



DATE: May 21, 2019

CATEGORY: New Business

DEPT.: Public Works

TITLE: **Approve the Acquisition of Real Property at 996 West Dana Street (APN 158-13-029)**

RECOMMENDATION

1. Approve the acquisition of a residential property located at 996 West Dana Street (APN 158-13-029) owned by Terrie L. Eads, Trustee of the Terrie Lee Eads Revocable Trust, as to an undivided 50 percent interest and Lori J. Dunn, Trustee of the Lori J. Dunn Revocable Trust, as to an undivided 50 percent interest.
2. Approve a midyear Capital Improvement Project entitled, "Acquisition of 996 West Dana Street."
3. Appropriate \$3,400,000 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 996 West Dana Street (APN 158-13-029).

BACKGROUND

Lot 11 is a 56,250 square foot (1.3-acre) property assembled over a period of years for the purpose of future development. The City acquired an 11,600 square foot parcel at the south end of Lot 11 in August 2016 as part of an exchange associated with the development of the office project at 250 Bryant Street. The property currently has 150' of frontage along Villa Street and 375' of frontage along Franklin Street. The property is located within Area B, Franklin Street Residential Transition Area, of the Downtown Precise Plan. It is not within the Parking District.

Staff recently became aware of the listing for sale of a three-unit residential property located at 996 West Dana Street. The main unit is a three-bedroom, two-bath home occupied by the current owner, and the other two are one-bedroom, one-bath units that

are currently being rented. The total monthly rent for the two tenant units is currently \$3,570. Both leases are month-to-month tenancies. The larger unit would likely command a rent of approximately \$3,000 to \$5,000 per month if leased on the open market. Acquiring this property would complete the assemblage of a one-half block within the downtown, with access from three streets, and create a 1.5-acre contiguous site.



The improvements were constructed circa 1914, and the property is an identified State of California historic resource. This could impact any effort to redevelop this property, but staff believes there is value in the City controlling the property over the long term, particularly when Lot 11 is eventually developed. Even if not integrated into a larger project, ownership would make it easier to develop the adjacent site.

ANALYSIS

While a future use of the property has not yet been identified, the property presents a strategic opportunity to acquire property adjoining existing City-owned property.

The property is listed for sale for \$2,899,000. Because the property is actively listed for sale, the City is not required to have the property appraised and can negotiate a purchase price. Staff recommends acquiring the property for \$2,925,000. This is within the realm of market value and is a competitive price in a robust real estate market. Staff also recommends allowing the current tenants to continue to rent under a month-to-month tenancy, as they currently have, until they decide to move or the City identifies another purpose for the property.

In addition to the purchase price, the City is required by State law to pay all closing costs, including title and escrow fees. Under State law (Government Code Section 7260, *et seq.*), the City is also required to provide the occupants a minimum of 90 days' notice to vacate and to pay certain relocation expenses. These expenses, plus a City administrative fee of 5.0 percent, would bring the total project cost to approximately \$3.4 million.

Until a longer-term plan is developed for this property, it could continue to be leased to the current and future private tenants, leased to City employees, or used for other City purposes. Some of the project cost could be offset by rents from the tenants.

The purchase would be an "as is" purchase. Given the fact the structures are over 100 years old, there are a number of deferred maintenance and pest control matters that will have to be addressed, but the cost to correct these deficiencies is reflected in the negotiated purchase price.

FISCAL IMPACT

The total cost of acquiring 996 West Dana Street, including incidental real estate costs, will be \$3.4 million. There is currently \$9.7 million available in the Strategic Property Acquisition Reserve (SPAR).

The property currently generates a total monthly rental income stream of \$3,570, with the potential to increase rental revenues to approximately \$6,500 per month when the main house is rented. Staff recommends any rental income be deposited into the SPAR unless or until another use is identified.

ALTERNATIVES

1. Do not approve the acquisition of the property.
2. Authorize a different amount for the purchase of the property.

3. Appropriate project funding from another source other than the Strategic Property Acquisition Reserve.
4. Provide other direction.

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.

Prepared by:

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Approved by:

Daniel H. Rich
City Manager

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