TO: HONORABLE CITY COUNCIL
ATTENTION: FINANCE COMMITTEE
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JULY 19, 2005 CMR: 317:05
SUBJECT: RESULTS OF DIRECTION TO STAFF TO EXPLORE ALTERNATE PROPOSALS TO THE RECOMMENDATION TO DECLARE AS SURPLUS PROPERTY A PARCEL ON HIGH STREET NEAR OREGON EXPRESSWAY

RECOMMENDATION:
Staff recommends that the Finance Committee recommend to the City Council that it:

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.

BACKGROUND
On February 15, 2005, the Finance Committee considered the staff recommendation that Council declare as surplus property a parcel on High Street near Oregon Expressway (see attached CMR:149:05). Committee discussion focused on alternatives which might increase opportunities for housing, such as the purchase of adjacent properties for the purpose of combining them with the City-owned parcel. The Committee voted unanimously to direct staff to have discussions with the Santa Clara County Housing Authority and/or other local housing groups to explore the merit of pursuing this type of alternative to the recommended proposal, and to return to the Finance Committee with the results of the discussions.

DISCUSSION
In accordance with the Committee’s direction, staff asked the Palo Alto Housing Corporation (PAHC) to explore the feasibility of purchasing adjacent properties for the purpose of combining them with the City-owned parcel to create a larger parcel accommodating more housing. As detailed in the attached e-mail from the Executive Director, PAHC has determined that the cost of purchasing the properties at current market rate would be very expensive for properties that
would eventually be demolished to have land for new construction. In addition, the location is not desirable and the neighborhood amenities, which are required to win financing competitions, are not present. PAHC is of the opinion that there are other opportunities that would be more productive to pursue.

Staff also explored with the Housing Authority of Santa Clara County (HACSC) the feasibility of combining the City and County parcels to develop an affordable housing project. HACSC has concluded the proposal is not feasible for several reasons, including the size of the lot being too small for an affordable housing project with enough units to permit economies of scale in development, the shape of the lot being too narrow and fragmented for efficient design and site planning, and the lack of amenities within convenient walking distance (see attached HACSC e-mail).

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ATTACHMENTS
Attachment 1: CMR 149:05
Attachment 2: June 7, 2005 e-mail message from Palo Alto Housing Corporation
Attachment 3: June 30, 2005 e-mail message from SCC Housing Authority