

INVENTORY POLICY For Real Property

(Broader Public Sector Entities)

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1. TITLE: Inventory Policy for Real Property (Broader Public Sector Entities) Version 2.2

2. OVERVIEW:

Objectives

- Promote portfolio management approach to the management of government real property;
- Encourage efficient and economic use of government real property;
- Promote consistency in asset management practices across provincial entities;
- Maintain accurate and timely asset information for decision-making and reporting purposes;
- Ensure timely identification of surplus real property; and
- Maximize value realized through expedient disposition or redeployment of surplus real property.

3. PURPOSE:

All crown corporations and all entities within the Schools, Universities, Colleges and Health Authorities (SUCH) sector, as listed in Appendix II (defined herein as Broader Public Sector (BPS) Entities) are expected to follow this Inventory Policy for Real Property (BPS).

BPS Entities will act in accordance with their Government Letter of Expectations, direction and communication from their respective Ministers, Treasury Board, and Cabinet as applicable.

BPS Entities are expected to exercise an appropriate level of due diligence and judgement in the acquisition, utilization and management of real property. Real estate strategies, activities and inventories are expected to:

- Align with and meet agency mandate and service plan objectives;
- Reflect a holistic approach, including value for money over the full life cycle of the asset; and
- Support government principles of transparency and accountability.

4. POLICY STATEMENT:

4.1 Governance of BPS Real Property

Government will take a portfolio-wide approach in the management of its real property. Ministries responsible for BPS Entities and the entities themselves are responsible for oversight of the reliability and integrity of their respective internal control and management information systems, and management practices and processes to ensure compliance with this policy. The Real Property Division (RPD) is responsible for monitoring and ensuring the overall consistency, completeness and timeliness across government of real property inventory data (see section 4.3 Minimum Inventory Data Standards for Real Property below). RPD will request and collect inventory data from the Ministries responsible for BPS Entities, review data for completeness, request inputs from the Ministries responsible for BPS Entities to complete the inventory data, keep and maintain this Inventory Policy for Real Property (BPS) and the inventory and provide consolidated reporting to Ministry of Finance to support decision making.

4.2 Requirement to Maintain Inventory Records

Under the oversight of the responsible ministries, BPS Entities are expected to collect and maintain types of real property information within their inventory systems sufficient to enable asset management in support of their mandate, service priorities and business environment and meet government reporting requirements.

4.3 Minimum Inventory Data Standards for Real Property

Ministries are expected to ensure that the BPS Entities for which they are responsible maintain a current, accurate and complete inventory of all titled real property under their ownership or management responsibility which, at a minimum, must contain the following attributes:

Land:

- land title property identifier details
- civic address
- land area (hectares)
- assessed value
- classification (see Classification of Real Property below)

Building(s):

- civic address, if different than for underlying land
- type of construction
- number of floors
- predominant use
- rentable area (m²)
- tenancy (including vacancy)
- net book value
- assessed value
- classification (see section 4.6 Classification of Real Property below)

4.4 Scope of Inventory Policy

This inventory policy applies to:

- Real property acquired through taxpayer-supported funding allocations from Government (e.g. capital funding from Vote 48 or the Transportation Financing Authority);
- Real property acquired by self-supported crown corporations, with the exception of real property that is acquired either for investment purposes or highly-specialized uses (e.g., power generation and transmission assets) with limited potential for redeployment to another ministry/agency;
- Real property acquired through funding from other levels of government;
- Real property with reversionary clauses leading to transfer of ownership to an entity outside of the Government Reporting Entity. At such time as the real property becomes surplus it should be classified as Surplus Encumbered (see section 4.6 Classification of Real Property below).

Following compilation of the inventory, RPD and Ministry of Finance may implement a materiality threshold for inclusion of real property in the inventory.

4.5 Operational Management of Inventory

It is recommended that BPS Entities use the Building Owners and Managers Association (BOMA) standards of floor area measurement to ensure consistency across inventory. It is recommended that BPS Entities maintain all inventory data on a single system of record such as Excel or a Computer Aided Facilities Management (CAFM) system.

It is recommended that BPS Entities adhere to the following best practices in the operational management of real property data:

- Designate a resource to track inventory data;
- Perform monthly activity reporting which shows additions, deletions or changes to inventory;
- Establish and follow internal processes for updating inventory and maintaining data integrity;
- Acquire and maintain current architectural drawings that match the inventory data; and
- Perform regular on-site checks of properties to ensure data and/or drawings match the physical space.

4.6 Valuation of Real Property

Prior to disposal (i.e. sale) of a real property asset, a Valuation (Estimate or Appraisal) of the asset must be done to determine market value. The Appraisal must be completed by a qualified Appraiser from the Appraisal Institute of Canada and must follow [Canadian Uniform Standards of Professional Appraisal Practice](#).

It is recommended that the BPS entities adhere to the following best practices in the valuation of real property prior to disposing of real property in a competitive and open market:

1. Develop internal processes and procedures to ensure that the policy requiring a Valuation is followed.
2. As a general guideline, if the latest available Assessed Value of the real property is less than \$300,000, obtain at least one current Estimate based on the real property's highest and best use. If the latest available Assessed Value of the real property is greater than \$300,000, obtain at least one current Appraisal from a Fee Appraiser based on the real property's highest and best use.
3. Estimates are used when a low level of risk is associated with the transaction or transactions between Government entities that are routine and/or of nominal value.
4. BPS entities should also consider complexity, sensitivity and risk when determining whether to obtain an Estimate or an Appraisal or more than a single Appraisal regardless of value threshold.

4.7 Classification of Real Property

BPS Entities are expected to assign a strategic classification to each real property asset, based on the following four choices.

- Core Operational – real property assets that are functionally and financially effective and continue to provide substantial support to ongoing program needs, but are not uniquely strategic (i.e. alternatives exist).
- Core Strategic – real property assets that are uniquely integral to a larger long term service delivery strategy AND/OR are functionally and financially effective relative to critical service delivery needs that could NOT reasonably be met by available alternatives. This may include vacant or underutilized assets in appropriate circumstances.
- Surplus Active- real property assets that are surplus and are reasonably capable of alternate deployment or disposal.
- Surplus Encumbered – real property assets that are surplus and cannot readily be redeployed or disposed of due to one or more major obstacles such as significant First Nations interests, environmental contamination, restrictions on title such as reversionary clauses, adverse market conditions or similar consequential encumbrances.

Real property will be identified as surplus when:

- The quantity and/or nature of demand is not sufficient to support substantial use and/or;
- The property is functionally ineffective relative to current or projected requirements and/or;
- The property is financially inefficient relative to available alternatives and/or;
- The property's condition has deteriorated and repair is uneconomical and/or;
- The property is not in alignment with the BPS Entity's Service Plan, enabling legislation or supporting mandate of the organization.

The classification of each real property asset is expected to be reviewed on an annual basis by BPS Entities and maintained as part of the minimum inventory data requirements.

5. APPLICATION:

This policy applies to all BPS Entities that procure, hold and/or dispose of real property on behalf of the Province of British Columbia as described in section 4.4 Scope.

Policy Linkages

This policy supports and supplements established government policy as follows:

- Core Policy and Procedures, Manual, Ministry of Finance, Policy Sections 5
<http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/CPMtoc.htm?left-hand-nav>
- Capital Asset Management Framework
http://www.fin.gov.bc.ca/TBS/CAMF_Guidelines.pdf

6. EVALUATION AND REVIEW:

6.1 Requirement to Report

The Ministries responsible for BPS Entities are expected to submit an updated inventory of real property to RPD annually and as otherwise required, including the required fields listed under section 4.3 Minimum Inventory Data Standards for Real Property above.

6.2 Conduct and Document Strategic Reviews

BPS Entities are responsible for managing all real property to ensure holdings remain an optimal use of government resources. Ministries are expected to ensure that those BPS Entities for which they are responsible perform and document a strategic review of each real property in the inventory at least once every five years. At a minimum, it is recommended that the review include an assessment of:

- Physical condition relative to target standards and/or service delivery requirements. Use of a facility condition index is recommended;
- Functional performance relative to purpose and service requirements;
- Financial performance, cost effectiveness relative to other available options for meeting the service delivery requirement;
- Fit to long term strategic program and facility plans, organizational mandate and service plan; and
- Annual Operating Cost and Maintenance Budget.

6.3 Expedient Action on Surplus Real Property

Under the oversight of the responsible Ministries, BPS Entities are expected to actively monitor and update their surplus real property holdings and are expected to expediently pursue opportunities for redeployment or disposal to help achieve overall value for money for government.

6.4 Disposal

Prior to disposing of surplus real property in the marketplace, BPS Entities are expected to investigate opportunities to redeploy such property to meet the needs of other government entities. This includes identifying and listing the surplus real property in the inventory for a minimum of three months. Entities with real property needs are expected to regularly review the inventory for any surplus real property and take any necessary actions to confirm whether or not such surplus real property meets those needs, e.g. contacting the owner to confirm specific attributes and suitability. Should a prudent opportunity for redeployment be found, the real property will be transferred by BPS Entities at a price consistent with the accounting standards they follow.

Surplus real property not suitable for redeployment is expected to be sold by BPS Entities in the marketplace following a Valuation (Estimate or Appraisal) per section 4.6 of this policy to ensure realization of best value for money for government. In planning for the disposition of real property, BPS Entities should consider:

- Utilization of marketing practices to maximize competition so as to optimize proceeds of sale. BPS Entities may consult with RPD to assist in determining optimal marketing strategies;

- A coordinated strategy to address sales of multiple properties to maximize returns. The best strategy will depend upon the circumstance but could range from consolidation to sub-division and phasing, depending upon the properties and market conditions;
- Transparency and equitable processes to ensure the integrity of all disposition activities; and
- Applicable legislation, policies and guidelines such as First Nations consultation.

6.5 Proceeds of Disposition

Proceeds of disposition are dealt with in accordance with applicable legislation, policy or as otherwise directed by Treasury Board.

7. ACCOUNTING FOR REAL PROPERTY ASSETS:

Depending on the future requirements of the asset, an asset will either reside as a Tangible Capital Asset (TCA) or as an Inventory for Sale (i.e. surplus).

A BPS Entities: refer to the sections identified below in Public Sector Accounting Standards:

B.1 Tangible Capital Assets

PS 3150 prescribes the Accounting treatment for Tangible Capital Assets.

- Definition of Tangible Capital Asset: *PS 3150.05*
- Requirement for TCA to be recorded at cost: *PS 3150.09*
- Measurement of Cost: *PS 3150.05, PS 3150.10*
- Capitalizing Upgrades and Improvements: *PS 3150.19*
- Decline in asset value: *PS 3150.31*
- Conditions and accounting for asset write-downs: *PS 3150.32 to 34*
- Disposals within a fiscal period: *PS 3150.38, 39*

B.2 Inventory for Sale

Surplus assets for resale and other assets held for sale are recognized as a financial asset when all of the following criteria under *PS 1201.055* are met and when there is a plan in place for the sale of the asset *PS 1201.056*:

- Prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the government to selling the asset;
- The asset is in a condition to be sold;
- The asset is publicly seen to be for sale;
- There is an active market for the asset;
- There is a plan in place for selling the asset; and
- It is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

The net book value of the surplus asset to be disposed and its cost of sale are moved to Inventory. Assets classification has to be consistent from period to period *PS 1201.021*.

B2.2 Disposal of Inventory for Sale

Disposal cost of inventory held for sale over several fiscal periods would be eligible for deferral once a formal plan of disposal is adopted.

Any deferred costs and net book value would be deducted from gross proceeds to determine net gain and accounted for as a revenue or expense in the statement of operations *PSAB 3150.38*.

Appendix I: Definitions

Appraisal: An adequately supported written opinion of the market value of the real property as of a specified date that evaluates the real property rights, interests or benefits involved according to accepted appraisal practices.

Appraisal Institute of Canada (AIC): The institute is the granting body for professional designations in real estate appraisal. The AIC grants the Accredited Appraiser Canadian Institute (AACI) and the Canadian Residential Appraiser (CRA) designations

Appraiser: A practitioner who has the knowledge and expertise necessary to estimate the value of an asset, or the likelihood of an event occurring, and the cost of such an occurrence. For the context of this policy, a Fee Appraiser (third party appraiser) is synonymous.

Assessed Value: The estimate of a property's market value as of a specific date and physical condition as of a specific date. This common valuation date ensures there is an equitable property assessment base for property taxation.

Asset Management: The systematic process of maintaining and upgrading real estate assets in a cost-effective manner

Disposal: A transaction that alienates real property from an Agency's inventory by sale, exchange, gift, or transfer to another entity.

Estimate: Both appraisals and estimates are written documents providing an opinion of market value. The difference is generally the level of due diligence reflected in the use of established appraisal procedures in Estimates. Estimates do not necessarily need to be performed by an accredited appraiser and can be performed by a qualified real estate professional (e.g. licensed realtor). Estimates are intended to reflect the relatively low level of risk associated with transactions based either on an open solicitation of offers in a competitive market or transactions that are routine and/or of nominal value.

Facility Condition Index (FCI): Deferred maintenance cost divided by replacement cost

Fee Appraiser: A third party Appraiser. For the context of this policy, a Fee Appraiser is synonymous with Appraiser.

Financial performance: A performance measure that addresses the cost of operating and sustaining an asset relative to established standards or targets.

Functional performance: A performance measure that addresses how effectively an asset meets defined program and service requirements.

Government Reporting Entity (GRE): The government as reported through the consolidated revenue fund and education and health sector organizations and includes each of the corporations or organizations that, under generally accepted accounting principles, is considered to be controlled by a government organization.

Life cycle cost decision making: The process of decision making by taking into consideration the total cost of ownership over the life of the asset.

Market Value: The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Net Book Value: Gross Asset Value (Acquisition cost + Capital additions) less accumulated depreciation.

Physical condition/performance: A measure that addresses the physical state of repair and environmental condition of an asset relative to its current and long-term service delivery requirements.

Surplus: An asset will be identified as surplus when:

- The quantity and/or nature of demand is not sufficient to support substantial use and/or
- The property is functionally ineffective relative to current or projected requirements and/or
- The property is financially inefficient relative to available alternatives and/or
- The property's condition has deteriorated and repair is uneconomical and/or
- The property is not in alignment with Service Plan, enabling legislation or supporting mandate of the organization.

Valuation: An Estimate or Appraisal of property value; may be completed internally or externally.

Appendix II: Crown Corporations, Schools, Universities, Colleges and Health Authorities

- BC Assessment Authority
- BC Housing Corporation
- BC Hydro
- BC Lottery Corporation
- BC Pavilion Corporation
- BC Transit
- BC Transportation Financing Authority
- Columbia Basin Trust

- Insurance Corporation of British Columbia
- Liquor Distribution Branch
- Provincial Capital Commission
- Royal BC Museum
- Transportation Investment Corporation
- All SUCH Sector Organizations