



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Declaring City-Owned Property Located at 1484 Kifer Road (Unilever) as Surplus Property and Authorizing the Sale of the Unilever Property in Compliance with Government Code Section 54220 et seq. and approval of Budget Modification No. 32

BACKGROUND

The City owns one industrial parcel along the City's east boundary line at 1484 Kifer Road, commonly known as the Unilever Margarine Plant (as shown in Attachment 1). The Unilever site and building at 1484 Kifer Road was gifted to the City without consideration in 1979, subject to the terms and conditions of a thirty (30) year lease with owners of the margarine plant. The original 30-year lease was entered in December 1962 and provided for five successive 5-year extensions, with a termination date of December 31, 2017. The City and Unilever (current owner of the Margarine Plant) entered into an early lease termination agreement, effective October 31, 2016.

For several fiscal years, the City's 20-year Financial Plan included projected revenues from the sale of the Unilever property. This assumption was first included as part of the FY 2006/07 budget and adjusted, after a recent appraisal. The property was appraised in 2015 as part of the Civic Center Modernization Project with an estimated value of \$11 million. Funds from the sale would be added to the City's General Fund Capital Improvement Reserve in accordance with current City policy. To prepare for a sale, the City would need to update its 2015 appraisal.

The Unilever site is now part of the Lawrence Station Area Plan (LSAP), adopted by the City Council on December 6, 2016. The LSAP allows industrial and research and development uses on the Unilever site, up to 50% floor area ratio (FAR). In addition, the City Council has directed staff to evaluate additional opportunities for allowing residential development in the LSAP area; the Unilever site could be considered for residential or flexible mixed uses.

Civic Center Context

It is important to note that as part of the funding discussions for the Civic Center Modernization Project, the Unilever property was included as a potential funding source for Civic Center improvements.

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.D: The City may use any of the following methods or combination thereof to maximize the benefit to the community. Methods of disposition should be determined on a case-by-case basis and

may include:

- Auction
- Negotiated Sale
- Exchange
- Lease
- Request for Proposal

Discounts will not be negotiated unless an extraordinary need or circumstance is recognized by the City Council prior to negotiation, setting forth the amount of the discount and the justification for it. The purpose of this requirement is to demonstrate to the community that the City is not making a gift of public assets.

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

Declaring City-owned real property as surplus property for sale does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Any future development shall be subject to the CEQA requirements.

DISCUSSION

The Unilever site totals 4.8 acres and currently has a 96,000+ square foot industrial building that was constructed circa 1963 and expanded in the mid-1980s. An appraisal of the parcel was completed by Valbridge that indicated the building is at the end of its economic life and the highest and best use is to demolish the existing improvements for office/R&D redevelopment. The appraisal for this site was also completed in 2015 and was based on the market value at the time of approximately \$11 million.

Selling this parcel would become an important source of revenue for the City to fund a portion of planned improvements at the Civic Center (as discussed in RTC No. 16-0077). Next steps to implement this strategy would be for Council to designate the Unilever parcel as surplus property. This would trigger notices to local school districts, open space districts and affordable housing providers that the property is available, per Government Code Section 54220. A new appraisal will be required in compliance with Council Policy 1.2.7 to provide value of a property not more than six-months old at the time the properties are presented to Council to complete the sale. The estimated cost for the appraisal is approximately \$5,000 to \$10,000. In addition, the appraisers may require an updated title report on the property, which can cost anywhere from \$300 to \$750, depending on the complexity of the parcel.

After returning to Council to consider any offers received, the City could negotiate the sale or lease with a qualified buyer or move forward to sell or lease the property on the open market. It is recommended that if selling on the open market becomes an option, a real estate broker be selected

through an RFP process to help assist with marketing the properties. Staff has received unsolicited offers from private brokers and corporations indicating there is an interest from several large high tech companies for property in an as-is condition. They were informed of the City's policies and the requirements of the Government Code that would need to be followed before there is any consideration of selling in the open market.

FISCAL IMPACT

The Unilever property resides in the General Fund. Proceeds from the sale of the property would be reserved in the General Fund Capital Improvement Projects Reserve for use on future capital projects consistent with Council Policy 1.2.7. Completing the sale will reduce operating costs for property management and repairs. Longer-term redevelopment of the property will result in higher property tax revenues to the City. If the Council proceeds with an alternative that requires proceeding with appraisals and Phase 1 environmental assessments, up to \$15,000 will need to be appropriated.

Budget Modification No. 32 appropriates \$15,000 to a new project to fund the Phase 1 environmental assessments and property appraisal.

Budget Modification No. 32 FY 2016/17

| | <u>Current</u> | <u>Increase/ (Decrease)</u> | <u>Revised</u> |
|--|----------------|---------------------------------|----------------|
| General Fund | | | |
| <u>Expenditures</u> | | | |
| New Project - City Owned | \$0 | \$15,000 | \$15,000 |
| Property Environmental Assessments and Property Appraisals | | | |
| <u>Reserves</u> | | | |
| Capital Improvement Projects Reserve | \$32,647,983 | (\$15,000) | \$32,632,983 |

Funding Source

This project is funded by the General Fund, Capital Improvement Project Reserve.

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.

As per Council Policy 1.2.7, 10-day notices were mailed to surrounding residents within 1,000 feet of the properties.

ALTERNATIVES

1. Adopt a resolution declaring the City-owned property located at 1484 Kifer Road as surplus property for sale, and begin the public notice process pursuant to Government Code Section

- 54222; if any agencies offer to purchase the property, begin good faith negotiations and return to Council for consideration. Approve Budget Modification No. 32 to appropriate \$15,000 for an updated appraisal.
2. If no offers are received pursuant to Government Code Section 54222 or price and terms cannot be agreed upon, then proceed with the sale of the property on the open market via a Request for Proposal process.
 3. Do not declare the subject City-owned property as surplus property and proceed as otherwise directed by Council.

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Adopt a resolution declaring the City-owned property located at 1484 Kifer Road as surplus property for sale, and begin the public notice process pursuant to Government Code Section 54222; if any agencies offer to purchase the property, begin good faith negotiations and return to Council for consideration; and approve Budget Modification No. 32 to appropriate \$15,000 for updated appraisals; and 2) If no offers are received pursuant to Government Code Section 54222 or price and terms cannot be agreed upon, then proceed with the sale of the properties on the open market via a Request for Proposal process.

The sale of the Unilever Property has been assumed as part of the City's 20-year Financial Plan for the last ten years. Proceeds from the sale are an important source of funding for planned capital improvements at the Civic Center.

Prepared by: Ryan Sandoval, City Property Administrator

Reviewed by: Manuel Pineda, Director, Public Works

Reviewed by: Timothy J. Kirby, Director, Finance

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Vicinity Map
2. Resolution