



City of Sunnyvale

Agenda Item

14-0753

Agenda Date: 10/14/2014

REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Declaring City-Owned Residential Properties and Vacant Lots on Charles and Mathilda Avenue as Surplus Property and Authorizing for Sale the Subject Properties in Compliance with Government Code Section 54222

BACKGROUND

The City owns six residential parcels in the downtown area located in "Block 15" of the Downtown Specific Plan (DSP). Block 15 is bounded by Iowa, Charles, McKinley and Mathilda Avenues. Attachment 1 is an aerial map of Block 15 and outlines parcels owned by the City. The six parcels are made up of three single-family homes located on Charles Avenue, and one duplex and two vacant parcels fronting Mathilda Avenue. Most of the homes are over 55 years old and are generally in fair condition.

In June 2013, a study session was held to provide the City Council with an overview of City-owned properties and those with potential for reuse. The Block 15 City-owned parcels were discussed and Council expressed interest in pursuing redevelopment of this area as planned.

Property locations and descriptions are as follows:

ADDRESS	DESCRIPTION	LOT SIZE	TYPE
344 Charles Avenue	2Bedroom/1Bath	6,250	Single family home
388 Charles Avenue	2Bedroom/1Bath	6,500	Single family home
406 Charles Avenue	3Bedroom/1Bath	6,500	Single family home
365 Mathilda Avenue	Unimproved Lot	5,000	Vacant lot
377/379 Mathilda Avenue	2 Bedroom/1Bath	5,000	Duplex
407 Mathilda Avenue	Unimproved Lot	3,200	Excess roadway

Over several years the City purchased these properties to help assemble land to facilitate redevelopment of low density commercial and residential uses to higher density multi-family/commercial mixed use, as envisioned in the DSP for this area. The subject properties were purchased by the General Fund for a purchase price totaling \$1.4 million for all properties with the last parcel being acquired in the late 1990s. In June 2006, the property located at 388 Charles Avenue was sold to the City's Housing Mitigation Fund with the proceeds going back to the General Fund.

The housing units have been leased to individual tenants on a month-to-month basis until implementation of the intended use for downtown redevelopment could be realized. On February 22, 2014, City Council approved a relocation assistance package for tenants of City-owned properties

required to relocate to be based on need for assistance.

EXISTING POLICY

Council Policy 1.2.7 Acquisition, Leasing and Disposition of City-Owned Real Property

Section 3: Disposing of surplus property shall be done in a manner to maximize the benefit to the community and should be done whenever real estate market conditions are favorable to the City.

Section 3.E: Costs associated with the disposition of property shall come from proceeds of the sale or charged to the fund which owns the property. Unless otherwise directed by the City Council, net proceeds from disposition of surplus property owned by the General Fund shall be placed into the General Fund Reserve for Capital Improvements. Proceeds from the sale of land or facilities originally purchased with monies from a specific fund shall be returned to that fund, except when a fund no longer exists, it will be at the direction of City Council.

ENVIRONMENTAL REVIEW

CEQA review is not required for declaring City-owned real property as surplus property for sale as it does not constitute a project within the meaning of the CEQA.

DISCUSSION

The real estate market for new development in Sunnyvale is very active and current market conditions are positive for the sale of these properties. The estimated combined value of the six City-owned properties in Block 15 is estimated at \$3.5 million. Real property values continue to gradually rise with median prices in Sunnyvale increasing by almost 10 percent since March 2014. If a sale were to occur now, the benefit would be a viable project for approximately one half of the Block 15 Area.

The City has been contacted by residential developers expressing interest in purchasing the City-owned properties with the intent to redevelop the land into a mixed-use project consistent with the DSP. The owners of four other parcels located between the City parcels have also indicated their willingness to sell.

Grant Funding to Facilitate Sale of Block 15 Properties

Sunnyvale has been awarded a Priority Development Area service grant from the Metropolitan Transportation Commission (MTC) valued at \$58,000 to help facilitate sale of the Block 15 City-owned properties. The program provides professional consulting assistance for specific planning projects related to MTC-designated Priority Development Areas. The grant will provide customized technical assistance with policy and/or planning challenges in assimilating the City-owned properties for surplus and will assist staff in facilitating completion of the sale to realize redevelopment of Block 15. This would include obtaining appraisal valuations of properties, professional expertise in the sale and transfer of public property, marketing, as well as help with the Request for Proposal process should the properties be sold on the open market.

The Metropolitan Transportation Commission retains a "bench" of consulting firms and allocates a budget to the firms to perform services for local government agencies for the specified project. Payments to the consultants are made directly by the MTC, resulting in a streamlined implementation process. City staff would participate in the consultant selection process.

Surplus Property for Sale to Public Agencies as per Government Code 54222

To pursue this option, in line with Council Policy 1.2.7, Council would need to declare, by resolution (Attachment 2), that the Block 15 City-owned parcels are surplus property for sale, and staff would then begin the public notice process, per Government Code 54222, to offer them for sale to affordable housing agencies, school districts within the properties' jurisdiction, and for open space and/or recreation.

Tenants Currently Occupying the Block 15 City-owned Properties

Residents currently residing in the subject properties were personally contacted and informed of tonight's possible action by Council to declare the properties surplus for sale. If the Council approves the resolution declaring the properties as surplus, staff would begin working with the current tenants on relocation plans.

FISCAL IMPACT

Five of the properties reside in the General Fund and the sixth property (388 Charles Ave) resides in the Housing Mitigation Fund. In the twenty year financial plans, both funds anticipate the sale of these properties to occur in FY 2016/17. Proceeds from the sale of the General Fund properties shall be reserved in the General Fund Capital Improvement Projects Reserve for use on future capital projects consistent with Council Policy 1.2.7. Proceeds from the sale of the Housing Mitigation Fund property will be reserved and subsequently used to fund affordable housing projects as appropriate. Because the budget anticipates the sale of these properties in FY 2016/17, rental revenue has been budgeted through FY 2015/16. Completing the sale will reduce rental income slightly earlier than planned and will also reduce operating costs for property management and repairs. Longer term redevelopment of the property will result in higher property tax revenues to the City.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

In compliance with Council Policy 1.2.7, residents and property owners within 1,000 foot radius of Block 15 were noticed 10 days in advance informing them of tonight's public hearing on this item.

Additionally, current residents of the City-owned properties in Block 15 were personally contacted and informed of tonight's hearing.

ALTERNATIVES

1. Adopt a resolution declaring the City-owned properties located within Block 15 as surplus property for sale, and begin the public notice process as per Government Code section 54222; if any agencies offer to purchase the properties, begin good faith negotiations and return to Council for consideration.
2. Proceed with the sale of the properties on the open market via a Request for Proposal process if no agencies respond to the offer for sale or price and terms cannot be agreed upon; work with the MTC regarding the Priority Development Area grant to help facilitate the sale and return to Council for consideration with viable offers to purchase the properties.
3. Adopt a resolution declaring the subject City-owned properties within Block 15 as surplus, and proceed with disposition of the properties as directed by Council
4. Do not declare the subject City-owned properties within Block 15 as surplus property and proceed

as otherwise directed by Council

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Adopt a resolution declaring the City-owned properties located within Block 15 as surplus property for sale, and begin the public notice process as per Government Code section 54222; if any agencies offer to purchase the properties, begin good faith negotiations and return to Council for consideration; and 2) Proceed with the sale of the properties on the open market via a Request for Proposal process if no agencies respond to the offer for sale or price and terms cannot be agreed upon; work with the MTC regarding the Priority Development Area grant to help facilitate the sale and return to Council for consideration with viable offers to purchase the properties.

Selling these parcels will help the City realize its goals for downtown redevelopment as envisioned in the City's Downtown Specific Plan. Market conditions are currently favorable for a sale and the bulk of revenues from the sale will be placed in the General Fund Capital Improvement Projects Reserve for much needed capital improvements.

Prepared by: Christina Uribe, Acting City Property Administrator

Reviewed by: Kent Steffens, Director of Public Works

Reviewed by: Grace K. Leung, Director of Finance

Reviewed by: Hanson Hom, Director of Community Development

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Aerial Map of City-Owned Properties in Block 15
2. Resolution declaring six residential parcels of City-owned property as surplus property, and authorizing sale of the property in compliance with government code sections 54220, et seq.

ATTACHMENT 1



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CHARLES

MATHILDA

IOWA