TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
ATTENTION: FINANCE COMMITTEE
DATE: FEBRUARY 15, 2005 CMR: 149:05
SUBJECT: RECOMMENDATION TO DECLARE AS SURPLUS PROPERTY
A PARCEL ON HIGH STREET NEAR OREGON EXPRESSWAY

RECOMMENDATION
This report recommends that Council:

1) declare a portion of a City-owned parcel located on High Street near Oregon Expressway
to be surplus property;
2) direct staff to process an application to change the zoning from Public Facility (PF) to
Two Unit Multiple Family District (RMD); and,
3) return to Council for approval of the Request for Bid Proposal (RFBP) to dispose of the
property using an open bid procedure in accordance with the City policy for sale of
surplus property. Funds from the sale of the High Street property will be used to fund the
proposed redevelopment of the Alma Substation property for affordable housing.

DISCUSSION
During a recent review of the City’s real property inventory, staff identified a parcel (Assessor’s
Parcel No.: 132-17-081) with potential to be declared surplus property. Located on High Street
adjacent to the Alma Street-to-Oregon Expressway on-ramp, the parcel appears to be a remnant
left from the development of the Oregon/Alma Street interchange. The 5,413 square-foot parcel
is vacant, landscaped, and irregular in shape (see Attachment A). Zoned Public Facility (PF), the
property is adjacent to Low Density Multiple-Family Residential zoning (RM-15) to the south
and Medium Density Multiple-Family Residential zoning (RM-30) to the east. The adjacent
property is developed with two-story, multi-family residential buildings, most of which are 4
units each.

Staff has surveyed City departments to determine if any had need or use for the parcel, and
evaluated possible uses for the site. Department responses to the survey indicated none had any
need for the property. Staff considered the possibility of developing a mini-park on the site, but
determined that option would not be practical given that the nearby 2-acre Bowden Park offers
more amenities and is easily accessible to the public. Staff also considered donating the parcel to
a non-profit housing organization for development of affordable housing. However, because the parcel’s small size would accommodate only one or two units, staff believes a better use of the property would be for the City to sell the property and use the proceeds to offset the costs of an affordable housing project on a larger site, such as the proposed Alma Street substation site.

The parcel is 5,413 square feet in area, with 50-feet of street frontage on High Street. Staff looked into the possibility of increasing the size of the City parcel by acquiring the two small adjacent County-owned parcels; however, the County did not want to dispose of its parcels. Due to its size, rezoning the parcel to RM-15 (Low Density Multiple-Family Residential) or RM-30 (Medium Density Multiple-Family Residential) to conform to the adjacent zoning would allow development with only one residential unit. Under RMD (Two Unit Multiple Family Residence) zoning, the parcel would meet the minimum lot size of 5,000 square feet, and either one or two units would be permitted, provided that in the case of two units, both are under the same ownership. Therefore, following Council approval declaring the parcel surplus, staff proposes to process an application to rezone the property to RMD in order to permit two units and to produce the maximum return for the City.

In accordance with Government Code Section 54222, which requires the City to notify certain public agencies of its intent to dispose of surplus property, staff has notified the following agencies about the High Street property: Palo Alto Unified School District; Housing Authority of Santa Clara County; Santa Clara County Parks and Recreation Department; Mid Peninsula Open Space District; and the Palo Alto Housing Corporation. No agency has responded that it had any need for the land.

Based on its underutilization and its potential to produce a return for the City, staff is recommending that Council declare the High Street parcel surplus and direct staff to proceed with the necessary steps to sell the parcel. Funds from the sale will be used towards the cost of the development of the Alma Street Substation site.

**RESOURCE IMPACT**

When it returns to Council with the Request for Bid Proposals, staff will recommend a minimum bid for the High Street parcel based on an appraisal of its market value as a multi-family residential lot. Staff estimates a minimum bid of approximately $450,000. Oral bidding will begin at 5 percent above the highest written bid received. If approved by Council, the net sales proceeds from the sale could be deposited in the Residential Housing Fund to be used to offset the costs of the proposed development of the Alma Street Substation site for affordable housing.

**POLICY IMPLICATIONS**

In accordance with the City’s Asset Management policy, staff periodically reviews City-owned property to assure it is being utilized to its highest return and to identify potential surplus property no longer needed for City/public use. Once declared surplus, property is disposed of in accordance with the City policy for sale of real property, the general steps of which are outlined below. In accordance with Government Code Section 54222, staff has notified the required agencies of the High Street property.
**TIMELINE**
Once Council has declared the property surplus, and following approval of the zone change, staff will take the following steps in accordance with the City policy for sale of surplus property: 1) appraise the property to determine a minimum bid; 2) prepare a Request for Bid Proposal package (RFBP) for Council approval; 3) following Council approval, advertise the RFBP and accept sealed written bids by a set due date; 4) open written bids on the due date to be followed by oral bidding, beginning at 5 percent above the highest written bid, with only those submitting written bids allowed to participate in the oral bidding; 5) return to Council for acceptance of the highest qualified bidder. The estimated time to complete the rezoning is 9 months.

**ENVIRONMENTAL REVIEW**
A decision to declare surplus City property or to authorize its sale is not a project under the California Environmental Quality Act (CEQA) and no environmental impact assessment is required. Appropriate CEQA review will be performed in connection with the application to change the zoning of the High Street parcel from Public Facility to Multi-Family Residential.

**ATTACHMENTS**
Attachment A: Map of High Street Parcel (showing adjoining zoning and lot areas)

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