



MEMORANDUM

TO: CITY COUNCIL/SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY/HOUSING SUCCESSOR TO THE DISSOLVED REDEVELOPMENT AGENCY

FROM: TERESA MCCLISH, DIRECTOR OF COMMUNITY DEVELOPMENT
DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES *DM*

SUBJECT: CONSIDERATION OF PROCESS FOR SALE OF CITY PROPERTIES ON FAEH AVENUE AND PEARWOOD AVENUE

DATE: MARCH 10, 2015

RECOMMENDATION:

It is recommended the City Council: 1) approve the proposed process for sale of City properties on Faeh Avenue and Pearwood Avenue; and 2) approve formation of an ad hoc selection committee and appoint one representative of the City Council to participate on the committee to make a recommendation on selection of a realtor to list the properties for sale.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Revenue from the sale of the Faeh Avenue property will be paid to property taxing agencies. As one of the agencies, the City will receive a portion of the revenue, which has been included in the FY 2014-15 Annual Budget revenue estimates. Revenues from the Pearwood Avenue property are intended to be used for an affordable housing project in the City by the Housing Authority of the City of San Luis Obispo. There will be measurable staff time required by the Interim City Manager and Director of Community Development in order to execute sale of the properties. However, selection of one agent will help to reduce that workload.

BACKGROUND:

Faeh Avenue Property

The former Redevelopment Agency acquired a vacant parcel at Faeh Avenue and El Camino Real in 2006 to facilitate development of a hotel or mixed use project with affordable housing. With the dissolution of Redevelopment Agencies in 2012, the City Council became the successor agency to the dissolved Redevelopment Agency. On April 26, 2013, the Successor Agency received a "Finding of Completion" from the State Department of Finance ("DOF"). On February 7, 2014, the Successor Agency received approval of the Long-Range Property Management Plan, which outlines the process for

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disposal of properties formerly owned by the Redevelopment Agency. The only property involved is the Faeh Avenue Property.

On September 23, 2014, the Successor Agency approved preliminary steps to begin selling the property, beginning with adopting a Resolution to transfer the property to a Community Redevelopment Property Trust Fund, established pursuant to State regulations. In addition, an appraisal has been completed and a Request for Proposals (RFP) has been distributed and responses received for real estate agents.

Pearwood Avenue Property

On September 22, 2009 the City Council adopted a General Plan Amendment and introduced an Ordinance rezoning five of the seven subareas including the Pearwood property. A Resolution was adopted and Ordinance introduced and adopted for the Pearwood annexation at the October 13 and 27, 2009 hearings. The property was subsequently approved for annexation by the Local Agency Formation Commission in 2010. The Planning Commission approved a Tentative Tract Map in June 2010 that subdivided the 7.16-acre parcel into four (4) residential lots and one (1) open space lot for drainage.

The Pearwood property is deemed a housing asset, is owned by the City and does not fall under the jurisdiction of the Oversight Board to the Successor Agency to the Dissolved Redevelopment Agency. The property is subject to the Surplus Land Act and, as such, will require offering the property for sale or lease for affordable housing and park/recreational/open space purposes in accordance with Government Code 54221. Proceeds from any sale are intended to be used for an affordable housing project in the City by the Housing Authority of the City of San Luis Obispo. It is not governed by the Long Range Property Management Plan and no additional Successor Agency, Oversight Board, or DOF approvals are necessary for the City to sell or develop the property. On September 23, 2014, the Housing Successor to the Dissolved Redevelopment Agency approved funding for an updated appraisal for the property.

ANALYSIS OF ISSUES:

Staff recommends proceeding with sale of the lots since the process may take several months.

Faeh Avenue Property

The next steps for disposal of this property include the selection of an agent and listing the property for sale. The Successor Agency will need to select an agent conditioned on both Oversight Board approval and DOF approval. After the Successor Agency's conditional selection, the Successor Agency must obtain Oversight Board approval of the agent and the listing price. The Oversight Board's approval is then submitted to the DOF for approval. Upon DOF approval of the agent, the Successor Agency can enter into a listing agreement with the selected agent. At this time, staff is recommending the formation of an ad hoc committee to review the responses to the RFP and prepare a

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recommendation to the Successor Agency and the Oversight Board. This process is discussed in more detail later in this report.

At such time as the agent locates a willing buyer, the Successor Agency will negotiate with the buyer on the terms of purchase and sale agreement, for a purchase price of not less than the appraised value of the Faeh Avenue property (the "Purchase Agreement"). The Purchase Agreement must condition the closing on the approval of the Purchase Agreement by both the Oversight Board and DOF. After the Successor Agency's approval of the Purchase Agreement, the Successor Agency must obtain Oversight Board approval of the Purchase Agreement. The Oversight Board's approval should be made by Resolution, which is then submitted to the DOF for approval.

Upon approval of the DOF of the Purchase Agreement, the Successor Agency and buyer can close escrow. The "net sales proceeds" will be transferred to the County Auditor-Controller and then distributed to taxing agencies. The "net sales proceeds" are the gross sales proceeds less all costs to the Successor Agency incurred in connection with the sale, including the costs of the appraisal, the fees and costs of the agent, the fees and costs for escrow and title, any environmental costs, and attorney's fees.

Pearwood Avenue Property

A report will first need to be approved by the Planning Commission finding that the proposed sale is in conformance with the General Plan. The City can then proceed to list the property for sale.

Similar actions were taken to generate revenue for development of Rancho Grande Park and the Old Ranch Road lots. The Rancho Grande Park lots were sold through a public auction. The Old Ranch Road lots were listed by an agent and sold. Given the status of the real estate market, staff believes listing the property with an agent would be more successful in generating the highest offer.

Staff considered multiple realtor listings in order to allow all realtors in the community to participate. However, after reviewing this alternative with potential realtors, it was determined that an exclusive listing would likely be more successful in generating the marketing effort necessary to obtain a maximum offer.

Applications/proposals have been solicited and proposals received, but not yet reviewed, with information on experience, recommended approach and commission. In order to provide a fair opportunity for all realtors to obtain the listing, it is recommended that the selection be made through the following process:

- ❖ Interviews;
- ❖ Recommendation by a selection committee; and
- ❖ Approval by the City Council/Successor Agency.

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It is recommended that the selection committee include the following representation:

- ❖ One Council Member
- ❖ One Oversight Board Member
- ❖ One Planning Commissioner
- ❖ Community Development Director

ADVANTAGES:

Selection of a single realtor to list the residential lots has been determined to have the best chance to obtain the highest offer. The proposed process will provide the fairest opportunity for local realtors to obtain the listing, will result in more competitive services and proposed commissions, and may help facilitate future sale of RDA properties.

DISADVANTAGES:

The proposed process will be more labor intensive, lengthy and complicated in determining the sale price than a public auction would provide. Multiple realtor listings would better avoid concerns from local realtors that are not selected to represent the City on the listing.

ALTERNATIVES:

The following alternatives are presented for consideration:

- Approve staff's recommendations;
- Direct staff to instead sell the properties through listings with multiple realtors;
- Direct staff to instead sell the properties through a public auction;
- Request reconsideration of sale of the lots;
- Provide staff other direction.

ENVIRONMENTAL REVIEW:

No environmental review is required to establish the process. Environmental review for the Pearwood property was accomplished through the subdivision process.

PUBLIC NOTICE AND COMMENT:

The agenda was posted in front of City Hall on Thursday, March 5, 2015 and on the City's website on Friday, March 6, 2015.