



DATE: September 11, 2018

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Approve the Acquisition of Real Property at 310/312 Escuela Avenue (APN 154-01-011)**

RECOMMENDATION

1. Approve the acquisition of real property located at 310/312 Escuela Avenue (APN 154-01-011) owned by Georgia K. Hilgeman, Trustee of the Georgia K. Hilgeman Trust.
2. Adopt and approve a midyear Capital Improvement Project titled "Acquisition of 310/312 Escuela Avenue."
3. Appropriate \$1,835,000 from the Strategic Property Acquisition Reserve to the Project. (Five votes required)
4. Authorize the City Manager or his designee to execute all documents and take all necessary actions related to the acquisition of 310/312 Escuela Avenue (APN 154-01-011).

BACKGROUND

In early August, staff became aware of a residential duplex property listed for sale located at 310/312 Escuela Avenue. The property adjoins City-owned property and is next door to the temporary City Recreation Division offices (former Teen Center) and near the entrance to the Senior Center, Avenidas Rose Kleiner Senior Day Health Center, and the Mountain View Child-Care Center. Please see the aerial and street view photos below (Figures 1 and 2). The list price was \$1,990,000; the property owner has agreed to a negotiated purchase price of \$1,800,000.



Figure 1

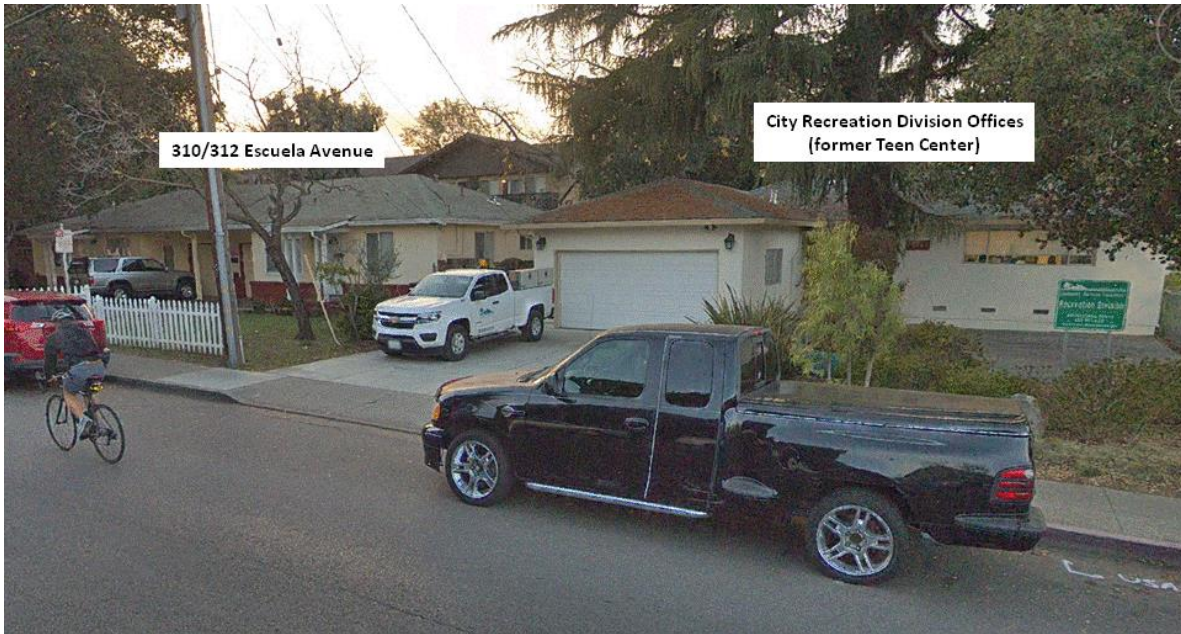


Figure 2

The property consists of a duplex unit constructed circa 1953. Both units contain two bedrooms and one bath and total 810 square feet each. The lot has 80' of frontage on Escuela Avenue and a depth of 90', for a total of 7,200 net square feet. Both units are tenant-occupied. The lease for the unit at 310 Escuela Avenue expires October 31, 2018 and the lease for the unit at 312 Escuela Avenue expires April 30, 2019. The current monthly rent for the two units is \$2,850 and \$2,800, respectively. Since there is not an immediate need for the property, the tenants could remain until the expiration of their leases. Under California Government Code §7267, *et seq.*, the tenants would be entitled to relocation assistance, including moving expenses and possibly a rental differential payment of up to \$5,250.

ANALYSIS

While a future use of the property has not yet been identified, this acquisition presents a strategic opportunity to control land adjoining existing City-owned property for a wide range of potential uses, including:

- Expanded public parking for the Senior Center and Teen Center
- Potential joint use with the adjacent former Teen Center building
- Nonprofit services building
- Potential staff offices when certain facilities are under construction or being rehabilitated
- Develop or upgrade the property for affordable housing

Public entities in the State of California are not required to appraise property listed for sale to the general public, as this property was. The purchase price of \$1,800,000 is less than the list price of \$1,990,000, but within the realm of market value. Staff recommends approval of the purchase price of \$1,800,000.

The purchase would be an "as is" purchase. The property owner has provided a signed "Real Estate Transfer Disclosure Statement" as required for all residential listings under California Civil Code §1102, *et seq.* There are no reported environmental site conditions that would limit the use of the property. The property electrical system was upgraded in 2005 and the kitchens and baths were reportedly upgraded in 2012. Staff recommends approving an "as is" purchase.

The purchase of the property would also be subject to the property owner identifying a “like kind” property to purchase to effect an IRS Code 1031 tax-deferred exchange. Because the City does not have an immediate need for the property, staff also recommends approving this condition of sale with a limit of one year from the date of this Council meeting for the seller to identify a like-kind exchange property.

FISCAL IMPACT

The cost of acquiring 310/312 Escuela Avenue is \$1,800,000. Incidental real estate costs, including closing and title costs and the eventual relocation of tenants from the two residential units, estimated at about \$10,000 per household, will be approximately \$35,000. Estimated total project costs will be \$1,835,000. There is currently \$11,600,000 available in the Strategic Property Acquisition Reserve. Any future costs for demolition, rehabilitation, or improvement of the property will be brought back to Council for approval and an appropriation once a long-term use is identified.

The property currently generates a total monthly rental income stream of \$5,650.

ALTERNATIVES

1. Council could disapprove the acquisition of the property.
2. Council could appropriate project funding from another source other than the Strategic Property Acquisition Reserve.

PUBLIC NOTICING

Agenda posting and a copy of this report was sent to the property owner, the two tenants, and the property owner's broker.

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