TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JUNE 5, 2006 CMR: 212:06

SUBJECT: REQUEST FOR BID PROPOSALS FOR SALE OF CITY-OWNED PROPERTY LOCATED AT 2460 HIGH STREET

RECOMMENDATION
Staff recommends that Council approve the attached Request for Bid Proposals (RFBP) for the sale of the City-owned property located at 2460 High Street and direct staff to solicit proposals for sale of the site.

BACKGROUND
On September 19, 2005, the Council approved the February 15, 2005 Finance Committee recommendation (CMR 149:05, CMR 366:05) to:

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; and to use the funds from the sale of the High Street property for proposed redevelopment of the Alma Substation property for affordable housing.

On February 8, 2006, the Planning and Transportation Commission recommended that Council adopt the City-initiated rezoning of 2460 High Street from PF to RMD. On March 21, 2006, Council adopted an ordinance amending the Zoning Map of the City of Palo Alto to change the designation of a portion of 2460 High Street (Designated Surplus Property) from PF to RMD (CMR: 172:06).

DISCUSSION
The 5,413 square foot City-owned parcel is located at 2560 High Street adjacent to the Alma Street-to-Oregon Expressway on-ramp, and is a remnant of land left from the development of the Oregon/Alma Street interchange. The parcel is currently vacant; it has landscaping and is irregular in shape. The property is bounded by multiple family residential uses. Under the RMD
zoning, either one or two units would be permitted, provided that if two units are developed, both are under the same ownership.

The City’s policy for selling its surplus property involves a public bid process to assure the highest return. The first step in the process, once the Real Estate Division has identified potential surplus property, is to notify City departments and public agencies to determine if any have need for the property. Staff then forwards this information to the Council with a recommendation to declare the real property surplus, transfer control of the property to one or more other City departments, or negotiate an agreement with a public agency having need of the property. Following Council declaration of the property as surplus, staff appraises the property to determine a minimum bid, determines a bid opening date and returns to Council for approval of a Request for Bid Proposal (RFBP). Upon approval of the RFBP, staff advertises the offering including the minimum bid and bid opening date. Staff then forwards the results of the bidding to the Council with a recommendation regarding award of bid. The City Council may reject any or all bids and accept that bid which will, in its opinion, best serve the public interest.

The attached RFBP consists of an information flyer and Proposal Package. The information flyer announces the offering and provides information on the location, size and zoning of the site; the date proposals are due (July 25, 2006); the minimum bid price; and instructions on how to obtain and submit the bid package. The bid package contains detailed information on submitting the bid and the Offer and Agreement to Purchase. Major terms of the RFBP are:

1. Minimum bid of $450,000.
2. Sealed written bids, accompanied by a good faith deposit in the amount of $45,000, will be accepted until 3:00 p.m. on July 25, 2006. Following opening of the written bids, oral bids will be accepted, beginning at 5 percent above the highest written bid. Only those submitting written bids will be allowed to participate in the oral bidding.
3. Within seven days following notification from the City that a bidder was the qualified high bidder, the bidder is to pay the City the difference between the $45,000 good faith deposit and 20 percent of the total bid amount.
4. Following acceptance of the bid by the City Council, escrow is to be opened, and the buyer is to pay the balance of the purchase price, with escrow closing within 90 days thereafter.
5. Buyer is to pay all title and escrow costs.

Following Council approval, the RFBP will be advertised in local newspapers, and the information flyer will be sent to persons on the Real Estate Division Surplus Property Mailing List, and others likely to be interested in the offering.

RESOURCE IMPACT
The minimum bid is set at $450,000. Oral bids will begin at 5 percent above the highest written bid received. Proceeds from the sale will be deposited in the Residential Housing Fund to be used to offset the costs of the development of the Alma Street Substation site for affordable housing.
POLICY IMPLICATIONS
Approval of the RFBP is in accordance with the City Manager’s Policies and Procedures for Sale of Surplus Property.

ENVIRONMENTAL REVIEW
Authorization of the sale of City property is Categorically Exempt under provision 15305, Minor Alterations in Land Use Limitation, of the California Environmental Quality Act Guidelines.

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ATTACHMENTS
Attachment A: Request for Bid Proposals Package
Attachment B: Information Flyer