



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### **SUBJECT**

Discussion and Possible Action Regarding the Disposition of City-Owned Residential Property Located at 263 Jackson Street, Relocation Assistance for the Current Tenant, and Authorization for the City Manager to Approve Comparable Relocation Packages to other Residential Tenants in City-Owned Property Based on Need

#### **BACKGROUND**

On April 9, 2013, Council approved the sale of unoccupied city-owned houses at 239 and 279 Jackson Street to Habitat for Humanity (RTC 13-074). Additionally, Council directed staff to pursue sale of the remaining city-owned property at 263 Jackson Street, which was occupied by a tenant at the time, to a low-income housing provider and to return to Council for approval of a relocation assistance package for the tenant.

The house at 263 Jackson Street is a three bedroom unit situated on a 5,677 square foot lot. The tenant has been renting the unit since September of 2007 at the monthly rate of \$1,550, which has not been increased since the lease began. In September 2008, the lease terms reverted to month-to-month. The current household consists of one adult and three children. One of the adults on the original lease does not occupy the unit.

Upon moving into the unit, the tenant was informed that the house was purchased to expand the adjacent park and that continued tenancy at the unit would not be guaranteed beyond the terms of the lease. The tenant signed addendum "B" (Attachment 1) of the residential lease acknowledging and agreeing that as a post-acquisition tenant she was "not entitled to and hereby waives any and all relocation benefits."

In the summer of 2012, the tenant was informed of the planned sale during an annual walk-through with City staff and the property management firm and was subsequently provided continuous updates from staff as the proposed sale was deliberated.

#### **Habitat for Humanity**

On August 18, 2012, Council considered the sale of three city-owned residential properties on Jackson Street and directed staff to begin negotiating with Habitat for Humanity (Habitat) regarding their interest in acquiring these homes (RTC 12-199). As part of their letter of interest, Habitat included a relocation assistance package for any Jackson Street tenant displaced by the project. Units 239 and 263 were occupied at the time. The tenant at 239 decided to move upon hearing of the City's intent to sell the houses on Jackson Street. The tenant at 263 was the only remaining tenant as of January 2013.

After the August 2012 Council meeting, Habitat staff was in regular contact with the tenant at 263

Jackson to discuss potential home ownership opportunities through their program, including the possibility of purchasing the house at 263 Jackson. The tenant was informed by both City and Habitat staff that a determination of her eligibility to purchase 263 Jackson could not be made until Council approved the project at the April 9, 2013 meeting, where the final price and terms of the transaction would then be determined. Once the tenant began working with Habitat on a preliminary application, it appeared the tenant did not qualify for a loan to purchase this particular home. The tenant was encouraged to consider alternate relocation options funded through Habitat.

On April 3, both staff and Habitat met with the tenant to discuss the Habitat proposal and the different relocation options available under the proposed Habitat project. The tenant expressed disinterest in any relocation offers other than the option to purchase 263 Jackson.

On April 5, Habitat sent the City a revised letter of interest prior to the Council meeting which amended its offer to purchase only the two unoccupied units, 239 and 279 Jackson Street. The tenant at 263 Jackson was informed of the change in project scope and that Habitat would not be purchasing this unit. This amendment also removed any relocation assistance offered through Habitat. Habitat offered to continue to work with the tenant to apply for other home ownership opportunities.

#### **Relocation Assistance Previously Offered by Staff**

Since March of 2013, staff has spent many hours trying to assist the tenant with possible relocation opportunities, including multiple meetings on Below Market Rate (BMR) program units, providing contact information on local affordable housing programs, and offering to provide assistance with deposits and moving expenses. None of the options discussed were pursued by the tenant. In June, the tenant requested the City provide a 20% down payment (approximately \$40,000) for a mobile home unit the tenant was interested in purchasing. Staff informed the tenant that was not an available option.

#### **Sunnyvale Community Services**

Staff recently contacted Sunnyvale Community Services (SCS) to provide relocation advisory assistance, such as assessing the tenant's needs, providing financial counseling, and providing contacts for affordable housing providers. SCS has agreed to partner with the City on this relocation project.

### **EXISTING POLICY**

#### **Fiscal Policies - 7.1D Land PoliciesD.1.4**

The purchase, sale or lease of real property where the purchase or sale price or lease cost is more than \$75,000, per the Sunnyvale Municipal Code, shall be approved by the City Council.

### **ENVIRONMENTAL REVIEW**

The project is exempt from CEQA because it does not have the potential for causing a significant effect on the environment and can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. (Guideline 15061(b)(3).)

### **DISCUSSION**

#### **Legal Obligation**

California Government Code Sections 7260 et seq. do not require public agencies to pay relocation

costs to post-acquisition tenants. A “post-acquisition tenant” is a tenant who lawfully commences to occupy property only after the agency acquires it. It is not common practice among public agencies to provide monetary relocation assistance to post-acquisition tenants; however, it is within the Council’s discretion to allocate City funds for relocation assistance if it deems it appropriate.

### **Proposed Relocation Assistance Plan for Tenant at 263 Jackson Street**

To assist the tenant in relocating, staff recommends the City offer the following:

- Relocation advising and case management services provided by Sunnyvale Community Services;
- Provide up to \$6,975 for first and last month’s rent and deposit to be paid by the City to a new landlord on behalf of the tenant (based on estimated current rental rates in Santa Clara County, discussed below);
- Up to \$1,000 in moving expenses, such as moving materials, storage, and moving van, to be paid by the City;
- A 120-day written notice (state law requires 60 days), with termination of occupancy occurring after the end of the school year in June.

### **Relocation Assistance for Other tenants**

The City of Sunnyvale currently owns nine other residential units: three dedicated to park expansion (Orchard Gardens); one currently for sale; and five slated for future downtown development. Seven of these residential properties are currently leased and occupied. All of these units will likely be sold or demolished within the next few years. Should Council approve a voluntary relocation package for this tenant, it may wish to consider authorizing the City Manager to offer similar packages for the others based on need and circumstance.

### **FISCAL IMPACT**

According to the Santa Clara County Housing Authority, fair market value rent for three-bedroom units in the county averages \$2,325 per month. Based on this, the total relocation package for the tenant at 263 Jackson Street would total approximately \$7,975, for first and last months’ rent, security deposit, and up to \$1,000 in moving expenses.

Rents collected from this unit have been deposited into the Park Dedication Fund and expenses are paid through Capital Improvement Project 821001 - Maintenance of City Owned Property. Any monetary relocation assistance will be paid out of this same project. Future relocation assistance for other properties, if needed, will be provided through the City’s Property and Liability Fund, consistent with how the City handles resolution of other disputes and claims.

### **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.

The tenant at 263 Jackson Street was informed of the proposed action and provided notice of tonight’s public hearing.

## **ALTERNATIVES**

1. Approve the relocation package as presented by staff contingent upon the tenant vacating the unit within the timeframe stipulated in the City's notice to vacate, and direct staff to issue an official notice to vacate within 120 days to the tenant.
2. Direct staff to initiate the surplus property public agency notification for 263 Jackson Street to designated agencies pursuant to state law, which includes affordable housing providers, including Habitat for Humanity, in accordance with California Government Code Section 54222. If any agencies respond, and after good faith negotiations, staff would return to Council with any offers received.
3. Authorize the City Manager to approve comparable relocation packages to other residential tenants in city-owned property based on need, as appropriate, upon notice to vacate.
4. Do not approve the relocation package and provide further direction to staff regarding the relocation assistance desired.

## **STAFF RECOMMENDATION**

Alternatives 1, 2, and 3: Approve the relocation package as presented by staff contingent upon the tenant vacating the unit within the timeframe stipulated in the City's notice to vacate, and direct staff to issue an official notice to vacate within 120 days to the tenant; Direct staff to initiate the surplus property public agency notification for 263 Jackson Street to designated agencies pursuant to state law, which includes affordable housing providers, including Habitat for Humanity, in accordance with California Government Code Section 54222. If any agencies respond, and after good faith negotiations, staff would return to Council with any offers received; Authorize the City Manager to approve comparable relocation packages to other residential tenants in city-owned property based on need as appropriate upon notice to vacate.

Council approval would allow staff to begin the tenant notification process with approved terms and clear directives. This would provide the affected tenant concrete details on the relocation package and a date for lease termination so that plans to vacate the property can begin. In addition, staff may begin the sale process to dispose of the property.

Prepared by: Amy Fonseca, Administrative Analyst  
Reviewed by: Kent Steffens, Director, Department of Public Works  
Approved by: Robert A. Walker, Interim City Manager

## **ATTACHMENTS**

1. Addendum B to Residential Lease