



COUNCIL AGENDA: 06-06-06

ITEM: 7.1

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko
John Stufflebean
Larry Lisenbee

**SUBJECT: TRANSFER OF CONTROL OVER
CITY PROPERTY
AT 1608 LAS PLUMAS AVENUE**

DATE: 05-15-06

Approved

Date

5/22/06

COUNCIL DISTRICT: 3
SNI AREA: None

RECOMMENDATION

- (a) Approval to transfer control of 4.27 acres of City property located at 1608 Las Plumas Avenue from the Housing Department to the Environmental Services Department upon transfer of \$4,500,000 in ESD funds to the Multi-Source Housing Fund.
- (b) Adoption of amendments to the annual Appropriation Ordinance and Annual Funding Sources Resolution as follows:
 - 1. In the San Jose/Santa Clara Treatment Plant Income Fund (514):
 - (a) Increase the revenue estimate by \$1,183,000
 - (b) Establish a Transfer to the Multi-Source Housing Fund for Las Plumas Land Control in the amount of \$3,040,000
 - (c) Decrease Ending Fund Balance by \$1,857,000
 - 2. In the Integrated Waste Management Fund (423):
 - (a) Establish a Transfer to the Multi-Source Housing Fund for Las Plumas Land Control in the amount of \$1,460,000
 - (b) Decrease the Environmental Services Non-Personal Services Appropriation by \$1,460,000

3. In Multi-Source Housing Fund (448):
 - (a) Establish a transfer to the Multi-Source Housing Fund of \$4,500,000 for the Las Plumas property.
 - (b) Decrease the Revenue in Multi-Source Housing Fund by \$4,350,000.
 - (c) Increase the Ending Fund Balance by \$150,000.

OUTCOME

The recommended transfer of control of the Las Plumas site serves three City objectives: 1) Provides funding to the Housing Department to fund a family shelter; 2) provides an opportunity for ESD to evaluate the potential development of the site to support enhanced City environmental programs, and 3) retains City control over use of the site, including potential use for implementation of the BART project.

EXECUTIVE SUMMARY

The Housing Department acquired the site at 1608 Las Plumas Avenue with the intention of locating a transitional housing/training center there, adjacent to an expanded Family Shelter. Staff subsequently determined that the site was not appropriate for that purpose and the Department has been exploring options to transfer the property.

The Environmental Services Department has been seeking a permanent location for future expansion of its services to the public. Staff has determined that the Las Plumas site is well suited for a number of its potential services and is proposing the transfer of control over the property to ESD for further exploration of that purpose. A portion of the site may also be suitable in the future for temporary use as a staging area for the construction of a BART extension to San Jose.

The cost to ESD for gaining control of the site will be \$4.5 million. These funds will be used by the Housing Department to subsidize the new family shelter facility.

BACKGROUND

On October 19, 1999, the City Council approved the transfer of administration of 1608 Las Plumas Avenue, a six-acre City owned property located at the southeast corner of Las Plumas Avenue and Nipper Avenue, from the General Services Department to the Housing Department for development of a transitional housing/training center complex. Plans for the transitional housing/training center on the site were dropped as a result of opposition from adjacent

businesses and the City's desire to preserve the site for industrial uses. Family Supportive Housing, Inc. (formerly Concern for the Poor, Inc.), operator of the San Jose Family Shelter, has partnered with Charities Development, an experienced nonprofit housing developer, and has located another location for development of an expanded family shelter facility to include supportive services, as well as access to permanent and transitional affordable housing for shelter clients.

On December 16, 2003, the City Council approved the transfer of control of 1.73 acres of the site to the Fire Department for construction of a new fire station and auxiliary training facility to help fulfill a key priority in the Fire Department Master Plan and the voter-approved Neighborhood Security Act Bond Measure. This proposal does not impact the Fire Department site.

The Environmental Services Department is recommending that the City retain control of this site interest in order to ensure that the site can be considered for future use in supporting enhancement of City environmental programs. In addition, the Department of Transportation indicates that the Santa Clara Valley Transportation Authority may be interested in temporary use of part of the site as a construction staging area for the project to extend BART to San Jose.

ANALYSIS

Site Conditions and Property Appraisal

The subject parcel is situated at the southeast corner of Las Plumas Avenue and Nipper Avenue in an industrial area located between Bayshore Highway (Highway 101) and North King Road (see attached map). The site is approximately 4.27 acres, or 186,001 sq. ft. The site is improved with an approximately 46,000 sq. ft. older warehouse building. The square footage is divided between approximately 15% office, contained on first and second floors, and 85% warehouse building area. Additional area is contained on a second floor mezzanine open storage area. In addition, there is an approximately 4,800 sq. ft. basement area. The Housing Department retained an independent appraiser and determined the Fair Market Value of the 4.27-acre site to be \$4,500,000.

With regard to known environmental conditions, quarterly monitoring is ongoing for groundwater contamination associated with a previously leaking underground storage tank. Based on monitoring results, recommendations may be made in the future to continue monitoring, allow for natural attenuation, or provide for active remediation. From April 16, 2004 through April 23, 2004, asbestos abatement was completed on the basement of the warehouse building, which included removal of thermal insulation. On May 10, 2004, an Asbestos Abatement and Air Monitoring Report was completed by AEI Consultants. The results of the report indicate air quality pertaining to asbestos is acceptable to allow occupancy of the building. The need for additional actions to address environmental conditions on the site, and the budget for the cost of those actions, if any, will be analyzed as part of the site development planning process.

LOCATION	PARCEL NUMBER	SQUARE FEET	PRICE
Southeast corner of Las Plumas Ave. and Nipper Ave.	PTN of 254-03-022	186,001	\$4,500,000

Use of Proceeds by Housing Department

At this point, all proceeds from the sale of the Las Plumas property are intended to be used to finance land acquisition for the new family shelter facility and the funds are not expected to be required before late 2006. Family Supportive Housing, Inc. provides emergency housing assistance to up to 35 families each night, assisting up to 140 individuals, and is the only emergency shelter facility in San Jose dedicated solely to serve families with children to minimize family dislocation. The Family Shelter is currently located on property adjacent to the City's Las Plumas site, and is seeking to expand to a location that is more integrated into a residential and mixed-use neighborhood, with greater access to services and public transportation, as well as access to stable, permanent housing opportunities for clients leaving the emergency shelter. The Housing Department will bring a proposal to the City Council for approval of this project when details of the land acquisition are determined.

Potential Use of Site by Environmental Services Department

The Director of Environmental Services has been involved in the development of recycling and reuse facilities in other cities. The department envisions being able to expand ESD's portfolio of environmental services to the public to include collection and redistribution/reuse of any number of products and materials. The size and central location of the Las Plumas site appears to provide an ideal opportunity to explore those possibilities. The potential for renovation of the existing warehouse to house these types of services is also an opportunity that should be explored, based on successes in other cities. Transferring control of the site from Housing to ESD will ensure that this opportunity remains available.

The Center for Training and Careers (CTC), a nonprofit organization providing vocational training and job placement service to the educationally and economically disadvantaged, holds classes on a property adjacent to the subject site, and has a short-term agreement with the City that allows parking for up to 32 CTC students on the City's property. Staff has notified CTC of the intended transfer of the property to ESD and the potential for impact on student parking. ESD's current evaluation is that student parking will not be precluded in the short term. Long-term use of the property for student parking is uncertain; however street parking is available.

Potential Use of Site by Department of Transportation

The City's Department of Transportation has been approached by the Santa Clara Valley Transportation Authority (VTA) regarding potential short-term use of a portion of the Las Plumas site to support construction of the BART extension to San Jose. VTA is the lead agency for implementing the BART project, which is planned to include construction of a 5-mile long

subway tunnel in the Downtown San Jose area. One entrance to the tunnel is located in the vicinity of Las Plumas Avenue and Route 101. To facilitate the BART tunnel construction, there is a need for about 15 acres of land near the tunnel opening for temporary construction operations. These operations include the processing of soil excavated from the tunnel, the storage of concrete tunnel liners for transporting into the tunnel, parking for construction employees and construction field offices.

Once transfer of control over the site is complete, City staff can evaluate the feasibility of leasing a portion of the site to VTA during the BART tunnel construction. It is noted that other sites in the Mabury/Las Plumas/Route 101 area are being identified for BART construction needs, including former Union Pacific Railroad lands (now owned by VTA) and portions of the DOT's Mabury maintenance yard.

ALTERNATIVES

The Housing Department considered two alternatives before recommending the transfer of Las Plumas to the control of the Environmental Services Department:

1. Transfer control of Las Plumas to another City Department

No other City department expressed interest in procuring the site at its appraised value.

2. Disposal of Las Plumas through a competitive bid process

In November 2003, the Housing Department explored disposition of the site under Section 54222 of the California Government Code, which assigns highest priority in acquisitions to those proposing to develop property for housing purposes and a lesser priority to developers of parks, school facilities, and enterprise zone authorities. The offer was circulated for a 60-day period, which allowed interested parties to respond to the City's offer to sell the property at Fair Market Value. Only two written responses were received by the deadline, one from a commercial developer interested in industrial development of the site, and a second from a manufacturer interested in using the property for its manufacturing operations. Neither proposal met the disposition priorities of Section 54222.

In early 2005, the Housing Department discussed the potential sale of the 4.27 acres to a private party under Municipal Code Section 4.20.08, which permits the private sale of City property for economic development and redevelopment. The private party chose not to proceed with the purchase of the site.

PUBLIC OUTREACH

City staff has discussed ideas for potential use of the site with immediate neighbors, and additional outreach will be completed as needed.

COORDINATION

This memorandum has been jointly prepared by the departments of Housing and Environmental Services working in coordination with the City Manager's Budget Office, the City Attorney's Office, and the departments of Transportation, General Services, Planning, Building and Code Enforcement, and Finance.

COST IMPLICATIONS

The recommended action will result in the transfer of \$4,500,000 to the Multi-Source Housing Fund (448). The Fiscal Year 2005-06 approved budget for Fund 448 includes \$4,350,000 in projected revenue from the transfer of the Las Plumas property. This proposal will increase that revenue amount by \$150,000, to reflect the actual transfer of \$4.5 million.

The \$1,460,712 for this transaction that is funded from Integrated Waste Management Fund (423) non-personal appropriation for Fiscal Year 2005-06 is comprised of \$923,400 earmarked for Household Hazardous Waste (HHW) site relocation which was received from the County in Fiscal years 2004-05 and 2005-06, and \$537,312 in unspent market development, consulting, and outreach funds.

\$3.04 million for this transaction will be provided from the San José/Santa Clara Treatment Plant Income Fund. Revenue from rental and sale of WPCP land is one of the revenue sources for the Income Fund (514). Of the \$3.04 million, \$2.117 million is derived from one transaction, a PG&E eminent domain deposit for easements that it is acquiring for the Los Esteros Substation. The remaining revenue (\$922,288) is available due to the identification of \$18 million in excess accumulated revenue in two San Jose Bond Payment Funds for San José/Santa Clara Financing Authority Bonds. The Income Fund was one of the source funds used in prior years to make deposits to one of these Payment Funds. The recommended budget action will account for the return of \$1.183 million of this excess accumulated revenue to the Income Fund, which is comprised of the original amount transferred into one of the Payment Funds and accrued interest in the amount of \$260,712.

The end of year budget cleanup will account for the return of the remaining excess accumulated revenue to the three other source funds that were used to make deposits to the Payment Funds. However, due to the potential for rebate payments to IRS for excess interest earnings in the two Payment Funds, the interest earnings returned to each of the source funds, including the Income Fund, will be set aside in these funds until the issue of any potential rebate liability is resolved.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. For Contract	2005-2006 Adopted Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
423	0762	Non-Personal/ Equipment	\$4,998,964	\$1,460,000	VIII-48	02/14/06 Ord. No. 27665
514	N/A	To be established: Transfer to Multi- Source Housing Fund	\$0	\$3,040,000	XI-76	N/A

CEQA

Exempt, PP06-338. The City decision subject to CEQA at this stage is simply the transfer of land control from the Housing Department to the Environmental Services Department. No change in the current property condition is proposed as part of the land transfer. Any action by the City to convert the site into a facility that provides environmental services, including the acceptance of household hazardous waste, such as paint, household cleaners, garden supplies, and other toxins, will be a separate and independent action, and will require subsequent environmental review based upon as yet to be developed detailed plans and operational information.



LESLYE KRUTKO
 Director of Housing



JOHN STUFFLEBEAN
 Environmental Services Director

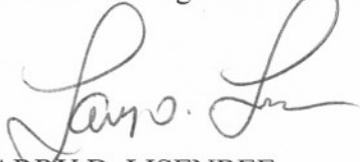
HONORABLE MAYOR AND CITY COUNCIL

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I hereby certify that there will be funds available for appropriation in the San Jose/Santa Clara Treatment Plant Income Fund in the Fiscal Year 2005-2006 monies in excess of those heretofore appropriated therefrom, said excess being at least \$1,183,000, and in the Multi-Source Housing Fund in the Fiscal Year 2005-2006 monies in excess of those heretofore appropriated therefrom, said excess being at least \$150,000.

A handwritten signature in black ink, appearing to read "Larry D. Lisenbee". The signature is fluid and cursive, with a large initial "L" and "D".

LARRY D. LISENBEE

Budget Director

For questions, please contact Fran McVey, Deputy Director, at (408) 535-8551