

RESOLUTION No. R-250319 (R-80-225)

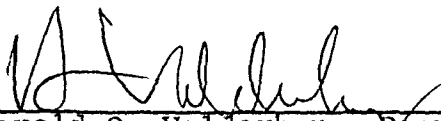
Adopted on OCT 1 1979

BE IT RESOLVED, by the Council of The City of San Diego as follows:

That Council Policy 700-10 entitled, "DISPOSITION OF SURPLUS CITY-OWNED REAL PROPERTY," be and the same is hereby amended as set forth in the Council Policy filed in the Office of the City Clerk as Document No. RR-250319.

BE IT FURTHER RESOLVED, that the City Clerk be and he is hereby instructed to add the aforesaid to the Council Policy Manual.

APPROVED: JOHN W. WITT, City Attorney

By 
Harold O. Valderhaug, Deputy

HOV:dm
8/3/79
Or.Dept.:Property
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Passed and adopted by the Council of The City of San Diego on OCT 1 1979,
 by the following vote:

Councilmen	Yeas	Nays	Not Present	Ineligible
Bill Mitchell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maureen F. O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bill Lowery	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Leon L. Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fred Schnaubelt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tom Gade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Larry Stirling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lucy Killea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Pete Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

PETE WILSON
 Mayor of The City of San Diego, California.

CHARLES G. ABDELNOUR
 City Clerk of The City of San Diego, California.

(Seal)

By Ellen Board, Deputy.

Office of the City Clerk, San Diego, California	
Resolution Number	R-250319
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COUNCIL POLICY

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BACKGROUND

The City of San Diego has historically disposed of its surplus real estate holdings after the City Council has determined that City-owned property is not needed for present or future operating purposes. The disposition of these surplus parcels has been consummated through public auction sales, negotiated transactions and leasing.

Leasing of City-owned property is an effective vehicle for developing a sustained flow of revenue; providing beneficial capital improvements; and preserving the integrity of the City's land resources. It may be desirable to lease both surplus and non-surplus City property which has marketable leasehold development potential.

City property determined to be surplus and which is not economically suitable for leasing, may be sold either by negotiation or auction.

The proceeds from the sales of City-owned lands are utilized for Capital Improvements Program project as required by the City Charter, Section 77, and the revenues generated from leases are utilized for General Fund purposes.

PURPOSE

To provide maximum marketing and public exposure in order to assure that the City receives (1) the best possible offer to purchase and the highest price commensurate with the highest and best use, (2) the best possible proposal for leasehold development/operations at the maximum economic return, and (3) to establish a procedure by which City-owned real estate is declared surplus.

POLICY

The City Council will review all City-owned real estate not used for municipal purposes and determine the appropriate disposition of surplus real estate through public auction sale, negotiated transaction or lease.

The sale or lease of City-owned real estate shall be based upon the Fair Market Value estimate of the highest and best use or Council designated use as determined by a qualified real estate appraiser. Any transaction must be commenced ~~at least within six months of the date of value.~~ approved by City Council within six months of the date of value of the appraisal.

Discounts will not be negotiated unless an extraordinary need or circumstance is recognized by Council Resolution prior to negotiation setting forth the amount of the discount and the justification for it.

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GUIDELINESA. Surplus Review Policies

1. All unused City-owned real estate shall be reviewed to determine public facility needs and general plan element support needs. Those parcels which fall outside of the needs requirements shall be considered surplus and available for lease or sale.
2. The unused City-owned real estate shall be reviewed as follows:
 - a. Processed in order of size/usability.
 - b. Staff/agency review.
 - c. Comments forwarded to Transportation and Land Use Committee.
 - d. Transportation and Land Use Committee recommends to Council the disposition of said parcels, i.e., hold, sale, lease, rezone, subdivide, etc.

B. Sale of Surplus Real Estate

1. Public Auction Sale shall be conducted in accordance with Municipal Code Section 22.0902.1.
2. Negotiated Transactions shall comply with the requirements of Municipal Code Sections 22.0902 and 22.0902.2 and may be approved under one of the following conditions:
 - a. When a parcel is land-locked as a result of right-of-way acquisition.
 - b. When the Planning Department recommends the sale to a contiguous property owner to correct a marginal site deficiency.
 - c. When a fee vesting interest in a pipeline or other right-of-way is no longer required, it may be sold to a contiguous land owner. A restrictive pipeline easement of adequate width or other required easements will be reserved from said sale.
 - d. When other governmental, quasi-public agencies and regulated utility companies submit acquisition proposals, a sale may be consummated per Municipal Code Section 22.0907. These agencies shall include but not be limited to: Federal, State, County, school districts, special districts and regulated utility companies.

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GUIDELINES (Continued)B. Sale of Surplus Real Estate (Continued)

- e. When qualified non-profit institutional organizations offer to purchase City-owned land, a negotiated sale may be consummated at fair market value providing there is a development commitment, right to repurchase or reversion upon a condition subsequent. Institutional organizations such as churches, hospitals, extended care facilities, private schools and community service organizations are required to develop under the City's conditional use permit procedure.
- f. Industrially zoned parcels - the negotiated sale of industrial property must comply with Council Policy No. 900-3.
- g. Real property exchanges may be consummated by direct negotiation per Municipal Code Section 22.0902.2.

C. Leasing

- 1. Obtain a fair rate of return on City-owned property being considered for lease and negotiate terms and conditions which will continue to sustain a fair rate of return through rent review, consumer price index adjustments or the application of percentage rents to gross income. The rate of return shall be based upon the highest rate commensurate with the highest and best use of subject property or a fair rate of return commensurate with the designated public use.
- 2. Long-Term Lease - a lease in excess of two (2) years requires Council approval by Resolution.
- 3. Short-Term Lease - a lease term of two (2) years or less may be executed by the City Manager without Council Resolution.
- 4. Selection of Lessee - Leasehold proposals shall be evaluated on the basis of:
 - (a) Consideration offered in the form of rent; (b) financial capability; and (c) management expertise in regard to the proposed leasehold development and operation.
- 5. Leasehold Assignments - Requests for assignment of leasehold interest shall be evaluated on the same basis as the criteria used in evaluating a leasehold proposal. The City Manager may authorize assignments which meet this criteria and which do not otherwise revise the master lease provisions.

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GUIDELINES (Continued)C. Leasing (Continued)

6. Subleases - Requests for sublease approval will be considered on the merits of each individual transaction. The City recognizes the right of the master lessee to receive a fair return on any sublease operation. No sublease shall be approved which would be detrimental to the City's rights under the master lease. The City Manager may authorize sublease which meet this condition and which do not require amendment of the master lease.
7. Amendments of long-term leases require Council approval by Resolution.
8. Rental Terms - Rental terms may be negotiated on the basis of fixed rates, percentages of gross income or combinations thereof, whichever is commensurate with the market place.
 - a. Fair Market Rental - shall reflect a fair rate of return on the highest and best use value of the property.
 - b. Fair Rental Rate - shall reflect the highest rate of return available on those lease operations which are designated for public service operations, e.g., airport, housing, and park and recreation service facilities.
 - c. Rental Adjustments - rent shall be periodically reviewed and adjusted to insure that the City will receive fair market rental or fair rental rate throughout the lease term.
 - d. Minimum Rents - Percentage leases will provide a minimum rent which shall be adjusted every three years to reflect 80% of the average annual rent actually paid during the preceding three years. In no event shall the adjusted minimum rent be less than the minimum rent in existence preceding the adjustment.

D. Marketing

Competitive offers for lease or sale shall be solicited from the open market place. This may be accomplished through a number of marketing techniques such as requests for proposals (RFP), a marketing subscription system, direct advertising, exposure through the real estate media, such as the multiple listing service, posting the property and any other appropriate means.

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GUIDELINES (Continued)

E. Real Estate Broker's Fee

Real estate brokerage participation shall be encouraged to attract bonafide offers to lease or purchase City-owned property. The real estate broker's fee shall be paid in accordance with Municipal Code Section 22.0905.

F. Since time is of the essence in land transactions, all such actions by Council and Committee shall be given the highest priority and special handling. Such action which must first go before a Council Committee will be placed on an early portion of the Committee agenda in order to assure prompt action. Subsequent to the Committee action, the item shall be placed on the docket of the next regular City Council meeting as a Supplementary Item.

IMPLEMENTATION

Specific or detailed processing procedures necessary to implement and amplify the above policy guidelines shall be appropriately addressed in the City of San Diego Administrative Regulations Manual (AR 25.10).

Assigned Department: Property
 Adopted by Resolution No. 169946 3/15/1962
 Amended by Resolution No. 212957 4/4/1975
 Amended by Resolution No. 217309 12/21/1976
 Amended by Resolution No. 218125 4/12/1977
 Amended by Resolution No. 219507 10/19/1977
 Amended by Resolution No. 220842 5/9/1978 with a new title