1,897	
*Pygmy Forest Reserve (Mendocino)		70	
Richmond Field Station (Contra Costa)		156	
Richmond Service and Storage Facility (Contra Costa)		65	
Russell Property (Contra Costa)		262	
*Sawyer Trinity Alps Reserve (Siskiyou)		125	
SUBTOTAL:	1,250	3,029	4,279
DAVIS:			
Main Campus (Yolo/Solano)	2,704		
West Acres (Yolo)	408		
Pierce Ranch (Yolo)	467		
Old Fair Grounds Site (Sacramento)		20	
Sacramento County Hospital Complex (Sacramento)		35	
SUBTOTAL:	3,579	55	3,634
IRVINE:			
Main Campus (Orange)	991		
Inclusion Areas (Orange)	510		
*San Joaquin Fresh Water Marsh Reserve (Orange)	202		
SUBTOTAL:	1,703		1,703
LOS ANGELES:			
Main Campus (Los Angeles)	376		
West Medical Area (Los Angeles)	35		
*Burns Piñon Ridge Reserve (San Bernardino)		265	
Clark Library (Los Angeles)		5	
Engineering Field Station (Los Angeles)		160	
Laundry Facility (Los Angeles)		4	
*Santa Monica Mountains Reserve (Los Angeles)		402	
Sepulveda Park and Park Vista Apartments (Los Angeles)		25	
SUBTOTAL:	411	861	1,272

*Denotes portion of Natural Land and Water Reserves System; see Page 4.

( ) Parenthesis around acreages denote lands leased or available under a use agreement or conservation easement, but not included in area totals.

DETAILED CAMPUS DATA (continued) July 1, 1976
(County location in parenthesis following name)

	Land Areas in Acres: Main	Outlying	Totals
RIVERSIDE:			
Main Campus (Riverside)	1,101		
*Box Springs Reserve (Riverside)		160	
*Philip L. Boyd Deep Canyon Desert Research Center (Riv.)		3,629	
*Philip L. Boyd Deep Canyon Desert Research Center (Riv.)		(10,400)	
*Etiwanda Wash Reserve (San Bernardino)		175	
Highgrove Well (Riverside)		1	
*James San Jacinto Mountains Reserve (Riverside)		30	
Moreno Ranch (Riverside)		840	
*Motte Reserve (Riverside)		51	
Mt. Rubidoux (Riverside)		3	
*Sacramento Mountains Reserve (San Bernardino)		591	
SUBTOTAL:	1,101	5,480	6,581
SAN DIEGO:			
Main Campus (San Diego)	1,104		
La Jolla Farms Estates Acquisition (San Diego)	111		
Scripps Institution of Oceanography (San Diego)	148		
*Scripps Shoreline Underwater Reserve (San Diego)	(254)		
Balboa Avenue Property (San Diego)		3	
County Hospital Land (San Diego)		36	
*Dawson Los Monos Canyon Reserve (San Diego)		93	
*Elliott Chaparral Reserve (San Diego)		107	
Elliott Field Station (San Diego)		401	
*Kendall-Frost Mission Bay Marsh Reserve (San Diego)		21	
Mt. Soledad Property (San Diego)		11	
*Ryan Oak Glen Reserve (San Diego)		15	
SUBTOTAL:	1,363	687	2,050
SAN FRANCISCO:			
Main Campus (San Francisco)	107		107
SUBTOTAL:	107		107
SANTA BARBARA:			
Main Campus and Storke Area (Santa Barbara)	579		
West (Devereux) Area (Santa Barbara):			
*Coal Oil Point Natural Reserve	49		
Remainder	172		
Married Student Housing (Santa Barbara)	15		
Hollister Avenue Land (Santa Barbara)		6	
McGuire House (Santa Barbara)		1	
*Santa Cruz Island Reserve (Santa Barbara)		(54,500)	
Sedgwick Ranch (Santa Barbara)		5,864	
*Valentine Eastern Sierra Reserve (Mono):			
Valentine Camp		136	
Sierra Neveda Aquatic Research Laboratory		(51)	
SUBTOTAL:	815	6,007	6,822

*Denotes portion of Natural Land and Water Reserves System; see Page 4.
() Parentheses around acreages denote lands leased or available under a use agreement or conservation easement, but not included in area totals.

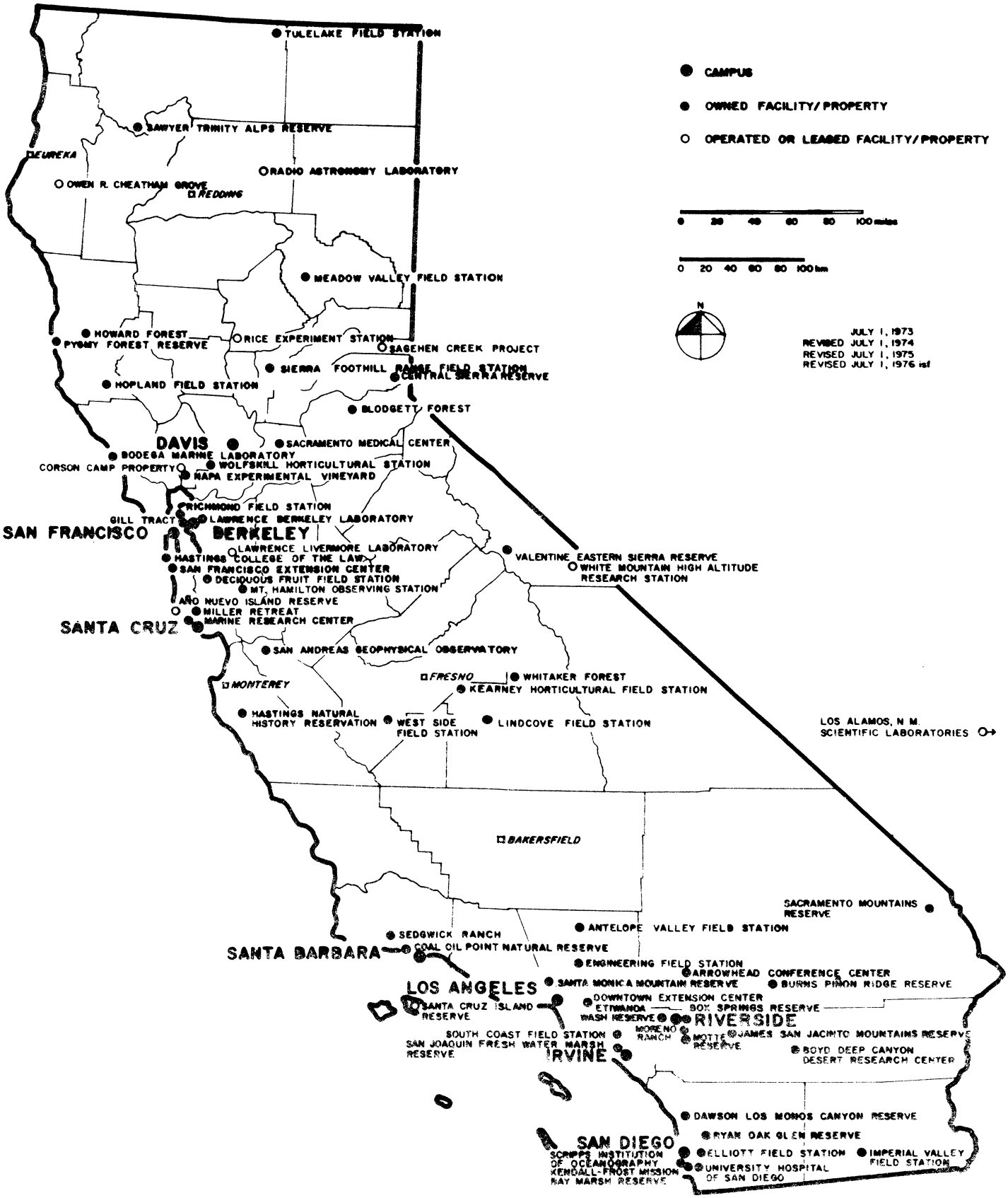
DETAILED CAMPUS DATA (continued) July 1, 1976
(County location in parenthesis following name)

	Land Areas in Acres: Main	Outlying	Totals
SANTA CRUZ:			
Main Campus (Santa Cruz)	2,001		
*Año Nuevo Island Reserve (San Mateo)		(8)	
Marine Research Center (Santa Cruz)		40	
Miller Retreat (Santa Cruz)		435	
Mt. Hamilton Observing Station (Santa Clara)		3,503	
River Street Property (Santa Cruz)		2	
Tide Pool Land (Santa Cruz)		2	
SUBTOTAL:	2,001	3,982	5,983
TOTAL LAND AREA, NINE CAMPUSES:			32,431

NATURAL LAND AND WATER RESERVES SYSTEM (AND ADMINISTRATING CAMPUS):

SC	Año Nuevo Island Reserve (San Mateo)	(8)
Berk	Bodega Marine Laboratory and Reserve (Sonoma)	326
Riv	Box Springs Reserve (Riverside)	160
Riv	Philip L. Boyd Deep Canyon Desert Research Center (Riverside)	3,613
Riv	Philip L. Boyd Deep Canyon Desert Research Center (Riverside)	(10,400)
LA	Burns Piñon Ridge Reserve (San Bernardino)	265
Ber	Central Sierra Reserve (Placer)	(1,680)
Ber	Owen R. Cheatham Grove (Humboldt)	(160)
SB	Coal Oil Point Natural Reserve (Santa Barbara)	49
SD	Dawson Los Monos Canyon Reserve (San Diego)	93
SD	Elliott Chaparral Reserve (San Diego)	107
Riv	Etiwanda Wash Reserve (San Bernardino)	175
Ber	Hastings Natural History Reservation (Monterey)	1,897
Riv	James San Jacinto Mountains Reserve (Riverside)	30
SD	Kendall-Frost Mission Bay Marsh Reserve (San Diego)	21
Riv	Motte Reserve (Riverside)	51
Ber	Pygmy Forest Reserve (Mendocino)	70
SD	Ryan Oak Glen Reserve (San Diego)	15
Riv	Sacramento Mountains Reserve (San Bernardino)	591
Irv	San Joaquin Fresh Water Marsh Reserve (Orange)	202
SB	Santa Cruz Island Reserve (Santa Barbara)	(54,500)
LA	Santa Monica Mountains Reserve	402
Ber	Sawyer Trinity Alps Reserve (Siskiyou)	125
SD	Scripps Shoreline Underwater Reserve (San Diego)	(254)
SB	Valentine Eastern Sierra Reserve (Mono):	
	Valentine Camp	136
	Sierra Neveda Aquatic Research Laboratory	(51)
	SUBTOTAL OWNED:	8,328

*Denotes portion of Natural Land and Water Reserves System; see Page 4.
( ) Parentheses around acreages denote lands leased or available under a use agreement or conservation easement, but not included in area totals.



PRINCIPAL PROPERTIES AND ACTIVITIES

UNIVERSITY OF CALIFORNIA

1977

APPENDIX E

UNIVERSITY OF CALIFORNIA
ENDOWMENT FUNDS INVESTMENTS--REAL ESTATE

California Real Estate

County	Property	Book Value	Totals
Alameda	Alameda, 1431 Lincoln Avenue	$ 8,800.00	
	Berkeley, Industrial Property	440,000.00	
	Berkeley, 2347 Prospect Street	58,092.00	
	Hayward, Unimproved Property	22,180.50	
	Oakland, 1930 East 30th Street	13,000.00	
	Oakland, 15th Street & San Pablo Avenue	148,870.00	
	Oakland, 16th Street & San Pablo Avenue	200,500.00	
	Oakland, 1998 San Pablo Avenue	16,920.00	$ 908,362.50
Los Angeles	Compton, Commercial Properties	$ 168,999.97	
	Los Angeles, 1737 - 39 Clinton Street	11,254.15	
	Los Angeles, 444 S Westmoreland	69,250.00	
	Los Angeles, Unimproved Property	1,675.00	251,179.12
Sacramento	River Ranch	$ 865,000.00	
	Sacramento, Alhambra Street	32,890.00	
	Sacramento, J Street	44,500.00	
	Sacramento, 21st Street	34,250.00	966,640.00
San Francisco	San Francisco, 41 First Street	$ 246,254.09	
	San Francisco, 25 First Street	235,106.22	
	San Francisco, 68 Post Street	175,000.00	
	San Francisco, 440 Post Street	281,155.20	937,515.51
Santa Cruz	Santa Cruz, Seabright Avenue	$ 23,305.89	
	Santa Cruz, Sesnon Property	637,000.00	660,305.89
Solano County	Liter Ranch	$ 185,000.00	
	Robbins Ranches	1,565,275.12	1,750,275.12
Sonoma County	Cotati Ranch	$ 385,700.00	
	Petaluma Ranch	549,400.00	935,100.00
Yolo County	Welch Ranch	$ 122,500.00	
	Hackett Ranch	1,000,000.00	
	Monument-Inderkum Ranch	425,000.00	1,547,500.00
Other California	Fresno County, Unimproved Property	$ 1,625.00	
	Kern County, Various Unimproved Properties	35,046.00	
	Marin County, Strawberry Center	825,968.50	
	Monterey County, Jacks Estate Ranch	890,400.00	
	Napa County, Unimproved Property	38,975.00	
	Napa County, Unimproved Property	58,800.00	
	Palm Desert, Unimproved Property	232,600.00	
	Placer County, Unimproved Property	52,000.00	
	Riverside County, Unimproved Property	4,000.00	
	Riverside County, Eagle Valley Ranch	22,089.00	
	San Bernardino County, Unimproved Property	1,525.00	
	San Luis Obispo County, Unimproved Property	400.00	
	San Mateo County, Unimproved Property	2,500.00	
	San Mateo County, Purisima Ranch	208,000.00	
	Santa Clara County, San Jose	25,844.00	
	San Joaquin County, Lodi Ranch	70,000.00	
	Tulare County, Unimproved Property	150.00	
	Various Other--Small Holdings	2,976.00	
	Various Other--Oil & Mineral Rights	181.00	2,473,079.50
Total California Real Estate			$10,429,957.64

Other Real Estate

Arizona	Mohave County, Patented Gold Mines	$ 600.00	
Iowa	Grundy County, Unimproved Property	30,260.00	
Illinois	Chicago, 169-175 N. Wabash Avenue	41,625.00	
New Mexico	Procter Ranch	605,276.68	
Texas	Brewster County, Unimproved	930.43	
Various	Various Other--Oil & Mineral Rights	4.00	
Total Other Real Estate			$ 678,696.11
TOTAL REAL ESTATE			$11,108,653.75

FUND- ROBBINS, REUEL DRINKWATER & SA REPORT FOR MONTH OF- 06/76 FUND-NUMBER- 007795

A FILE NO / B TENCD / C & D	ADDRESS/DESCRIPTION / NAME OF TENANT/MGT FIRM	DUE FOR MON / EXPNS CODE	PAID THIS MO / EXPN THIS MO	PD TO / REFNO	PURCHASE PRICE / DUE NOT PD	DEPRECTD BOOK / ON ACCOUNT / RENT FYTD	DEPRE RESERVE / REFN DEP / EXPENSE FYTD	TERM DATE / NET INCOME FYTD
A	00105 CA, SACRAMENTO COUNTY-RIVER RANCH (ROBBINS)				900,000.00	865,000.00	35,000.00	
B	00010 PINARETTA (NOB HILL DAIRY)	750.00	750.00	07/14/76	.00	.00	.00	10/31/80
B	00020 SEQUEIPA, MANUEL & FLORINE M	.00	.00	05/24/76	.00	.00	.00	11/01/75
B	00030 SUPERIOR OIL	.00	.00	11/14/76	.00	.00	.00	12/31/99
BT		750.00	750.00	*	.00	.00		
C		12	1,980.00	06410				
D		EXP MTD	1,980.00	*	YTD	63,992.54-*	3,744.27 *	60,248.27-*
A	00153 CA, SOLANO COUNTY-SUISUN RANCH ROAD 83 (ROBBINS)				420,000.00	414,166.69	5,833.31	
B	00010 NAKATANI, JUN & ETSUKO	.00	.00	00/00/00	.00	.00	.00	10/01/76
C		14	4,837.50-	06412				
D		EXP MTD	4,837.50-*		YTD	26,252.50-*	.00 *	26,252.50-*
A	00154 CA, SOLANO COUNTY - ROAD 101 VACAVILLE RANCH (ROBBINS)				1,000,000.00	991,250.00	8,750.00	
C		12	1,935.00	06455				
C		14	4,837.50	06413				
D		EXP MTD	6,772.50	*	YTD	.00 *	6,772.50 *	6,772.50 *
A	00155 CA, SOLANO COUNTY - MC CREARY RANCH (ROBBINS)				110,000.00	110,000.00	.00	
B	00010 WARREN'S CALIF TURF NURSERY	.00	2,474.83	12/31/77	.00	4,707.10	.00	12/31/77
D		EXP MTD	.00	*	YTD	10,267.41-*	.00 *	10,267.41-*
A	00156 CA, SOLANO COUNTY-ROAD 139-CLAYTON RANCH (ROBBINS)				104,000.00	104,000.00	.00	
B	00010 LUM, ED & CHARLES	.00	.00	09/14/76	.00	.00	.00	09/01/76
D		EXP MTD	.00	*	YTD	2,353.00-*	.00 *	2,353.00-*
A	00157 CA, YOLO COUNTY - INDERKUM RANCH (ROBBINS)				425,000.00	425,000.00	.00	
B	00010 WILLIAMS, LUCKY	.00	.00	09/14/76	.00	.00	.00	12/31/99
B	00020 SEQUEIRA, MANUEL	.00	.00	00/00/00	.00	.00	.00	10/31/76
BT		.00	.00	*	.00	.00		
D		EXP MTD	.00	*	YTD	400.00-*	.00 *	400.00-*
A	00312 ROBBINS OPTION AGREEMENT				.00	1.00	.00	
B	00010 SOUTHERN PACIFIC TRANSPORTAT	3,372.47	6,744.94	06/17/76	.00	.00	.00	12/31/99
D		EXP MTD	.00	*	YTD	43,842.11-*	.00 *	43,842.11-*

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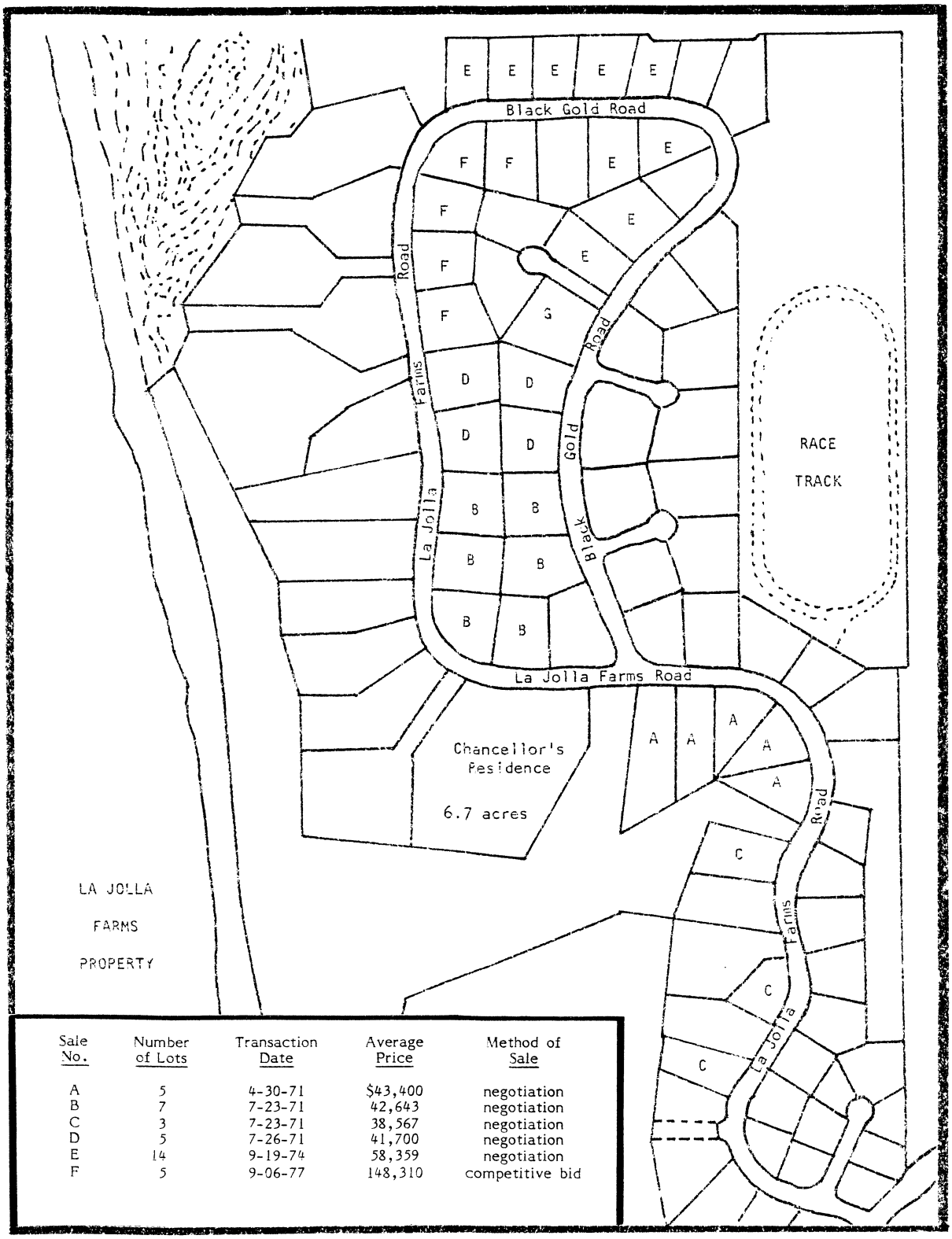
APPENDIX F

APPENDIX G



Sale No.	Number of Lots	Transaction Date	Average Price	Method of Sale
A	5	4-30-71	$43,400	negotiation
B	7	7-23-71	42,643	negotiation
C	3	7-23-71	38,567	negotiation
D	5	7-26-71	41,700	negotiation
E	14	9-19-74	58,359	negotiation
F	5	9-06-77	148,310	competitive bid

APPENDIX H

(date)

The Regents of the University of California
2200 University Avenue
Berkeley, California 94704

Dear Members of the Board:

We are pleased to hand you herewith a duly executed and acknowledged grant deed of even date herewith under the terms of which we convey to you _____ acres of our property in the County of _____, State of California. This property is given to you irrevocably and in trust, to be held, managed, controlled and used for educational and scientific purposes as a part of the University's Natural Land and Water Reserves System (NLWRS).

If in the future, you, by formal resolution, determine that circumstances no longer permit beneficial use of said property as a natural reserve in the NLWRS, said property may be sold, exchanged or otherwise disposed of, and the value received shall be utilized, in your discretion, to acquire other property or properties for use as natural reserves in the NLWRS or otherwise for the benefit of the NLWRS.

It is our desire that this trust property be maintained in accordance with accepted land management principles and practices and, to the extent possible, preserved in its natural state in order to maximize its value to the many scientific disciplines which depend upon natural land areas for teaching and research.

It is our intention to serve the University, its faculty and its students, and, accordingly, we desire that this trust be liberally construed to the end that these purposes may be fully accomplished.

Very truly yours,

_____

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps