

Online Auction of Surplus Property

Technical Brief



The Online Auction of Surplus Property is a technology-based solution to sell surplus real property that provides a simple, faster, transparent, and streamlined way to reach potential buyers and sell properties. The solution often consists of a **website-based auction platform**.

An online auction platform offers 24/7 access to an agency's properties available for sale and allows for a larger base of bidders, thereby making the bidding process more competitive and potentially creating higher sales prices. Efficiently disposing of surplus properties generates substantial funds that can be re-invested productively for other highway-related purposes. The online system also creates transparency in the property sale process, allowing anyone with access to the internet to participate and monitor open auctions, as well as view prior auction listings and outcomes.

This technical brief shows how most agencies can incrementally implement a technology-based solution that is relatively quick to deploy, scalable, and achievable with low start-up costs. It describes the motivation for the solution, benefits, and implementation steps through a series of questions to consider.

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Motivation

Highway and other government agencies commonly sell surplus real property. Traditionally, agencies have sold surplus properties, such as parcels and buildings, either directly to a purchaser after receiving a property inquiry, through onsite public auctions or sealed bids, or through listings by traditional real estate brokerage firms.

However, these traditional methods of selling surplus properties can be inefficient and labor intensive, as agencies face challenges with marketing, attracting and reaching potential buyers, and creating market demand. DOTs often do not have the staff resources or expertise to market their parcels efficiently and effectively, and there may be a lag in the market as DOTs wait to have enough parcels to make it financially feasible to conduct an onsite auction. At the same time, experience with traditional brokerages has often been mixed and may not provide adequate transparency, while agencies observe that marketing through the Multiple Listing Service (MLS) is less effective for undeveloped land—typical of DOT-owned parcels—compared to land already prepared for building. Further, unlike foreclosed houses or large tracts of agricultural land that typically attract strong buyer interest,

Effective Practices – Utah DOT

- » Offer a mix of parcels that includes a “big draw” parcel and a critical mass to justify widespread marketing
- » Conduct due diligence to provide as much information as possible on each parcel, while still selling “as is, where is”
- » Pay the winner’s brokerage fee
- » Avoid sniping by extending the auction to permit last-minute bids
- » Engage committed consultant staff

Sample Resources – Utah DOT

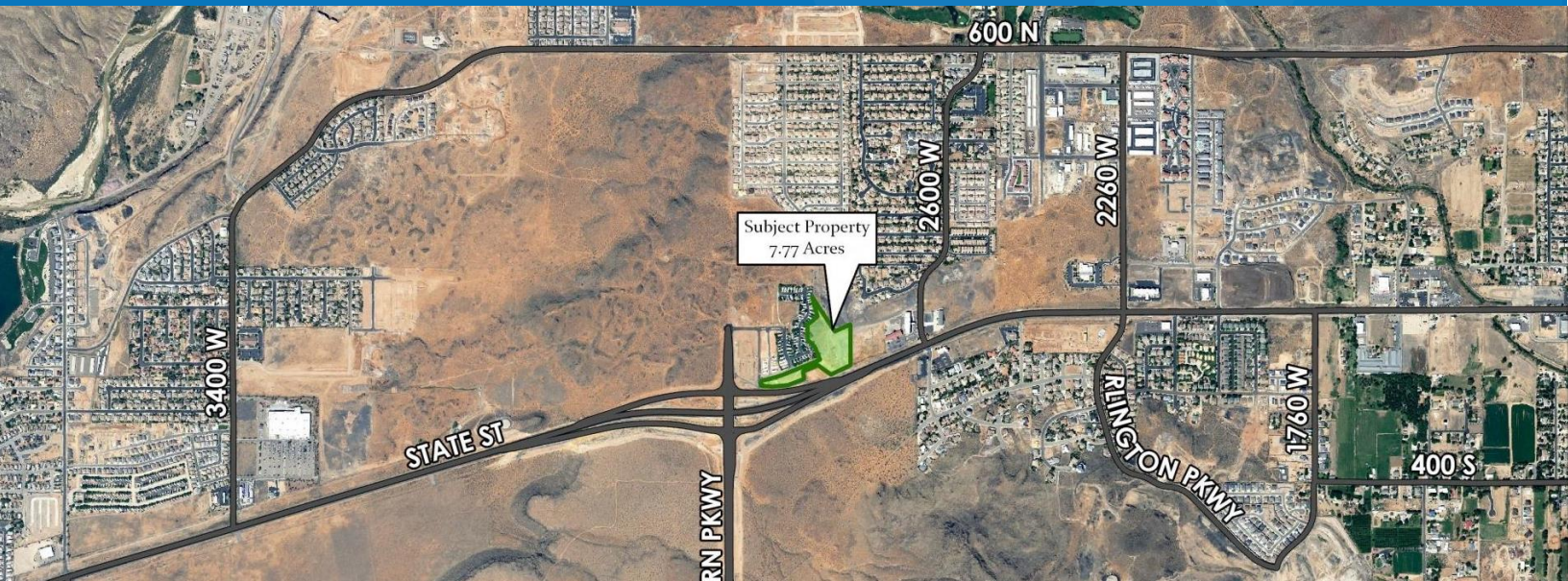
[Request for Proposals](#) soliciting a firm to provide an electronic online auction and listing service for the disposal of numerous tracts of land and improvements throughout the state.

[Online Auction Consultant Contract](#) between UDOT and the successful firm providing the online auction platform.

[Real Property Purchase Contract](#) used with winning bidders of online property auctions.

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DOT surplus parcels are often non-homogenous, varying in size, location, zoning, access, and potential—and are more of a challenge to sell through traditional means.

Traditional methods also lack transparency, often by failing to provide easy access to open auctions, prior listings, or outcomes.

Benefits

Compared with traditional surplus property sales methods, an online auction platform provides:



Increased sales prices for properties.

With the ability to offer 24/7 access to an agency's properties available for sale, an online auction platform allows for a larger base of bidders thereby making the bidding process more competitive and potentially creating higher sales prices. Agencies can expect bidders to include out-of-state or even out-of-country buyers, not just local buyers, significantly increasing competition resulting in property sales that exceed their appraised value. The online platform is easily scalable to the size of the program and can handle greater volumes of sales.

An online auction platform increases competition and transparency—core tenets of a public agency's approach to procurement and disposal of assets.

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Increased reinvestment opportunities. A greater volume of properties sold efficiently and more rapidly than traditional means can return significant revenue to transportation funding accounts, allowing reinvestment in highway infrastructure. The process maximizes return on taxpayer investment and places tax-exempt state-owned property back on the public tax rolls, increasing the tax base.



Saves money. Technology-based solutions to sell surplus property are more economical than legacy processes and can reduce administrative costs for an agency. This includes costs related to printing/mailing, storage, archival, public auction logistics, staff time, and commissions. Properties sold more efficiently significantly reduces agency maintenance demands and costs, freeing up these resources for other priorities.



Creates more transparency. An online platform creates greater transparency in the property sale process. Not only does it allow almost anyone to participate in the auction and follow it live, but all prior auction listings can be easily archived for access at any time. Additionally, a technology-based solution allows the agency to include more information on each property listing, such as Geographic Information Systems (GIS) maps, and facilitates data collection for performance management (e.g., list price vs. sales price analysis).

Effective Practices – Michigan DOT

- » Online auctions provide greater flexibility in offering property just-in-time
- » Consider existing online auction websites to reduce costs
- » Utilize a Gov-Delivery to notify interested parties of upcoming auctions
- » Establish a maximum fee cap for individual auctions
- » Make auctions snipe-proof

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Implementation Steps

The table summarizes a series of steps and questions to consider as agencies evaluate the merit, context, and features of a technology-based solution to sell surplus real property. Solutions can be tailored to the agency's needs, regulatory environment, administrative requirements, and existing technology capabilities by determining the answers to the questions and weighing the related considerations.

Step	Questions	Considerations or Examples
Understand the legal considerations and pursue remedies as needed	Are there any statutory or regulatory restrictions on using an online auction platform?	<ul style="list-style-type: none">• Consultation with appropriate legal entity• Leadership involvement to initiate changes
	Does state law contain sale process requirements to which an online auction platform must adhere?	<ul style="list-style-type: none">• Priority to sale methods permitted• Agency staff management and oversight• Valuation and appraisal requirements• Accommodation or preference for adjoining landowners• Sale approvals
	What methods of original acquisition are permitted for property to be sold via online auction platform?	<ul style="list-style-type: none">• Fee simple title• Dedication• Condemnation• Donation
	What methods of sale need to be accommodated or considered outside an online auction platform?	<ul style="list-style-type: none">• Direct sale/private purchase• Conveyance to another public agency
	What agency is responsible for conducting the sale?	<ul style="list-style-type: none">• State DOT• Other state agency (e.g., Office of Management and Budget, Department of Administration, Department of General Services)
	Can administrative rules be amended to accommodate an online auction platform, and if so, how specific do they need to be?	<ul style="list-style-type: none">• Minimum advertisement period• Minimum bid• Upset bidding allowance• Minimum sale price (appraised value or broker price opinion)

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Make the case to leadership	To what degree do the need, benefits, costs, and implementation strategy need to be communicated to leadership?	<ul style="list-style-type: none"> • Mandate or initiative to reduce real estate backlog, including performance measure target • Alignment with strategic goals • Incorporation into strategic planning
	What methods and materials should be used?	<ul style="list-style-type: none"> • Data on property backlog, sell-through rates from existing sale methods, resource commitment as a percentage of sales (costs, staff time) • Peer experience/examples (AASHTO Innovation Initiative resources)
	Do policy or administrative changes need to be made?	<ul style="list-style-type: none"> • See step on understand the legal considerations above
Establish the technology and software requirements or considerations	Does an appropriate online auction service (or services) already exist that could meet the department's needs?	<ul style="list-style-type: none"> • Platform in use by another state agency
	Can an off-the-shelf or software as a service platform be used or does a custom platform need to be built?	<ul style="list-style-type: none"> • Platform in use by another state agency
	What platform features or options to ensure bidder access should be incorporated?	<ul style="list-style-type: none"> • Website • Smartphone app • Accessibility requirements
	Does an interface with an electronic property management system or GIS need to be made?	<ul style="list-style-type: none"> • Interoperability or integration • API
	How will data security be ensured?	<ul style="list-style-type: none"> • Involvement of an Information Technology agency or compliance with its requirements
	Are there issues of interoperability among multiple vendor or broker systems that need to be accommodated?	<ul style="list-style-type: none"> • Decentralized property sale system

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Determine the procurement approach	What terms need to be included in the contract with an online auction platform provider?	<ul style="list-style-type: none"> • Contract term • Escrow ability • Marketing terms – minimum period, outlets (MLS, other sites, on-site signage) • Support staff • Compliance with applicable laws and rules • Commissions and fees (% sale price if sold; marketing fee)
	What cost ranges should be expected?	<ul style="list-style-type: none"> • Understanding of all elements that contribute to total cost • Relevancy of state example experience from which to judge estimated costs
Plan for change management, training, and awareness	How might preference for legacy processes need to be overcome?	<ul style="list-style-type: none"> • Political pressure from participants in a legacy system • Required staff training
	How might a tendency to always wait for the next iteration of technology be overcome?	<ul style="list-style-type: none"> • Business case (see step on make the case to leadership above) • Peer example successes

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