



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: April 20, 2007

REPORT NO: 07-070

ATTENTION: Rules, Open Government and Intergovernmental Relations Committee
Agenda of April 25, 2007

SUBJECT: Sale of Surplus Real Estate – Council Policy 700-10

REFERENCE: Advise on proposed modification to City Practices regarding the sale of
the City's real estate assets; Council Policy 700-10

REQUESTED ACTION: None. Advisory Information

STAFF RECOMMENDATION:

COMMUNITY PLANNING GROUP RECOMMENDATION:
None

SUMMARY:

As part of an overall portfolio management plan, READ is currently reviewing the City's property inventory to determine which properties are no longer needed for public use and can be declared surplus. A City owned property may be designated for disposition if:

- The property is not currently used for a City function.
- The department or service provider located in the property can be moved to a more cost effective location.
- The property is vacant and has no foreseeable use to City.
- The property is non-performing or under-performing and greater value can be generated through its sale.

At the appropriate time, these properties will be brought before Council for approval to be sold. The benefits to the City are the following:

- Provide revenue for the capitol improvement fund.
- Relieve the City of potential liabilities and the cost of maintenance.
- Return the properties to the tax rolls.
- Stimulate the economy by providing opportunities for private sector development.

According to current procedures, the preferred method for the sale of City property is by auction. This process has the following drawbacks.

- The property does not receive the broadest exposure to the market place.
- The pool of potential buyers is limited to those in the market the day of the auction.
- An auction can give the impression to potential buyers that properties can be acquired at distress sale prices.
- A great many potential buyers have never acquired property by way of auction and may not choose to participate.

To maximize the value received for the City's surplus properties, the following process for their disposition is being proposed:

1. The Real Estate Assets Department will identify City owned properties that can be made available for sale. Once a property is deemed to be surplus and all statutory requirements are met, the property will be presented to Council for approval to be sold at a minimum price which will be established by a current appraisal.
2. If Council determines that the property should be sold, it shall authorize the sale as long as the sale price is either equal to, or greater than the appraised value. The pre-approved sale price will be valid for a twelve month period.
3. To ensure that properties approved for disposition receive the widest exposure to the market place, they may be listed with real estate brokers who will be selected for assignments by a combination of RFP and bid process. If staff determines that an auction is a more appropriate method of sale, that process may also be used. The method of sale for each property will be included in the authorizing resolution.
4. If a valid offer for the property is received from a qualified buyer, and that offer is equal to or greater than the pre-approved price approved by Council, the Mayor will be authorized to execute the transaction without further action by Council.
5. If staff believes it is in the City's best interest to accept an offer for a property that is less than the price that was pre-approved by Council, then authorization to complete the transaction will require approval by future Council action.

This process for the sale of property is consistent with the best practices of the private sector and has two principal advantages over the City's current process.

- Listing the City's properties will increase its exposure to the market and provide for the possibility of multiple offers which will drive up the price.
- A greater number of buyers will be willing to make offers on City properties because if their offer is accepted, they know that they have a deal and not risk having the transaction disapproved by Council. This reduction of risk will lead to more aggressive offers.

By Council Policy and Municipal Code, READ must take every property intended for sale to Council, justify each sale, and seek direction as to how the property will be sold. Because all questions regarding the right to sell and manner of sale will be predetermined by an enabling resolution, the proposed process for the sale of the City's properties does not conflict with the Municipal Code and the City Charter.

FISCAL CONSIDERATIONS:

The revised process for selling real estate will create an efficient system that will maximize the value of the City's surplus properties.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The revised process for the sale of City owned surplus properties was presented to the Land Use and Housing Committee on February 14, 2007. READ staff was instructed to return to the LU&H Committee at its June 13, 2007 meeting to present revisions to Council Policy 700-10 that reflected revised policies for the sale and leasing of the City's real estate.

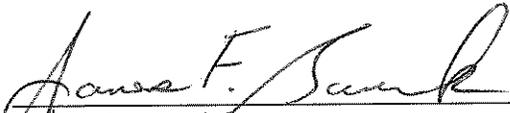
COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

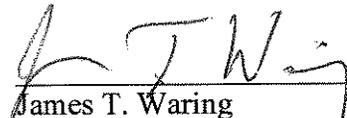
None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

None.

Respectfully Submitted,


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James T. Waring
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Land Use and Economic Development

BARWICK/TM