



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

SUBJECT: SALE OF SURPLUS CITY-OWNED PROPERTY AT 410 PARK AVENUE **DATE:** 04-16-08

Approved

Date

4/17/08

COUNCIL DISTRICT: 3
SNI AREA: Delmas Park

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

- a. Declaring the .19 acre City-owned property and building, at 410 Park Avenue, surplus to the needs of the City;
- b. Approving the sale agreement with an adjacent property owner, Park Delmas Investors, LLC, in the amount of \$450,000;
- c. Delegating authority to the Director for Public Works to execute all documents necessary to complete the transfer of the property; and
- d. Directing the City Manager to return with appropriation actions to allocate proceeds from this sale to address the City's Deferred Maintenance and Infrastructure Backlog.

OUTCOME

Adoption of this resolution will declare the .19 acre, 8,287 square feet, City-owned property at 410 Park Avenue surplus to the needs of the City and approve the agreement to sell the property to the adjoining property owner. Staff recommends that the \$450,000 in proceeds from this sale will be allocated to addressing the City's Deferred Maintenance and Infrastructure Backlog, with the policy alternative of allocation to the Economic Uncertainty Reserve.

BACKGROUND

The City parcel being proposed for sale is located east of Highway 87 on Park Avenue, between Delmas Avenue and Sonoma Street. The office building on the property has been divided to accommodate space for three different tenants. One space is currently vacant.

PROPERTY HISTORY

The subject property was purchased by the City in February 1971 for a possible widening of Park Avenue. It is anticipated the widening of Park Avenue will require approximately 3,000 square feet of the 8,287 square foot property.

The property is .19 acres (see Exhibit A) with an office building currently leased to two tenants, the Immigrant Resettlement and Cultural Center, Inc., and Arab-American Cultural Center of Silicon Valley. Both tenants are non-profit entities and currently lease pursuant to the City's "below market rent" Council Policy 7-1. Each tenant pays an annual rent to the City of \$12.

The subject property has been presented for review to the City's multi-departmental Property Acquisition and Disposition Committee and to all City departments to determine if there is any facility or operational need for the property. No current or future use of this property, except for widening of Park Avenue, was identified. In accordance with California Government Code Section 54222, the City offered the property for sale for development of affordable housing, park-open space and/or public school purposes. Under Municipal Code Section 4.20.050, this transaction is a negotiated sale to an adjacent property owner and therefore is not required to go to auction.

AGREEMENT FOR SALE

The Agreement for Sale was signed by Park Delmas Investors, LLC., on April 2, 2008. The sales price is \$450,000 for the .19 acre City-owned property. The City is holding \$20,000 as deposit on the offer to purchase the property.

Within Section 9 of the Sales Agreement the "Buyer acknowledges that a portion of the surplus property upon development may be required by the City for street dedication." The agreement also requires the property be vacant prior to close of escrow.

PROPOSED DEVELOPMENT

The property will be part of a proposed larger development on the adjoining properties. The conceptual plan includes 103 condominium units, 20% of which will be affordable to moderate income buyers. The application for this project will be processed through Planning and will include public outreach.

TENANT INFORMATION

Both tenants on this property are non-profit entities leasing space pursuant to Council Policy 7-1 which allows below market leases to non-profit groups. Both leases have expired and the tenants remain on a month-to-month basis via the hold-over provision of the lease agreements.

The Immigrant Resettlement and Cultural Center, Inc. (IRCC), moved into the building in 1984. They currently provide English as a 2nd language classes, job placement, citizenship application assistance, escort and outreach, interpretation and translation services, immigration and emergency assistance and employment orientation to Vietnamese refugees residing in Santa Clara and Monterey Counties. The leased space also houses the incubator for a Vietnamese Museum, which has moved into an alternate location at San Jose History Park.

In accordance with Council Policy 7-1, Section C, the IRCC is required to provide documentation on an annual basis in support of their non-profit status and proof that their service is still available. Despite multiple requests, IRCC has not provided the required information.

The Arab American Cultural Center of Silicon Valley (AACC) moved into 416 Park Avenue in July 1995. The organization was founded in 1989 and is an umbrella organization for Arab-American service agencies that provide information and referral services, educational programs, community communications through public access television and resettlement assistance to newly arriving immigrants. Their classroom accommodates weekly Arabic classes and television committee meetings, monthly board meetings, and semi-weekly senior and youth group gatherings.

The AACC is largely in compliance with Council Policy 7-1 with the exception of Section C.5., which requires proof that their service is still available and quantitative reports of services provided during the preceding year.

RELOCATION

The termination language in the expired lease agreements stipulates "This Agreement shall be subject to termination without liability therefore at the option of the City upon giving a 30-day notice in writing. Tenant agrees to vacate and remove all personal property belonging to Tenant or any other person prior to the expiration of said notice." Regarding relocation benefits, the agreements state "Tenant agrees that this tenancy is temporary, and Tenant hereby waives any claims for relocation assistance and payments."

In early 2006, the tenants were contacted regarding a tour of the property by prospective buyers of the site. On April 10, 2007, the tenants were notified in writing that staff was processing a potential sale of the property and they were being given 90 days to vacate the property. On June 8, 2007 the tenants were sent a follow up letter rescinding the 90 day notice.

On November 1, 2007, staff met with both tenants to discuss the proposed project and potential sale of the City property, which, if approved by Council, will include the City issuing termination notices to each of the tenants to vacate the property. If the sales agreement is approved by Council, a new notice to vacate will be sent to the tenants requiring them to vacate the property no later than September 30, 2008. Both tenants have expressed concerns and have asked the City for relocation assistance, as reflected in Exhibits B and C.

ANALYSIS

The prospective buyer of this property owns the adjacent property and has a conceptual plan for development of approximately 103 condominium units. The buyer approached City staff with an offer to purchase the property and the sale was negotiated at fair market value.

The proposed sale of this property is responsive to the adopted Mayor's March 2007 Budget Message items *1h. Review of Underused Lands*, and *6e. Review of City-Owned Assets*. The sale of this property will provide one-time revenue of \$450,000 and eliminate the City's potential liability and maintenance costs for this site. The Council was previously notified of the potential sale of this property in an Informational Memo from the Director of Public Works dated October 29, 2007.

In response to the requests received from the tenant organizations, Public Works and City Manager's Office staff have met with each group and taken the following supportive actions:

- a. The proposed date to vacate the property (September 30, 2008) was negotiated with the prospective buyer to maximize the time available for each organization to secure alternative operating locations. This includes the opportunity for each to participate in the planned community center reuse process administered by the Department of Parks, Recreation, and Neighborhood Services (PRNS).
- b. Each organization has been briefed on the community center reuse process and invited to participate. It was noted that reuse locations will likely involve shared space with other organizations, and thereby require some modification to their current programs. It was also noted that since the reuse process will be competitive, no guarantee of space availability can be made at this time.
- c. Staff offered to provide referrals to private philanthropic organizations that may have space available.
- d. The AACC requested information on vacant City property that could be sold at fair market value. Staff has provided available information.

Finally, the buyer will be assisting the tenants to vacate the property by providing each tenant with a check in the amount of \$20,000 within 3 business days of the tenant vacating and surrendering possession of the property. The buyer has determined that the financial assistance to the tenants is in the buyer's best interest and is not part of the \$450,000 payment to the City nor is it a requirement in the sale agreement. Letters from the buyer to the tenants are attached as Exhibit D and Exhibit E.

It should be noted that staff is developing a new process for designating properties as surplus to the needs of the City that includes earlier Council approval to proceed with marketing of properties for sale or lease and increased public outreach. The process for this transaction has

been underway (including discussions with the buyer and tenants) for over two years and is therefore not reflective of the proposed new process which will be brought to Council for consideration in May 2008.

Staff has also reviewed options for use of the proceeds from this property sale. Pursuant to prior City Council direction, proceeds from surplus property sales are typically allocated to the Economic Uncertainty Reserve. However, in light of the City Council's established priority to address the City's deferred maintenance and infrastructure backlog, staff is recommending that the proceeds from this sale be allocated to this one-time citywide use.

Staff is currently reviewing options and priorities for addressing the City's structural deficit overall as well as the infrastructure backlog in particular, and anticipates presenting specific recommendations to the City Council as part of the 2008-09 budget process. One such priority area is the need to make accessibility improvements at City facilities, pursuant to the Americans with Disabilities Act. Several facility assessments are currently underway, and are expected to specify scopes of work for near-term priority improvements at several City facilities. These include City buildings used by nonprofit organizations. The proceeds from the recommended property sale will provide critical resources to address such priority improvements.

EVALUATION AND FOLLOW-UP

The sale agreement requires close of escrow on or before November 3, 2008. Staff will maintain contact with the tenant organizations through completion of the transaction and inform the City Council as transitions occur.

POLICY ALTERNATIVES

Alternative # 1: Approve the sale and direct staff to allocate proceeds from the sale to the Economic Uncertainty Reserve.

Pros: Consistent with standing practice for use of surplus land sale proceeds.

Cons: Allocation to the Economic Uncertainty Reserve will delay use of these funds for needed improvements.

Reason for not recommending: The City Council has established addressing the Deferred Maintenance and Infrastructure Backlog one of its top five priorities. The recommended action supports this priority; however, staff will recommend revisiting this allocation in the future, if economic conditions continue to decline.

Alternative # 2: Approve the sale, direct staff to provide relocation services to the service agencies and appropriate funding for relocation costs.

Pros: Recognizes and facilitates continued contributions of the service agencies to the community.

Cons: Cost to City of providing relocation assistance. This would provide a precedent of providing relocation assistance when the existing lease specifically includes a waiver by the lessee of any claims for relocation assistance and payments.

Reason for not recommending: The recommendations in this memo were written in accordance with the Council approved lease agreements.

Alternative #3: Reject the purchase offer and continue City ownership of the property

Pros: By keeping the property, City retains the structure and the ability to lease the space at market rates or allow the below market tenants to remain.

Cons: The City will continue to incur costs for maintenance of the property and the ongoing liability for repairs and safety. City would also not have the benefit of receiving \$450,000 for the property.

Reason for not recommending: Continuing ownership of the property will result in continuing maintenance expenses and potential liability risk and loss of revenue to the general fund.

PUBLIC OUTREACH

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memo does not meet any of the above listed criteria; however it will be posted on the City's website for the April 29, 2008 Council agenda. Staff has met with the current tenants to discuss relocation concerns and will provide them a copy of this memo prior to the Council meeting.

COORDINATION

The recommended transaction has been coordinated with the departments of Parks, Recreation, and Neighborhood Services, Planning, Building and Code Enforcement, and Housing, the City Attorney's Office and the City Manager's Budget Office. The subject property's availability as surplus to City operational/facilities needs has been reviewed by the City's multi-departmental Property Acquisition and Disposition Committee.

FISCAL/POLICY ALIGNMENT

This sale is consistent with budget strategies *1h. Review of underused Lands* and *6e. Review of City-owned Assets* as outlined in the adopted Mayor's March 2007 Budget Message.

HONORABLE MAYOR AND CITY COUNCIL

04-16-08

Subject: Sale of Surplus City-Owned Property AT 410 Park Avenue

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COST SUMMARY/IMPLICATIONS

The sale of this City-owned property will increase revenue to the City on a one-time basis, in the amount of \$450,000. The City's cost for the sale of the property will consist of staff time to prepare the sales documents and complete the transaction. The buyer will pay all title, tax and recording fees. Funds from the sale of this City-owned property will be allocated to addressing the City's deferred maintenance and infrastructure backlog. The original purchase of the property for \$85,000 was by the 1961 TIBF (Transportation Infrastructure Bond Fund).

CEQA

CEQA: Not a project



KATY ALLEN

Director, Public Works Department

For questions please contact PHIL PRINCE, DEPUTY DIRECTOR, at (408) 535-8300.

Attachment

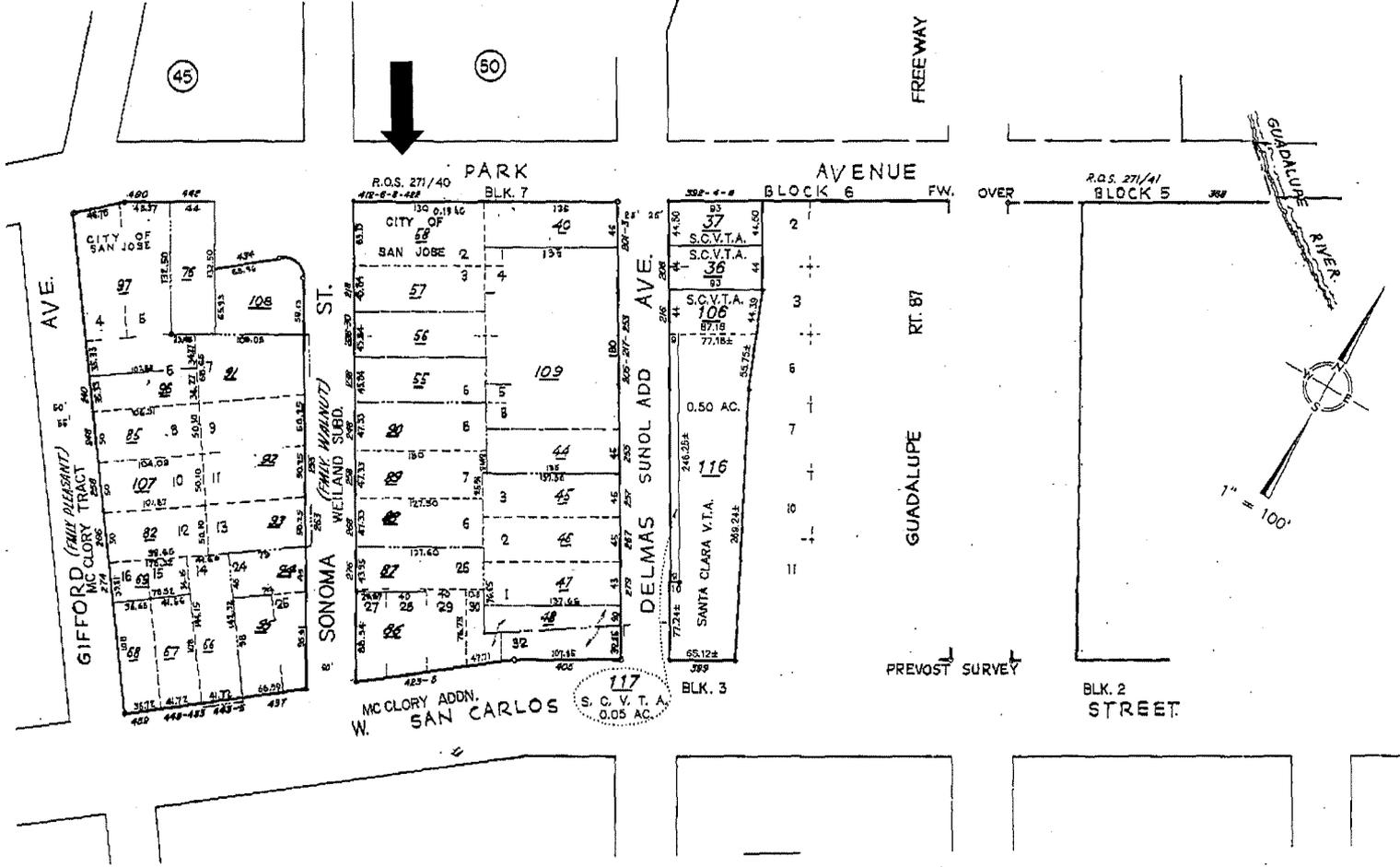


EXHIBIT A

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EXHIBIT B



A nonprofit community based organization since 1976

IMMIGRANT RESETTLEMENT & CULTURAL CENTER, INC.

420/422 Park Avenue. • San Jose, California 95110 • Telephone: (408) 971-7878 • Fax: (408) 971-7882
E-mail: IRCC@irccsj.com • <http://www.irccsj.com>

December 19, 2007

Chuck Reed, Mayor
of the City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Dear Mr. Chuck Reed.

IRCC, Inc. is a community-based non-profit that has been serving the Vietnamese community in the City of San Jose for 32 years. We have had continuing contracts funded by the County of Santa Clara and the State of California to deliver social services to refugees and immigrants – from all over the world in our Education Division – for that time. We were a United Fund star agency several years ago.

The services that we provide the Vietnamese community in the City of San Jose include special help for seniors, counseling and education for families, legal and immigration assistance for new citizens and information and referrals to many resources. We don't get any help from the City of San Jose except for reduced rent for our offices. In 1983 the mayor of the City of San Jose made it easy for us to use five of the seven store fronts of the Park Building on Park Avenue between Delmas and Sonora. The building, when we took it over, was a total mess, ready to be demolished. We occupied the building, renovated it with our own money and sweat. Over the last 30 years, for each unit (35 X 15 feet) we spent nearly \$10,000.00 to upgrade the restrooms, repair the roof, install airconditioning and heat, etc. so that we could provide great services to refugees and immigrants from a centralized location in the City. We also pay an average of \$2,000 per month for the five units, just for maintenance, because the building is so old.

Now we have to move, because this block is going to be sold for the benefit of the City of San Jose, we request:

1. Another location in the City, near downtown so our clients can use public transportation, to relocate to;
2. Temporary storage and a one-year special grant for \$20,000.00 for a rental subsidy if a new location is not available; and
3. A grant (\$10,000 per unit = \$50,000 total) to move. This is a small amount that could be set aside from the revenue that the City will accrue from selling our home to a developer.

Thank you for listening and helping us through our plight,

Sincerely,

Loc Vu, Executive Director

CC: Dave Cortese, Vice-Mayor of the City of San Jose (8)
Sam Liccardo (3), Madison Nguyen (7), and all other council members, Nora Campos (5),
Nancy Pyle (10), Judy Chirco (9), Forrest Williams (2), Pete Constant (1), Pierluigi Oliverio (6),
Kansen Chu (4)

EXHIBIT C

Arab-American Cultural Center of Silicon Valley

AACC-SV

416 Park Ave., San Jose, CA 95110
(408) 279-2722, www.aaccsv.org

December, 21st, 2007

The Future of the Arab-American Cultural Center of Silicon Valley

General Overview

The Middle East and the Arab world is more important to the US today than ever before. We have hundreds of thousand of our troops there and hundreds of billions of dollars are spent there every year. The future is not guaranteed by any means due to unresolved conflicts that continue to attract various powers.

The current global political situation highlights the importance of understanding the History, Culture, Society, and Dynamics of power in that part of the world. Today, more than ever, it is essential to include, consider, and welcome the efforts of the Arab-American community.

AACC-SV and Silicon Valley

In the heart of Silicon Valley, where the most diverse cultures in America reside, San Jose is the stage for cross culture education, understanding, and opportunity like no other for all. It is in this environment that the Arab-American Cultural Center of Silicon Valley (AACC-SV) has emerged as an umbrella organization for all Arab-American organizations in the area. All other Arab-American organizations specific to the Arab countries and specialties work with and through and receive support from the AACC-SV as we all strive to bring more opportunities and understanding to the land of opportunities, the land we all call home.

The Arab-American Cultural Center of Silicon Valley (AACC-SV)

The AACC-SV occupies a ~700 sq ft. office on 416 Park Ave near downtown San Jose. We hold our Meetings, Projects, Planning, Arabic classes, Media communication, and Event planning at this location. Below are just a few of the current/growing projects and planned new projects:

1. Present Growing Projects:

- **Media:** The AACC-SV has become the main source for media access to the Arab-American community for issues related to the Arab world. ABC, CBS, NBC, KNTV, CNN, SJ Mercury News, and local newspapers and media outlets all consider the AACC-SV a valuable source of up to date information and reactions from the Arab-American community.
- **Public Events:** The AACC-SV has been holding monthly Events, open to the public to educate on Arab related issues relevant to the US general public. These are held at local libraries and other stages. Also an increased number of sponsored events by schools, on campuses, and a variety of organizations.
- **Arab-Film Festival:** The AACC-SV is the main sponsor and facilitator of the Arab-Film Festival, with multiple screenings in downtown San Jose. Now in the 11th year.

- **ArabTV:** The AACC-SV has been running the weekly ArabTV for a number of years now. An educational weekly program covering Art, Culture, History, and Current events.
- **Arab Language Courses:** The AACC-SV Arabic language courses is on regular schedule and popular. It is a Quarterly program that has been in place for a number of years. Instructor is a certified teacher in Arab Language.
- **Arab-American Organizations:** Linking and coordinating efforts with all Arab-American organizations in the fields of organization, arts, culture, community service, events, and reach out programs.
- **Student Organizations:** The AACC-SV actively supports and provides guidance for Arab-American student organizations on Campuses in the Silicon valley area. This to promote understanding, while preparing and mentoring students to be involved in public service after graduation.
- **Human relations:** The AACC is active with the Santa Clara County Human Relations committee efforts to promote understanding between cultures. The AACC-SV is actively involved in all events and activities.
- **Tutoring:** Tutoring project for Arab-American students to help them excel and close the gap of the education and cultural background of Immigrant parents. We have eight tutors (and growing) all over the bay area providing free services to the community.
- **Reach out:** The AACC-SV supports and partners with organizations in events that bridge cultures and support understanding. One example is the premier sponsorship of the Villa Montalvo in Saratoga in their "Iraq Reframe" project.

2. Future Projects in plans:

- **Arab-American Day in the Park:** The planned Annual The Arab-American day will support and enhance the diversity of the City of San Jose. It will include Food, Art, Culture, Music and a variety of Arab related artifacts.
- **Entrepreneurship:** Coordinating entrepreneurship programs, especially in technology. This is in progress with a specialized Arab-American Technology organization through events, networking, and classes.
- **Company Social events:** The AACC-SV is extending into participating in multi-cultural social events at companies (private and public).
- **Media Production:** The media group is assembled and planning on film and show production to provide the public with access to information and current events related to Arab-American issues.

Growth and Need assessment

Our Growth, Activities, number of volunteers, and future plans has lead to a real and immediate need for larger and better place to replace our current aged, 700 sq ft. This has now become a dire need as the city plans to sell the property for redevelopment.

Facility: "Arab-American Building" Provided by City of San Jose

- Main offices (5): 200 sq ft. each. Multiple organizations with one office each.
- Meeting, Media, and Event Room (1): 1000 sq ft.
- Archives, library Room (1): 400 sq ft.
- Kitchen (1): approx. 150 sq ft.
- Restroom (2): Men and Women.

Staff: Provided and Managed by AACC-SV

- Office Administrator, 2
- Facility and Maintenance manager, 1
- Public relations, 1
- Events Manager, 1
- Educator, 1 (Arabic teacher)

The President, Vice-President, Officers, Board members, and Committee leads are all volunteers.

Proposals for new location:

1. 1st Proposal: City land to be sold to the AACC-SV at nominal price. Development will be managed and executed in coordination with the Arab-American organizations.
2. 2nd Proposal: City office space facility in the size of the needs above to be leased to the AACC-SV for the use of the Arab-American organizations. Facility to be in move-in-ready state.
3. 3rd Proposal: Re-Use facility to be leased for a nominal fee. Remodeling will be managed and executed in coordination with the Arab-American organizations.

Conclusion

The AACC-SV and the 30,000 members of the Arab-American community in Silicon valley is needed today more than ever in a world where conflicts persist more than ever.

It is at this time that the loss of the AACC-SV facility is a loss not only to the Arab-American community. It is also a loss to all the organizations (and their members) involved with the AACC-SV, some of which mentioned earlier. The loss will be real and the impact immediate and significant.

As for the city of San Jose, the loss of AACC-SV facility will send a disturbing message to organizations and individuals involved with the AACC-SV. The fact that it is an Arab-American organization and at this time in particular renders the issue even more critical.

EXHIBIT D

PARK DELMAS INVESTORS, LLC

April 29, 2008

Mr. Loc Vu, Executive Director
Immigrant Resettlement & Cultural Center, Inc.
420-422 Park Avenue
San Jose, CA 95113

SUBJECT: PURCHASE OF 410-422 PARK AVENUE
ASSISTANCE WITH RELOCATION EXPENSES

Dear Mr Vu:

Park Delmas Investors, LLC has proposed to purchase the City of San Jose owned property at 410-422 Park Avenue. Our desire is to incorporate that property with adjacent parcels we have purchased for construction of a new residential development.

If the City approves our purchase it will result in the need for the Immigrant Resettlement & Cultural Center, Inc., which occupies a portion of the property, to relocate on or before September 30, 2008. In the contract you have executed with the City, the Immigrant Resettlement & Cultural Center, Inc. has waived any claims to relocation assistance and payments.

Park Delmas Investors, LLC recognizes the services that the Immigrant Resettlement & Cultural Center, Inc. provides the community – special help for senior citizens, counseling and education for families, legal and immigration assistance for new citizens and information and referrals, etc.

Should the City Council approve our offer to purchase 410-422 Park Avenue and Immigrant Resettlement & Cultural Center, Inc. has vacated and surrendered possession of 410-422 Park Avenue on or before September 30, 2008, within 3 business days of your such timely vacating and surrendering possession of such property, Park Delmas Investors, LLC will donate twenty thousand dollars (\$20,000) to the Immigrant Resettlement & Cultural Center, Inc. in honor of your services to the San Jose Community and to assist with costs you may experience in relocation.

Sincerely,



Mark Robson

c.c.: Neil Stone

EXHIBIT E

PARK DELMAS INVESTORS, LLC

April 29, 2008

Mr. Joseph E. Louis, President
Arab-American Cultural Center of Silicon Valley
416 Park Avenue
San Jose, CA 95113

SUBJECT: PURCHASE OF 410-422 PARK AVENUE
ASSISTANCE WITH RELOCATION EXPENSES

Dear Mr. Louis:

Park Delmas Investors, LLC has proposed to purchase the City of San Jose owned property at 410-422 Park Avenue. Our desire is to incorporate that property with adjacent parcels we have purchased for construction of a new residential development.

If the City approves our purchase it will result in the need for the Arab-American Cultural Center of Silicon Valley, which occupies a portion of the property, to relocate on or before September 30, 2008. In the contract you have executed with the City, the Arab-American Cultural Center of Silicon Valley has waived any claims to relocation assistance and payments.

Park Delmas Investors, LLC recognizes the services that the Arab-American Cultural Center of Silicon Valley provides the community – promoting understanding among cultures, provision of Arabic language courses, running the weekly ArabTV, sponsoring the Arab Film Festival, etc.

Should the City Council approve our offer to purchase 410-422 Park Avenue and Arab-American Cultural Center of Silicon Valley has vacated and surrendered possession of 410-422 Park Avenue on or before September 30, 2008, within 3 business days of your such timely vacating and surrendering possession of such property, Park Delmas Investors, LLC will donate twenty thousand dollars (\$20,000.) to the Arab-American Cultural Center of Silicon Valley in honor of your services to the San Jose Community and to assist with costs you may experience in relocation.

Sincerely,



Mark Robson

c.c. Neil Stone