

Equipment-Facilities

Subject: Local Disposal of Transit Real Property

Information:

The purpose of these guidelines is to provide transit agencies with the procedure for locally disposing of transit real property funded via the Federal Transit Administration (FTA) funds. The Michigan Department of Technology, Management & Budget has granted the Michigan Department of Transportation (MDOT) the authority to allow the local disposal of real property under these guidelines.

As FTA funding sub recipients, transit agencies are required to notify MDOT when property is removed from the service originally intended at grant approval and if property is put to additional or substitute uses. If FTA funded real property is no longer needed for any transit purpose, sub recipients are required to prepare or update an Excess Real Property Inventory and Utilization Plan. MDOT will obtain FTA's approval accordingly. Depending on the approved method of disposition, the sub recipients may be required to reimburse FTA.

Note: According to FTA C 5010. 1D, excess property is defined as property which the grantee determines is no longer required for its needs or fulfillment of its responsibilities and has not met its useful life under an FTA assisted grant.

Transit agencies must take the following actions for property disposal.

Actions Needed:

1. Notify your Office of Passenger Transportation (OPT) project manager in writing when the property is no longer needed to carry out any transit purpose.
2. Obtain valuation of property pending disposal. Follow the valuation requirements of 49 CFR part 24, at <http://www.fhwa.dot.gov/realestate/49cfr.htm>, and obtain an appraisal to ascertain the value of the property considered for disposal.
3. Complete the Excess Real Property Inventory and Utilization Plan form (attached) and submit it to your OPT project manager. You also can fill out the request form by going to <http://www.michigan.gov/mdot>, under "Business Links," "MDOT Forms," and typing in form number 2971. You should retain a copy of the plan in your file. The plan will include:
 - Property information which includes: the property location, original acquisition cost and Federal participation ratio, MDOT Contract and/or Project Authorization number(s) and FTA grant number(s), summary of any conditions on the title, appraised value and date, a brief description of improvements, and current use of the property.
 - The reason for excess property. Such reasons may include one or more of the following:

Subject: Local Disposal of Real Property

Actions Needed: (cont.)

- a. The parcel, when purchased, exceeded the grantee's need (uneconomic remnant, purchased to logical boundary, part of administrative settlement, etc.);
 - b. The property was purchased for construction staging purposes such as access storage or underpinning, and construction is completed;
 - c. The intended use of the parcel is no longer possible because of system changes, such as alignment, or amendments to the project Grant Agreement;
 - d. Improvements to real property were damaged or destroyed, and therefore the property is not being used for project purposes, but it is still needed for the project. If so, the improvements may be renovated or replaced. In this case, applicable cost principles must be observed; and/or
 - f. A portion of the parcel remains unused, will not be used for project purposes in the foreseeable future, and can be sold or otherwise disposed.
- Anticipated disposition or actions proposed. The FTA allowable alternative disposition methods are as follows:
 - a. **Sell and reimburse FTA.** Competitively market and sell the property and pay FTA the greater of its share of the fair market value of the property or the straight line depreciated value of the improvements plus land value. FTA's share of the fair market value is the percentage of FTA participation in the original grant multiplied by the best obtainable price, net of reasonable sales costs.
 - b. **Offset.** Sell and apply the net proceeds to the cost of replacement property under the same program. Return any excess proceeds to FTA.
 - c. **Sell and use proceeds for other capital projects.** Sell property and use the proceeds to reduce the gross project cost of another FTA eligible capital transit project. You are expected to record the receipt of the proceeds in your accounting system, showing that the funds are restricted for use in a subsequent capital project, and reduce the liability as the proceeds are applied to one or more FTA approved capital projects. (MDOT will request FTA's approval of the application of the proceeds to a subsequent capital grant, which should clearly show that the gross project cost has been reduced with proceeds from the earlier transaction.)

Subject: Local Disposal of Real Property

Actions Needed: (cont.)

- d. **Sell and keep proceeds in open project.** If the grant is still open, the proceeds can be applied to the original cost of the total real property purchased for the project.
 - e. **Transfer to public agency for non-transit use.** Follow procedures for publication in Federal Register to transfer facility property to a public agency with no repayment to FTA. This is a competitive process and there is no guarantee that a particular public agency will be awarded the excess property.
 - f. **Transfer to other eligible FTA project.** The Federal interest continues.
 - g. **Joint Development.** A transfer meeting the tests for joint development is not a disposition, and the proceeds are deemed program income. For additional information on use and eligibility of joint development projects see FTA Guidance (72 FR 5788, Feb. 7, 2007) as the final agency guidance on the “Eligibility of Joint Development Improvements Under Federal Transit Law.” See also the definition of a capital project at 49 USC 5302(a)(1)(G).
 - h. **Retain title with buyout.** Compensate FTA by computing percentage of FTA participation in the original cost. Multiply the current fair market value of the property by this percentage. You must document the basis for value determination; typically, this is an appraisal or market survey. Alternatively, you may pay the straight line depreciated value of improvements plus land value, if this is greater than FTA’s share of fair market value.
4. MDOT will review and approve the plan and submit it to FTA for approval.
 5. Follow one of the competitive processes below:
 - Sales procedures shall be followed that provide for competition to the extent practicable and result in the highest possible return or at least payment of appraised fair market value.
 - Transit agency may transfer to public agency for non-transit use. Follow procedures for publication in Federal Register to transfer property (land or equipment) to a public agency with no repayment to FTA. This is a competitive process, and there is no guarantee that a particular public agency will be awarded the excess property. See 49 U.S.C., 5334(h)(1)–(h)(3).

Subject: Local Disposal of Real Property


Actions Needed: (cont.)

Before accepting an offer/bid, send a written notice to your OPT project manager for review and approval.

6. Dispose the property in accordance with the approved disposal method after receiving MDOT's written notice to proceed.
7. After the property is sold, provide a written confirmation to your OPT project manager indicating that the receipt of the sale proceeds has been recorded in your accounting system in a reserve account for a future capital purchase. OPT will apply the proceeds to a subsequent capital grant for FTA's approval.
8. Inform your OPT project manager of the disposed property, including disposal date and amount, as well as disposal method.
9. Update PTMS after the property is disposed. This update will include:
 - Entering the date disposed in the Facility Inventory module.
 - Entering the disposal amount in the Facility Inventory module.
 - Entering subsequent capital project to which the sale proceeds are applied. This should be done after receiving MDOT's Project Authorization that includes this subsequent capital project and the purchase of the capital item.

Contact: If you have any questions about this procedure, please contact your OPT project manager.

Approved:



Administrator

4/18/13

Date

Attachment A: Excess Real Property Inventory and Utilization Plan

EXCESS REAL PROPERTY INVENTORY AND UTILIZATION PLAN

I. AGENCY INFORMATION

PROPERTY FROM (Agency)

ADDRESS	CITY	STATE	ZIP CODE
---------	------	-------	----------

II. PROPERTY INFORMATION

PROPERTY LOCATION (if different from above)

ADDRESS	CITY	STATE	ZIP CODE
---------	------	-------	----------

SUMMARY OF ANY CONDITIONS ON THE TITLE

ORIGINAL PURCHASE PRICE	APPRAISED VALUE	APPRAISE DATE	APPRAISAL COMPANY
-------------------------	-----------------	---------------	-------------------

A BRIEF DESCRIPTION OF IMPROVEMENTS

CURRENT USE OF THE PROPERTY

III. FUNDING INFORMATION

Sec 5309
 Sec 5310
 Sec 5311
 Sec 5339
 100% State
 Other (Specify) _____

FEDERAL GRANT NO(S).	MDOT CONTRACT AND/OR PROJECT AUTHORIZATION NO(S).	AMOUNT

% OF PURCHASE PARTICIPATION:

FEDERAL	STATE	LOCAL	OTHER
---------	-------	-------	-------

IV. REASON FOR EXCESS PROPERTY

- a. The parcel, when purchased, exceeded the grantee's need (uneconomic remnant, purchased to logical boundary, part of administrative settlement, etc.);
- b. The property was purchased for construction staging purposes such as access, storage or underpinning, and construction is completed;
- c. The intended use of the parcel is no longer possible because of system changes, such as alignment, or amendments to the project Grant Agreement;
- d. Improvements to real property were damaged or destroyed, and therefore the property is not being used for project purposes, but it is still needed for the project. If so, the improvements may be renovated or replaced. In this case, applicable cost principles must be observed; and/or
- e. A portion of the parcel remains unused, will not be used for project purposes in the foreseeable future, and can be sold or otherwise disposed.

Other (state below):

V. PROPOSED DISPOSAL METHODS

- a. **Sell and reimburse FTA.** Competitively market and sell the property and pay FTA the greater of its share of the fair market value of the property or the straight line depreciated value of the improvements plus land value. FTA's share of the fair market value is the percentage of FTA participation in the original grant multiplied by the best obtainable price, net of reasonable sales costs.
- b. **Offset.** Competitively market and sell the property and apply the net proceeds to the cost of replacement property under the same program. Return any excess proceeds to FTA.
- ~~a~~. **Sell and use proceeds for other capital projects.** Competitively market and sell the property and use the proceeds to reduce the gross project cost of another FTA eligible capital transit project. You are expected to record the receipt of the proceeds in the your accounting system, showing that the funds are restricted for use in a subsequent capital project, and reduce the liability as the proceeds are applied to one or more FTA approved capital projects. (MDOT will request FTA's approval of the application of the proceeds to a subsequent capital grant, which should clearly show that the gross project cost has been reduced with proceeds from the earlier transaction.)
- ~~a~~. **Competitively market and sell the property and keep proceeds in open project.** If the grant is still open, the proceeds can be applied to the original cost of the total real property purchased for the project.

- e. **Transfer to public agency for non-transit use.** Follow procedures for publication in Federal Register to transfer facility property to a public agency with no repayment to FTA. This is a competitive process and there is no guarantee that a particular public agency will be awarded the excess property. See 49 U.S.C., 5334(h)(1)-(h)(3).
- f. **Transfer to other eligible FTA project.** The Federal interest continues.
- g. **Joint Development.** A transfer meeting the tests for joint development is not a disposition, and the proceeds are deemed program income. For additional information on use and eligibility of joint development projects see FTA Guidance (72 FR 5788, Feb. 7, 2007) as the final agency guidance on the "Eligibility of Joint Development Improvements Under Federal Transit Law." See also the definition of a capital project at 49 USC 5302(a)(I)(G).
- h. **Retain title with buyout.** Compensate FTA by computing percentage of FTA participation in the original cost. Multiply the current fair market value of the property by this percentage. You must document the basis for value determination; typically, this is an appraisal or market survey. Alternatively, you may pay the straight line depreciated value of improvements plus land value, if this is greater than FTA's share of fair market value.

The Following Information Will be Completed by MDOT OPT

PROJECT MANAGER APPROVAL (SIGNATURE)	DATE
SUPERVISOR APPROVAL (SIGNATURE)	DATE