TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: AUGUST 7, 2006 CMR: 307:06

SUBJECT: APPROVAL OF OFFER AND AGREEMENT TO PURCHASE REAL PROPERTY - 2460 HIGH STREET

RECOMMENDATION
Staff recommends that Council accept the bid in the amount of $450,000 submitted by Kenny Huo (exact vesting to be determined prior to opening escrow) for the purchase of the City-owned property located at 2460 High Street by authorizing the Mayor to execute the Offer and Agreement to Purchase Real Property, and the Grant Deed and any other document necessary to accomplish the conveyance of the property.

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). On June 5, 2006, Council approved a Request for Bid Proposals (RFBP) for sale of the City-owned property located at 2460 High Street and directed staff to solicit proposals for sale of the site.
Following Council approval, staff advertised the RFBP in local newspapers, including a special ad in the Friday, Saturday and Sunday Real Estate section of the Palo Alto Daily. Staff also sent the information flyer to persons on the Real Estate Division Surplus Property Mailing List and to local contractors and developers.

The major terms of the offering as contained in the RFBP for sale of the 5,413 square foot parcel at 2460 High Street are as follows:

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.

**DISCUSSION**
On July 25, 2006, one written bid in the amount of $450,000 was received from Kenny Huo, who has submitted the required 20 percent of the bid ($90,000) as set forth in the Offer and Agreement to Purchase Real Property. The Offer and Agreement to Purchase Real Property reflecting the bid submitted by Kenny Huo is attached.

**RESOURCE IMPACT**
The proceeds from the sale to be deposited in the Residential Housing Fund will be used to offset the costs of the development of the Alma Street Substation site for affordable housing.

**POLICY IMPLICATIONS**
Approval of the Offer and Agreement to Purchase Real Property at 2460 High Street is in accordance with City 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: Offer and Agreement to Purchase Real Property