



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: April 9, 2008 REPORT NO: 08-052
ATTENTION: Council President and City Council
April 14, 2008
ORIGINATING DEPT.: Real Estate Assets Department
SUBJECT: Sale of Excess City Real Estate and Approval of Broker Commissions
COUNCIL DISTRICT(S): Multiple
STAFF CONTACT: B. Lane MacKenzie – X66050 or Jim Anthony – X36509

REQUESTED ACTION:

Authorize the sale of 4 properties deemed to be excess to City needs and the approval of the individual broker assignments and commissions for each property.

STAFF RECOMMENDATION:

Approve the requested actions.

COMMUNITY PLANNING GROUP RECOMMENDATION: N/A

SUMMARY:

As part of an overall portfolio management plan for the City's Real Estate Assets, the Mayor's staff is continuing their review of the City's property inventory to determine which properties are no longer needed and whose disposition will provide a greater public benefit. A City-owned property may be designated for disposition if:

- The property is not currently used by a City department or supports a municipal function.
- The property is vacant and has no foreseeable use by the City.
- The property is a non-performing or under-performing asset and greater value can be generated by its sale.

The four referenced properties have been analyzed and determined by the Mayor's staff to be excess to City needs and would best serve the City and its citizens if they were sold. The attached Property Information Summary Packages contains all pertinent information about each property including its value as determined by a current appraisal and the reason for

recommending its sale. The benefits to the City of disposing of these surplus properties are as follows:

- The City will be relieved of potential liabilities and the cost of maintaining property that does not generate income or provide public benefit.
- Property tax increment will be created by returning the properties to the tax rolls.
- Stimulation of the economy by providing opportunities for private sector investment.
- Generation of revenue for the Capital Outlay Fund and Water Fund 41500.

To maximize the revenue generated by the sale of the City's excess properties, the following method for their disposition is being proposed:

- City-owned properties that have been identified as excess will be presented to Council for approval to be sold at a price not less than a minimum price that has been established by a current (less than six month old) appraisal.
- If Council determines that the property may be sold, it shall authorize the Mayor to sell the property by negotiation, public auction, sealed bid or any combination of these methods at the discretion of the Mayor or his designee as long as price is either equal to, or greater than, the Council Approved Minimum Price. The proposed method of sale for each property will be included in the authorizing resolution. The authorization to sell the property will be valid for twelve months from the date of Council action.
- Properties approved for disposition will receive the widest exposure to the market place. Real estate brokers may be engaged to market the properties, and the payment of a real estate commission relating to the sale of the property is authorized, at the discretion of the Mayor or his designee, in accordance with San Diego Municipal Code section 22.0905.
- The Mayor or his designee may enter into a purchase and sale agreements, close escrows, and execute and deliver grant deeds to the purchasers of the properties at a price equal to or greater than the Council Approved Minimum Price on terms and conditions deemed reasonable and in the City's best interests by the Mayor or his designee.
- The Mayor will report out on the price, terms and conditions of all transaction.
- Properties that cannot be sold at a price equal to or greater than the Council Approved Minimum Price will be returned to Council for further consideration prior to their disposition.

The parcel identified as the "Genoa House" was previously approved by Council on May 21, 2007 for sale at a value of \$ 625,000. As a result of an updated appraisal reflecting current market conditions, this property has been returned to Council for approval to sell for \$545,000.

Attached (Attachment "B") is a legal opinion from the City Attorney stating that by Council Policy and Municipal Code, the Mayor 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.

A Request for Proposal (RFP) for brokerage services was sent to the four firms on the City's preferred vendor list, CBRE, Grubb & Ellis, Cushman and Wakefield and Colliers. Each proposal was rated on its technical merit by an evaluation committee. The technical scores were then compared with the pricing proposals to select the brokerage firms to market these properties. An individual Request for Proposals (RFP) for residential real estate firms was issued specific to the Genoa House property locale. The firm of Hill & Hill was selected as for this transaction.

This action requests approval of the best value proposals which do reflect, in this case, the lowest commission percentages that were received through the bid process described above (Attachment A), for the properties.

BACKGROUND: N/A

FISCAL CONSIDERATIONS:

All proceeds from the sale of the properties, net of costs related to their sale, will be deposited in the Capital Outlay Fund as per City Charter Article VII unless otherwise noted in the summary sheet for the individual property. The total proceeds from these sales are estimated to be in excess of \$18 million dollars.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

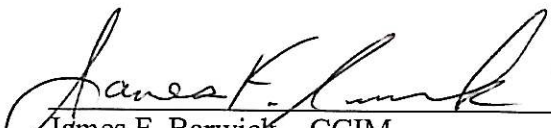
City Council Meetings of May 21, 2007 and July 17, 2007, Land Use and Housing Committee on February 7, 2007 and to Rules and Open Government Committee on April 25, 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A


KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders would be the City of San Diego which will benefit by: receipt of the sale proceeds; relief from future liability and maintenance expenses associated with the ownership of these properties; and additional property taxes from the return of these properties to the tax roles.

Respectfully Submitted,



James F. Barwick, CCIM
Director, Real Estate Assets



William Anderson, FAICP
Deputy Chief & Operating Officer
City Planning and Development

ATTACHMENT "B"

Description of Legal Request (Please provide a detailed statement of the question or issue, including all necessary background information. Copies of background documents should be attached.):

Municipal Code 22.0902 "Sale Of Real Property (e) states that "the property will be sold by negotiation or by public auction or by sealed bids". **Council Policy 700-10 C. Sale of Real Estate 1.** states "City property designated for sale shall general by offered by public auction" With the proposed sales of City property that we plan to be taking to Council over the next few years, we intend to be conducting these sales through negotiations. As there seems to be a bit of conflict with ;how the Council Policy has been written, do we need to obtain a waiver to said policy or actually propose a formal change to this policy

Attorney Notes/Response: 01/24/2007: The Municipal Code requires (per section 22.0902) that the Council pass a resolution approving a sale of City-owned real property prior to any action by READ. The resolution would designate whether the sale is to be negotiated, by auction, or by sealed bid. The issue is taken up by the Council in advance of putting the property on the market. READ must take each property intended for sale to the 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, no conflict exists between the Code and Council Policy, no waiver is needed, and no formal policy change is required. -- Brock Ladewig