



November 19, 2020
AASHTO Innovation Initiative

Utah Department of Transportation Surplus Sales Online Auction



How Did We Get Here?

- Historically, surplus sales were reactive, not proactive
 - Inquiry received, reviewed, and if approved, direct sale at appraised value

How Did We Get Here?

- Political Pressure to Increase Sales
 - Restore property to tax roles (UDOT is tax exempt)
 - Facilitate economic development
 - Reduce UDOT maintenance costs
 - Return proceeds to Transportation Fund

Obstacles

- Momentum (change is hard!)
- Legal obstacles (primarily administrative rules)
- Lack of viable alternatives
 - Limited staff
 - MLS less effective for undeveloped land
 - Traditional brokerage challenges

First Steps

- Amended administrative rules to facilitate auctions (with an eye toward on-site, courthouse steps style auctions
 - Why? A known approach that had worked for at least one other state agency (SITLA)
- On site auctions!

What Happened?

- Limited success
 - Only 4 of 12 parcels sold
 - Minimal competition (but some)
 - More transparency
 - TONS of work to only sell 4 parcels, exacerbating staff issues

What Went Wrong

- Marketing – Extremely limited
 - Followed historic model used by SITLA and mortgage industry (legal style classifieds)
 - UDOT isn't as well known as they are, nor do we have the same network of buyers to contact
- Outreach
 - Limited network noted
- Inconsistent product
 - Our parcels vary in size, location, zoning, access, potential; they are not homogeneous like others offer (e.g., foreclosed houses; large tracts of ag land)

How do you fix that?

- Hire more people?
 - No funding
- Hire a consultant?
 - See traditional brokerage challenges
 - On site auction limitations
- Go online...but how?

Surprise!

- Examine goals
 - More sales
 - More competition
 - More transparency
 - That sounds familiar...because competition and transparency are at the core of the Utah Procurement Code

Request for Proposals

- “The purpose of this request for proposal is to enter into a contract between the Utah Department of Transportation (UDOT) and a qualified firm to provide an electronic online auction and listing service for the disposal of numerous tracts of land and improvements throughout the state. These parcels will vary in size, location, and value.”
- Five year term
- Escrow ability
- Marketing component (30 days minimum)
 - MLS, other sites as proposed, on-site signage
- Provide supporting staff
- Comply with applicable law and rules (i.e., real estate license)
- Commission/marketing fees (but *nothing* upfront!)

Responses

- Traditional brokers telling us they could do it
- Ebay copy-cats
- Partnership between online auction company and local brokerage

And the winner is...

www.udotauctions.utah.gov

UDOT AUCTION SALES PROGRAM

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And the winner is...

- SVN Auction Services was awarded the contract
- UDOT did not spend any funds to have the auction site built and launched
- SVN assists with the marketing and sales process, and receives a commission for sales ranging from 2.69% to 5.75%, depending on the final sales price, but only if the parcel sells; they also receive a marketing fee ranging from \$1,250 to \$1,950 depending on the parcel type
- The online auction platform was awarded UDOT's 2019 Innovation Award (and AASHTO's Innovation Initiative!)
- The auction is easily scaled; one other state agency can use it, and the Utah Legislature is discussing adding other public entities to it

Results

- Since launching the online auction platform, UDOT surplus land sales has:
 - Held 4 separate auctions
 - Sold 53 separate parcels or groups of parcels
 - Auction sales totaling \$45,402,524 (reserve of \$38,372,280; 18.3% net increase)
 - Note: Both FY2019 and FY2020 saw record total sales in excess of \$30 million
 - Every parcel listed has eventually sold or is under contract
 - Only two parcels had to be listed on a second auction
 - Only two highest bidders have defaulted

Results

- Political Pressure has been lessened in many instances
- Pressures to conduct direct sales still exist, especially with other governmental entities
 - We have modified our rules to clarify when direct sales are appropriate
- Transparency has been drastically increased
 - We keep bidding history online
 - County assessors are using it to improve tax assessments
- Our ability to sell parcels has improved drastically, and has revealed other inefficiencies in our surplus process, which we are working to address

What is needed for a successful auction?

- Mix of parcels
 - Must have a “big draw” parcel that justifies widespread marketing
 - Critical mass of ~\$10 million
 - Geography does not seem to matter
 - Platted residential lots see tons of competition
- Brokerage fee for winner’s broker (we pay 2%)
- No sniping – extend the auction with last minute bids
- Committed consultant staff
- Due diligence – strike a balance; all parcels sold “as is, where is,” but we provide as much information as we have on the parcels