Analysis of Trade-Offs: Leasing Versus Selling City-Owned Land

Under the Equitable Public Land Policy, should the City of Richmond lease or sell surplus City-owned land? Selling and leasing city-owned land both have their advantages and disadvantages, and the decision between the two options depends on the City's specific goals, financial situation, and long-term vision. The City of Richmond may also explore hybrid approaches, such as ground leases with purchase options, to balance immediate needs with long-term control.

While it will be important to weigh the advantages and disadvantages of a lease or sale for each specific City-owned site, the proposed Equitable Public Land Disposition Policy includes important safeguards to ensure that development on City-owned sites always meets the policy goals of maximizing affordable housing and public benefit. First, the proposed policy parameters include an **Anti-Speculation Measure**, requiring that all conveyances of city-owned property under this policy must include covenants that prohibit any developer from reselling, transferring, or subleasing the property at a profit, incorporating "anti-speculation" requirements. Additionally, the proposed policy parameters include a **Reversion Clause**, stating that if a successful bidder fails to execute significant elements of its proposed plan, or to proceed in a timely manner to develop the project, the City of Richmond reserves the right to rescind the transfer/sale of the units to the developer and re-market the units.

The analysis below outlines trade-offs for the City to consider when determining whether the sale or lease of land would better achieve the purpose of the Equitable Public Land Disposition Policy.

I. Advantages of Selling City-Owned Land:

A. Possible Immediate Revenue: Selling land would generate immediate revenue, unless transferred at no cost.

B. Reduced Responsibility: The City is relieved of ongoing ownership responsibilities, such as maintenance, property taxes, and liability, which can help reduce operational costs.

C. Flexibility: The buyer usually assumes control over the land, allowing the city to use the proceeds for other projects or investments.

II. Disadvantages of Selling City-Owned Land:

A. Loss of Control: Once the land is sold, the city relinquishes some control over its future use and development, which may not align with long-term community goals. However, it should be noted that under the Equitable Public Land Disposition Policy, sale of City-owned land must include covenants that require the property to be used for Affordable Housing and prohibit any developer from reselling, transferring, or subleasing the property at a profit, ensuring the long-term affordability and protection against speculation. Moreover, the policy includes a reversion clause providing the City with the right to rescind the sale or lease of land if the developer fails to execute significant elements of its proposed plan, or to proceed in a timely manner to develop the project.

B. Limited Revenue Stream: The city loses the potential for ongoing revenue from leasing the land.

C. Limited Future Options: If the City's needs change in the future, it may not have access to the land it previously owned.

III. **Advantages of Leasing City-Owned Land:**

A. Potential Steady Revenue Stream: Even if leased at a discount to facilitate affordable housing development, leasing land provides a consistent income stream over the lease term.

B. Retention of Ownership: The City retains ownership and control over the land, allowing it to guide its future use and development according to community needs without having to monitor affordability covenants or utilize reversion rights.

IV. **Disadvantages of Leasing City-Owned Land:**

A. Limited Immediate Revenue: Leasing typically generates less upfront revenue compared to selling the land outright, which may limit the City's ability to fund immediate projects.

B. Ongoing Management: The City remains responsible for property maintenance, management, and may need to address issues related to property taxes and liability. Leasing also requires staff resources to monitor the lease requirements overtime and regulate any sublease agreements.

C. Could Restrict Development Opportunities: Without a clear ownership deed, certain developers might face challenges in fulfilling lender criteria to secure essential project funding, potentially limiting their development potential. Additionally, leasing the land is not compatible with certain affordable housing ownership models.

V. **Development Criteria for a Lease Versus a Sale Under Public Land Policy**

A. Under the Equitable Public Land Disposition Policy, the City of Richmond could establish criteria to guide the decision to lease or sell city-owned land. The RFP Selection Panel could evaluate and rank qualifying responses to the competitive bidding process for lease versus sale based upon such criteria. City Staff will propose criteria to be considered by the City Council.