



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Katy Allen  
Ed Shikada

**SUBJECT:** SEE BELOW

**DATE:** 10-14-08

Approved

Date

10/14/08

**COUNCIL DISTRICT:** Citywide

**SUBJECT: UNDER-UTILIZED CITY-OWNED PROPERTY – DIRECTION TO PROCEED WITH PUBLIC OUTREACH**

## **RECOMMENDATION**

Direct staff to conduct community outreach to solicit public input on alternative uses, leasing potential, and/or sale of the 44 under-utilized City-owned properties included in this report, with particular emphasis on identifying revenue generating and cost reducing options.

## **OUTCOME**

The City Council will have the benefit of community feedback in considering staff recommendations on retaining, re-using, or disposing of under-utilized City-owned property.

## **BACKGROUND**

### **Previous Direction**

The Mayor's March 2007 Budget Message included two items – *1h. Review of Underused Lands* and *6e. Review of City-Owned Assets* – that directed staff to review the use of City-owned real property and facilities for opportunities to generate revenue from lease or sale. In addition, the City Council approved MBA #4 – “Three-Year Structural Budget Deficit Elimination Plan – Top Priority Strategies” in the 2008-09 budget process which directed staff to “proceed with further analysis and policy development to create a rigorous asset management program, while continuing with current real estate transactions.”

### **Process to Identify Properties**

A recent search by a title company identified 1,073 City-owned parcels that have an Assessors Parcel Number (APN). The City owns many other parcels and property rights (such as medians and easements) that do not have APNs. The Public Works Real Estate Division has approximately 12,000 hard copy deeds dating back to the 1880s. This information is out-of-date

and not available in digital form making it difficult to summarize the current status of each parcel. Therefore, many of the parcels conveyed by these deeds may have been combined, sold or have property rights that have expired. Without a comprehensive inventory of City-owned property, staff had to identify sites from the best available information, complete site visits, and undertake considerable research to locate relevant documents.

The list of 44 under-utilized sites was derived from an out-dated list of 125 purportedly vacant parcels. To ensure that there was a thorough internal review, Real Estate staff, the Property Acquisition and Disposition Committee and City Departments evaluated the properties and eliminated parcels that were determined to be already sold, currently in use, or programmed for future use. The 44 properties included in this report, with a recommendation to begin public outreach, is not a comprehensive list of under-utilized properties (others have recently been identified), but does represent staff's first pass at bringing forward properties that are clearly under-utilized.

In conjunction with staff's ongoing efforts in this area, the City Council approved an eight step process for surplusing and selling City-owned property on May 13, 2008. This process, as summarized in Attachment A, may also be used to recommend alternative City uses of property as well as surplusing for lease or sale. The action recommended in this memorandum is process Step IV "Council Notification / Authorization."

During updates from staff on efforts to develop an Asset Management Program in September, both the Structural Budget Deficit Elimination Task Force and the Community and Economic Development Committee voiced strong support for this review of under-utilized properties.

### **ANALYSIS**

A City-owned property or "site" may incorporate a number of parcels that have yet to be combined under one parcel number. For this reason, Attachment B lists 64 parcels at 44 sites that are not currently being used (with the exception of two Fire Stations that will soon be vacated). These properties have been divided into four categories:

- 1. Sites Which Are Not Independently Developable (22)** - These properties are too small or too restricted to be developed independently but may have value to an adjoining property owner.
- 2. Independently Developable Sites (13)** - Most of these properties are less than one acre but could be developed independently.
- 3. Sites with High Value and Versatility (4)** - While currently vacant or not in use, these 4 properties (Former City Hall, "E" Lot, Story Road Landfill (East) and Singleton Landfill) have more development and revenue generation potential.

4. **Prior Direction to Sell (5)** - Staff has previous Council direction to sell 4 former Fire Stations and a property on Bascom Avenue that was purchased to be a library site before the decision to build a joint Library/Community Center.

The table below lists the number of sites in each of the above categories broken out by Council District. As mentioned above, Attachment B provides a summary listing for each of the 44 sites. Attachment C consists of individual information sheets for each property cross-referenced by Site Number to the Attachment B matrix. These attachments are also available through a link on the Public Works Internet site at <http://www.sanjoseca.gov/publicworks/>.

COUNCIL DISTRICT	SITES WHICH ARE NOT INDEPENDENTLY DEVELOPABLE	INDEPENDENTLY DEVELOPABLE SITES	SITES WITH HIGH VALUE / VERSITILITY	PREVIOUSLY DIRECTED TO SELL	TOTAL
1	0	0	0	0	0
2	0	0	0	1	1
3	7	6	2	0	15
4	3	2	0	1	6
5	2	1	0	0	3
6	6	0	0	1	7
7	2	2	2	0	6
8	1	1	0	0	2
9	1	0	0	1	2
10	0	1	0	1*	2
<b>TOTAL</b>	<b>22</b>	<b>13</b>	<b>4</b>	<b>5</b>	<b>44</b>

\* Outside City limits in unincorporated County area

**Outreach Plan**

The outreach plan for each property includes the following steps:

- A. Notices are sent to property owners and residents in the vicinity of the property using the same radius requirements as development projects. The notices will inform residents that City staff is reviewing under-utilized City-owned property to consider alternative uses or revenue generation through leasing or sale. They will be encouraged to contact City staff with any questions or concerns.
- B. Notice is sent to the SNI NAC (if applicable) where the property is located and Public Works Real Estate staff (PWRE) works with the Council Office to ensure local community groups are notified.
- C. Signs that indicate that the City is reviewing the use of the property, and include a contact number for more information, are placed on the under-utilized sites.

- D. PWRE works with the Council Office to schedule a community meeting as warranted.
- E. Property information is circulated to Housing Authority, County Parks, State Resources Board, school districts and charter schools for interest as required by CA Govt. Code 54222. Proceeding with this step concurrently with public outreach saves months if Council decides to surplus the property for sale or lease.
- F. Staff collects comments and concerns from resident inquiries, community meetings and CA Govt. Code 54222 process outreach for inclusion in property information packets.

For Categories 1, 2, and 4, staff anticipates returning to Council with recommendations for individual sites beginning in 90 to 120 days. The Category 4 properties will require wider community engagement as described below.

#### Sites With High Value And Versatility

The four larger sites in this group of properties offer more possibilities for both private development and City reuse. They are also likely to garner significant community interest because of their size, the complexity of the issues that must be addressed, prior work to evaluate reuse options, and the fact that each may ultimately have a use that is different from prior uses. As staff reviews City reuse possibilities, development interest and community input, these properties will follow a somewhat different process than the smaller properties. If the Council directs staff to evaluate alternative uses for a site, staff will initiate focused community discussions on potential reuse of the property asset. Staff may also circulate a Request for Proposal to solicit interest in private or joint development.

- **Former City Hall** (includes the original 4-story building, 6-story Annex and "Health" Building) – The City Council will receive a separate supplemental memorandum on the status of the former City Hall.
- **"E Lot"** (includes 8 parcels and portions of Asbury and Old Taylor Streets) – The status of this 7.47 acre site will also be addressed in the update on the former City Hall.
- **Singleton Landfill** – The seven parcels that make up the Singleton Landfill site total just over 90 acres. It is important to note significant community planning was conducted in early 2000 for a major sports park at this location. Note staff will issue a separate supplemental memorandum that provides an overview of the former Singleton and Story Road (see below) landfill sites and the review of reuse alternatives that have been conducted to date.
- **Story Road Landfill – Eastern Portion**– The three parcels that comprise the developable eastern portion of the Landfill total approximately 20 acres.

The evaluation and decision-making on potential alternative uses for these larger sites is likely to be more involved and take longer than other under-utilized properties identified in this report. Therefore, staff is also seeking authorization to begin the public outreach/community feedback process on these properties at this time.

### **Potential Revenue**

It is difficult to determine the revenue potential of these under-utilized properties because it is not clear at this time how many properties might be sold, how many might be retained and leased to generate ongoing revenue, and what environmental remediation expenditures might be required. However, if all 44 properties were to be sold, the potential sales revenue by category is summarized below:

1. Sites Which are Not Independently Developable (22) – Up to \$1.5 million
2. Independently Developable Sites (13) – Up to \$8.6 million
3. Sites with High Value and Versatility (4) - Up to a range of \$99 to \$122 million
4. Prior Direction to Sell (5) - Up to \$5 million

The total potential revenue, if all properties were sold, could range from \$114 to \$137 million depending on the proposed uses of some of the larger properties. Given the current volatility in the real estate market, moving quickly on property sales may significantly reduce the amount of revenue generated.

With Council approval of this action, the generation of any revenue from these properties would require staff to complete public outreach, Council authorization to surplus and market property, negotiation of sale or lease agreements, and review and approval of agreements by the City Council. It is anticipated that the City would begin to see revenue from some of these transactions before the end of the fiscal year. Due to the complexity of the sites with high value and versatility, the timeline may extend up to 2-3 years or longer depending on site remediation requirements particularly related to any future development on the landfills.

Current Council policy allocates the proceeds from the sale of City-owned surplus property to the Economic Uncertainty Reserve. The use of property sale proceeds will be revisited in the discussion of Asset Management as a strategy in the Structural Budget Deficit Elimination Plan.

### **EVALUATION AND FOLLOW-UP**

The public outreach/community feedback process (including CA 54222 requirements) for these properties is anticipated to take approximately 90-120 days. In the interim, staff will be bringing to Council an Asset Management Report that will include a set of policy recommendations for managing real property assets. The policy recommendations will be based on a review of best asset management practices of other municipalities. The policy guidelines that are adopted by Council will then be used to inform staff's recommendations for the disposition of each property.

These under-utilized properties will be brought back to Council in smaller groups as the community feedback and policy review phases are complete. This approach will ensure that the number of properties brought forward for Council review at any one time is manageable and prevent properties that have more complex and controversial issues from holding up the review of those that have community consensus. A summary of community feedback and any interest in affordable housing, public education or open space uses received through the CA 54222 process will be added to the information packets that will be provided for each property that comes back for Council review.

**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 this memorandum will be posted on the City's website for the October 28, 2008, Council agenda.

**COORDINATION**

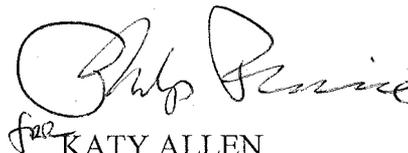
This memorandum has been coordinated with City Attorney's Office and City departments through the Property Acquisition and Disposition Committee.

**CEQA**

CEQA: Not a project.



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