



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

**SUBJECT: SALE OF CITY-OWNED
PROPERTY AT 1807 SARASOTA**

DATE: 04-11-11

Approved

Date

4/18/11

COUNCIL DISTRICT: 7
SNI: K.O.N.A.

RECOMMENDATION

Adoption of a resolution:

- a. Authorizing an alternative competitive process for the sale of the property; and
- b. Approving an agreement between the City and Z&C Investment LLC, for sale of the property in the amount of \$235,000; and
- c. Authorizing the Director of Economic Development or designee to execute all sales documents and the deed necessary to complete the transaction, and ratifying any disclosures or certifications made by the Director or designee regarding the property as required by law.

OUTCOME

Adoption of this resolution will approve the sale, sales process and transfer of the approximate 6,550 square foot (0.15 acre) City-owned property at 1807 Sarasota Way, APN: 491-18-035, as defined in Attachment A, to Z&C Investment, LLC.

BACKGROUND

This property is a 1,040 square foot single family home on a 6,550 square foot corner lot in a residential neighborhood. The City purchased the property from San Jose Neighborhood & Housing Services August 22, 2000, for \$280,000. The property was initially leased by the City to a non-profit group for a community center and in recent years the property has been vacant. On June 16, 2009, the City Council, under Resolution 74994, declared this property to be surplus to the needs of the City and authorized the sale or exchange of the property. At that time staff had the ability to sell the property only through auction or to an adjacent owner. The Municipal Code was subsequently changed to allow for alternate methods for sale of property.

Per Resolution 75539 dated August 24, 2010, Council adopted an ordinance amending Chapters 4.04 and 4.20 of the Municipal Code. Under Municipal Code section 4.04.020 (B) (7), the City Manager has authority to execute agreements for the sale of fee interests in real property under the following conditions:

- The real property has been declared surplus by the City Council;
- The process for conducting the sale is approved by the City Council in advance;
- The property does not exceed ½ acre (21,780 square feet) in size;
- The sale price, including escrow costs, does not exceed \$250,000.

Under the revisions in Chapter 4.20.010 (C) of the Municipal Code, competitive sales processes alternative to auctions are permitted upon approval of City Council based on a determination that the alternative process will provide the greatest public benefit. Those alternative sales processes include requests for competitive proposals, bid and negotiation and offering the property through a broker.

ANALYSIS

For the proposed sale of this property, staff used the bid and negotiation method as the competitive process, which generally involves posting a "For Sale" sign on the property, contacting other listing agents in the area, advertising in the Mercury News and taking offers and negotiating terms with each proposing entity. As the property being sold is a single family residence, staff's opinion is that the marketing efforts, advertising and lengthy period of negotiations involved in the bid and negotiation sales process attracts the greatest number of able buyers and best chance to achieve fair market value as defined in Chapter 4.20.010 (E). In this case staff recommends Council approval of the bid and negotiation method as providing the greatest public good.

Specific to this property, City staff posted a "For Sale" sign on the property and advertised the property in the San Jose Mercury News for two consecutive Saturdays and Sundays the weeks of September 19 and 26. The requirement for public notice of sale under Municipal Code 4.20.010 (F) is to begin at least three weeks prior to the date of sale, for no less than three days. This requirement has been satisfied. Outreach included consultation with multiple brokers in the area to show the property and to elicit interest. The result of these efforts is the proposed sale of the property "as is" to Z&C Investment LLC, in the amount of \$235,000.

During the marketing efforts, the City received three bids for the property. The first bid was \$220,000, the second \$230,000 with a 3% brokerage fee and the final bid was \$235,000, with no broker fee involved. Other calls were received either from brokers offering assistance in selling the property or from individuals asking the selling price. No offers were presented as a result of those contacts.

Current reported sales of comparable properties in a range from the low \$200,000's to a high of \$369,000, the average area sales price being \$258,933. The City owned property is being sold as

is; it is staff's opinion that the negotiated price of \$235,000 is representative of fair market value given its condition. The buyer has had the right to inspect the property for any deficiencies. The City makes no representation as to condition of the property; provided that certain disclosures required by law have been provided (e.g. knowledge regarding presence of lead paint, installation of smoke detectors, etc.).

Staff reviewed market activity in the area prior to offering the property for sale including recent sales and properties currently for sale and have determined that the proposed sale price is fair market value for the property.

EVALUATION AND FOLLOW-UP

The transfer of the subject property is anticipated to be completed within 30 days of approval by Council.

POLICY ALTERNATIVES

Alternative # 1: Reject the sale of the property and continue City ownership.

Pros: By retaining the property, City retains the ability to develop the property for future municipal purposes.

Cons: By rejecting the sales, the City will continue to incur costs for maintenance of the property and the ongoing liability for repairs and safety.

Reason for not recommending: Continuing ownership of the property will result in continuing maintenance expenses and potential liability. No future municipal uses have been identified.

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 action does not meet any of the above listed criteria; however it will be posted on the City's website for the May 3, 2011, Council agenda.

HONORABLE MAYOR AND CITY COUNCIL

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COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office, the Housing Department and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This sale is in alignment with *1h-Asset Management, Investment Strategies, Mayor's Budget Message, March 13, 2009*.

COST SUMMARY/IMPLICATIONS

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 any title, tax and recording fees.

CEQA

CEQA: Exempt File No. PP10-016.

/s/

KIM WALESH

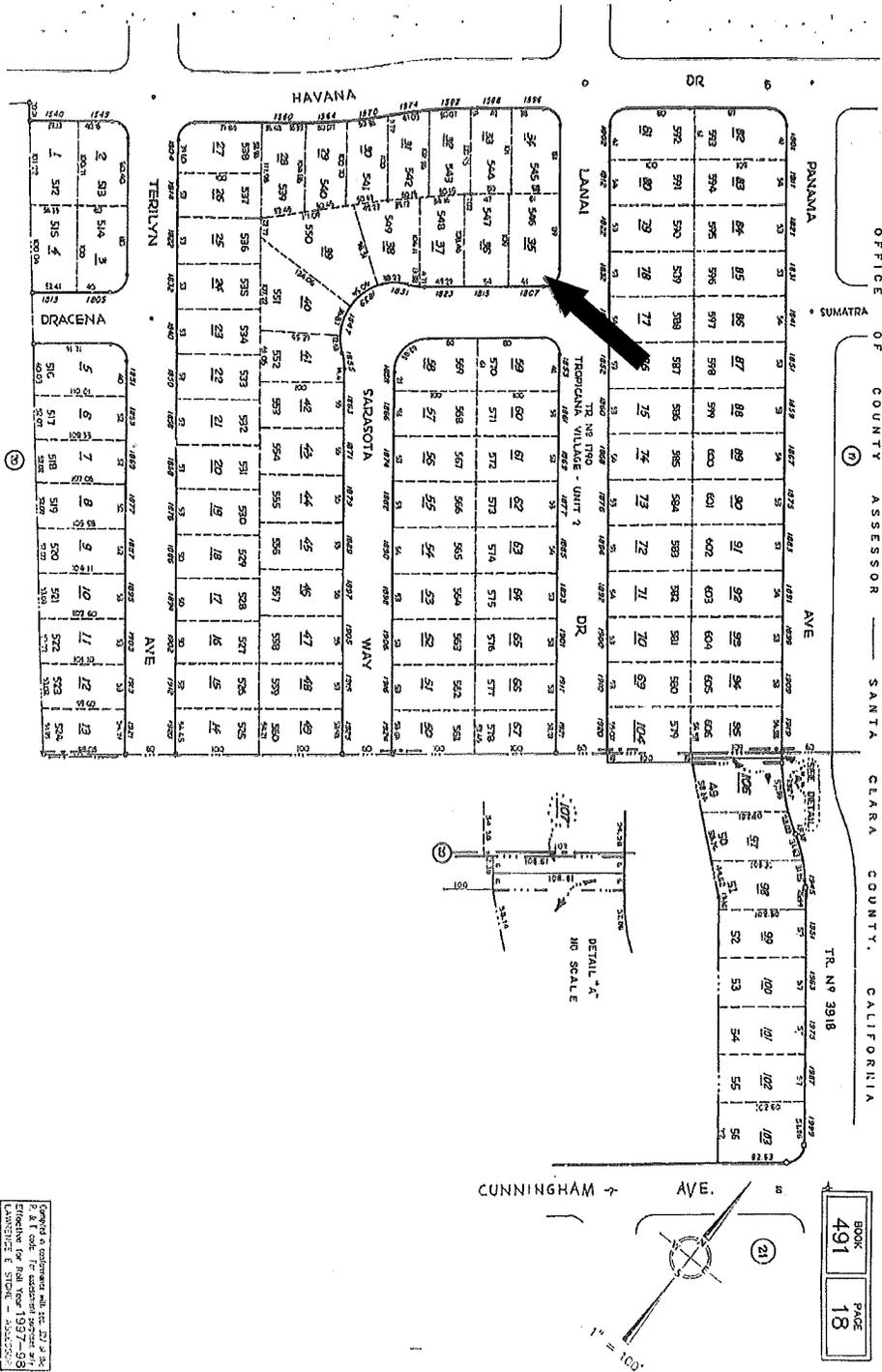
Director, Office of Economic Development

Chief Strategist

For questions please contact NANJI KLEIN, Deputy Director at (408) 535-8181.

Attachment

ATTACHMENT A



Order: maps

Description: 491.18

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Comment:

ATTACHMENT A

All that certain real property situate in the City of San Jose, County of Santa Clara, State of California, described as follows:

Lot 546, as shown on that certain Map of TRACT NO. 1790, TROPICANA VILLAGE, UNIT NO. 2, which Map was filed for record in the Office of the Recorder of the County of Santa Clara, State of California on September 18, 1958, in Book 97 of Maps, Page(s) 38, 39 and 40.

EXCEPTING THEREFROM the underground water or rights thereto with no right of surface entry, as granted to San Jose Water Works, a California Corporation by Instrument recorded October 6, 1958 in Book 4198, Page 273, Official Records.