



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SALE OF CITY-OWNED SURPLUS
PROPERTY ON CAHALAN AVENUE

DATE: 05-31-11

Approved

Date

6/7/11

COUNCIL DISTRICT: 10
SNI: None

RECOMMENDATION

Adoption of a resolution:

- a. Declaring the vacant 50,530 square foot City-owned parcel [APN 464-44-057] located at the northern terminus of Cahalan Avenue south of the Route 85 freeway surplus to the needs of the City;
- b. Approving an agreement between the City and Summerhill Blossom Hill Land Holding LLC for the sale of the property in the amount of \$450,000; and
- c. Authorizing the Director of Economic Development or designee to execute all sales documents and deeds necessary to complete the transaction.

OUTCOME

Adoption of this resolution will allow sale of the City-owned property, APN 464-44-057 as shown on Exhibit A to this memorandum to Summerhill Blossom Hill Land Holding LLC ("Summerhill").

BACKGROUND

The subject City-owned property was acquired in 1976 from the developer of the adjacent housing tract in order to allow the City to extend Cahalan Avenue to the north of its current terminus at Blairburry Way. Development of the adjacent Route 85 freeway in the 1990's rendered the proposed extension no longer feasible and apart from some sanitary sewer and storm drain facilities located mostly underground, the lot has remained vacant and undeveloped. Summerhill entered into a Real Estate Purchase and Sales Agreement and Joint Escrow Instructions dated December 30, 2009 with Walter Lester, Trustee of the Walter Cottle Lester Revocable Trust dated November 3, 2005 as seller, pursuant to which it secured a right to

purchase fee title to the Lester parcel adjacent to the subject City property. Summerhill is proceeding with its planned residential development of up to 86 single family detached homes on the combined Lester parcel and City property site. Conclusion of this project will complete the disposition of the entire Lester family agricultural property spanning both sides of the Route 85 freeway, with the portion located on the north side having been previously conveyed to the Parks Departments of the State of California and the County of Santa Clara for joint development of an agricultural historical park.

Staff has determined that the City-owned property is not needed by City for a municipal purpose now or in the foreseeable future. There is a requirement to reserve an easement over much of the property for sanitary sewer and storm drain facilities.

Municipal Code Chapter 4.20 permits the sale of City-owned surplus property upon Council finding and determining that the property is not needed for, nor adaptable to, municipal purposes. Further, while such sales are generally required to be undertaken on a competitive basis, Municipal Code Section 4.20.070 authorizes the sale of surplus property through direct negotiation at fair market value, and upon such other terms and conditions as Council may direct, to the owner of property adjacent to such surplus property.

ANALYSIS

The subject site is roughly rectangular in shape gradually widening as it extends north of the Cahalan Avenue terminus to the Route 85 Freeway. According to public records, the subject site is 1.16 acre in size as shown on the parcel map attached hereto as Exhibit A. The property will be sold "as is" to the holder of the option to purchase the adjacent parcel with purchaser to develop up to 86 single family detached homes on the combined site. A sanitary sewer and storm drain easement will be reserved by City over a portion of the property for the existing improvements as part of this sales transaction. Under the terms of sales agreement, Summerhill is obligated to deposit \$50,000 with the City to be credited toward the \$450,000 purchase price and will have until December 31, 2011 to close the transaction. In the event Summerhill fails to close it is obligated to make additional payments of \$10,000 as extension payments for each month it extends the closing beyond December 31, 2011 until June 30, 2012. The purchase price shall be deemed increased by the amount of each such extension payment.

The purchaser, Summerhill Blossom Hill Land Holding LLC possesses the right to purchase the adjacent property from said parcel's owner, Walter C. Lester, Trustee under their aforementioned December 30, 2009 agreement. The closing of the proposed sales agreement between the City and Summerhill is conditioned upon the prior or concurrent closing of Summerhill's agreement to purchase this adjacent Lester parcel, thereby qualifying the sale as one to an adjacent owner. The property was appraised in February 2010 for a total value of \$810,000. The appraiser was not aware that the value of the City property would be reduced by restricting development of most of the property by an easement for City facilities. In most cases the restriction would reduce the value of the property by approximately 90%. Since the purchase of the property by the buyer will provide the ability to construct some additional dwelling units for the adjoining subdivision, staff determined the 90% value reduction excessive. Through negotiations with the buyer staff was able to increase the purchase offer to \$450,000 or approximately 55% of the

original appraised value. Given that the highest and best use of the property is a joinder to the buyer's property, and in consideration of the associated development restrictions, staff has determined the \$450,000 to be fair market value.

The proposed sale of this property is responsive to the adopted Mayor's March 2009 Budget Message item *1h. Asset Management, Investment Strategies*. 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.

Going forward with the sale at this time is consistent with the Council's adopted key guiding principle for City ownership of real estate: supporting the cost-effective delivery of core City services to the community. Revenue from the sale supports City services, while the site is currently generating no revenue and is not supporting any City services.

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 June 21, 2011, Council agenda.

COORDINATION

This project has been coordinated with the City Manager's Budget Office 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

Proceeds from the sale of this property will be deposited in the City's General Fund. These funds will not be received until FY 2011-2012 and will be used to cover a portion of the revenue estimate assumed in the development of the 2011-2012 Proposed Budget.

HONORABLE MAYOR AND CITY COUNCIL

05-31-11

Subject: Sale of City-owned Surplus Property On Cahalan Avenue

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CEQA

CEQA: Exemption PP10-102

/s/

KIM WALES

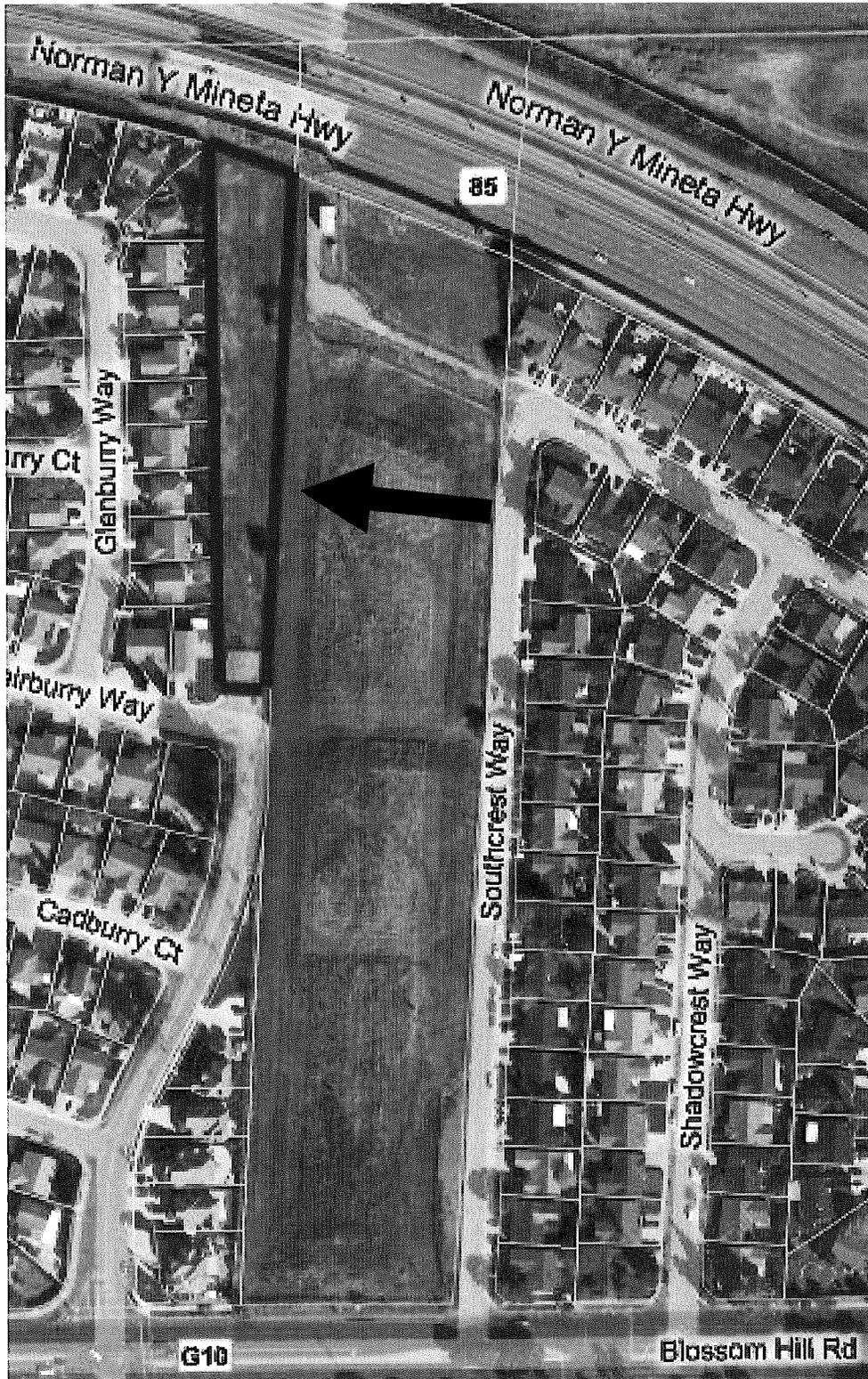
Director of Economic Development
Chief Strategist

For questions please contact Nanci Klein, Deputy Director Office of Economic
Development, at 535-8181.

Exhibits:

A - Site Map

EXHIBIT A



464-44-057