



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Kerrie Romanow

**SUBJECT: DECLARATION OF SURPLUS
AND SALE OF 1590-1600
LAS PLUMAS AVENUE**

DATE: July 19, 2021

Approved

Date

7/26/2021

COUNCIL DISTRICT: 3

RECOMMENDATION

Adopt a resolution:

- (1) Declaring the property located at 1590-1600 Las Plumas Avenue as “exempt surplus land” pursuant to California Government Code §54221(f)(1)(D) and in accordance with San José Municipal Code §4.20.080(B)(2) as a transfer of surplus property to another local, state, or federal agency for that agency’s use; and
- (2) Authorizing the City Manager, or designee, to negotiate and execute:
 - a. A Purchase and Sale Agreement with the Santa Clara Valley Transportation Authority for the sale of approximately 1.76 acres of City-owned property, containing an approximately 30,881 square foot industrial concrete structure, located at 1590-1600 Las Plumas Avenue, further identified as Assessor’s Parcel Number 254-03-039, as “exempt surplus land”, for the price of \$3,817,000 for use related to the construction of the Bay Area Rapid Transit Silicon Valley Phase II Project; and
 - b. All other necessary documents to complete the property transfer to the Santa Clara Valley Transportation Authority.

OUTCOME

Adoption of this resolution will allow approximately 1.76 acres (76,666 square feet) of land located at 1590-1600 Las Plumas Avenue, further identified as Assessor’s Parcel Number (“APN”) 254-03-039, as described in Exhibit A (“Property”), to be declared as “exempt surplus land” and sold to the Santa Clara Valley Transportation Authority (“VTA”) for the price of \$3,817,000 in conformance with California’s Surplus Land Act and the San José Municipal Code. The proceeds of the sale will be deposited into the Integrated Waste Management Fund (423) and will offset ratepayer increases for the Residential Garbage and Recycling program.

Sale to the VTA will support the construction of the Bay Area Rapid Transit (“BART”) Silicon Valley Phase II (“BSVII”) Project.

BACKGROUND

In 2010, the City of San José’s Environmental Services Department purchased the approximately 1.76-acre property located at 1590-1600 Las Plumas Avenue for the potential expansion of the Environmental Innovation Center located across Nipper Avenue. A master plan process for the Property was initiated in 2011 but was put on hold and never completed. The building on the Property was subsequently rented as office space until 2017, from which time the building has been vacant and boarded up. The building is in poor condition and is not suitable for continued occupation.

The sale of this property was one of several actions recommended by the Environmental Services Department and approved by the City Council to help mitigate the 2020-2021 Residential Garbage and Recycling rate increases. The originally calculated rates for 2020-2021 would have required increases of 15% for single family dwellings and 7% for multi-family dwellings. As described in the supplemental memorandum approved by the City Council on June 9, 2020¹, these increases were reduced to 9% for single family and 5% for multi-family by identifying one-time actions to reduce costs or generate revenue from other sources totaling \$7.2 million. The sale of the Las Plumas, then estimated at \$3.0 million, was a key component of this strategy.

When staff began the process to dispose of the Property, the VTA notified the City that the Property is required for construction lay-down for the BSVII project that will extend BART service six miles from the newly opened Berryessa Transit Center into downtown San José. Staff subsequently began direct negotiations with the VTA to support the expansion of BART in San José, in conformance with California Government Code §54221(f)(1)(D) and San José Municipal Code §4.20.080(B)(2) as VTA is a government agency which requires the Property its own governmental use.

A VTA-commissioned appraisal report valued the Property at \$4,985,000 without any discount for environmental contamination or hazardous material abatement. The VTA provided a Phase II environmental assessment conducted by Burns & McDonnell, which noted that the site requires asbestos and lead abatement and demolition of the structure, and environmental mitigation due to the volatile organic compounds that are present in soil and groundwater exceeding the Environmental Screening Levels in order to be improved to its highest and best use.

¹ 2020-2021 Recycle Plus for Single Family and Multifamily Residential Solid Waste Services (June 2020): <https://sanjose.legistar.com/View.ashx?M=F&ID=8595037&GUID=8BF2CC29-E902-413E-A7E4-06F330DB64E9>

In April 2021, Staff received an offer from VTA in the amount of \$3,535,000 for purchase of the Property, which included a significant discount to the appraised value due to their estimated costs for environmental mitigation in the form of a vapor barrier, hazardous materials abatement and demolition of the structure. The detailed breakdown of the offer is included below:

Appraised Value (assumed vacant & free of contaminants):	\$4,985,000
Vapor Barrier Environmental Mitigation Cost:	(\$300,000)
Demolition and Hazardous Materials Abatement Costs:	(\$1,150,000)
Offer Price:	\$3,535,000

ANALYSIS

A City-commissioned appraisal report dated August 14, 2020 valued the Property at \$4,760,000 based on the extraordinary assumption that the property is vacant and free of contamination. The appraisal report notes that the building improvements are currently in poor condition and needs to be demolished in order to improve the property to its highest and best use.

Environmental Services staff, in consultation with Golder Associates, determined that the VTA’s vapor barrier estimate of \$300,000 was too high. VTA subsequently agreed to reduce the vapor barrier deduction to \$158,000 and the estimated cost for demolition and hazardous materials abatement to \$1,010,000, which staff agree is a reasonable estimate. Staff recommends that the City proceeds with the sale of the Property to the VTA for \$3,817,000, which is the fair market value as determined by staff given the reductions to the appraised value due to the estimated costs for environmental mitigation. This price is \$282,000 higher than VTA’s original offer. The detailed breakdown of the agreed sale price to the VTA is:

Appraised Value (assumed vacant & free of contaminants):	\$4,985,000
Vapor Barrier Environmental Mitigation Cost:	(\$158,000)
Demolition and Hazardous Materials Abatement Costs:	(\$1,010,000)
Offer Price:	\$3,817,000

Anticipated terms of the Purchase and Sale Agreement for the property include:

Seller: City of San José, a municipal corporation of the State of California

Buyer: Santa Clara Valley Transportation Authority

Property: 1590-1600 Las Plumas Avenue (APN: 254-03-039) consisting of an approximately 30,881 square foot industrial concrete structure on approximately 1.76 acres of land

- Purchase Price:** Three Million Eight Hundred Seventeen Thousand Dollars (\$3,817,000)
- Closing Date:** The Closing Date shall occur thirty (30) days after mutual execution of the Purchase and Sale Agreement.
- As-Is Acquisition:** The sale is acknowledged to be an “As-Is” sale.

CONCLUSION

Staff recommend that the City Council designate the Property as “exempt surplus land” and approve the sale of the Property to the VTA for the price of \$3,817,000 for its use related to the BSVII Project that will extend BART services to downtown San José.

EVALUATION AND FOLLOW-UP

Upon City Council’s approval of the recommendation, staff will negotiate and execute a Purchase and Sale Agreement with the VTA. No further action will be required by City staff after the close of escrow.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals by facilitating the choice of mobility choices other than single-occupancy, gas-powered vehicles and reducing Vehicle Miles Traveled (VMT) by facilitating the construction of the BSVII BART project to downtown San José.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the August 10, 2021 Council Meeting.

COORDINATION

This memorandum has been coordinated with the Planning, Building, and Code Enforcement Department, the City Attorney’s Office, and the City Manager’s Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

A surplus sale of the Property is in alignment with the Council-approved Budget Strategy Expenditure Control section by eliminating a City maintenance obligation and liability and generating revenue for the City's Integrated Waste Management Fund.

COST SUMMARY/IMPLICATIONS

The 2021-2022 Adopted Operating Budget assumed that proceeds of the sale in the amount of \$4.0 million would be received in the Integrated Waste Management Fund at the end of 2020-2021, which is \$1.0 million higher than initially assumed. This increased amount was factored into the 2021-2022 Residential Garbage and Recycling rates approved by the City Council on June 15, 2021.

After execution of the contract with VTA, the final negotiated sale proceeds amount of \$3,817,000 will now be recognized as part of the 2020-2021 Annual Report that is scheduled to be reviewed by the City Council on October 19, 2021. While the final sale proceeds are slightly less than assumed in the budget, the Integrated Waste Management Fund is not anticipated to be significantly impacted.

CEQA

Santa Clara Valley Transportation Authority's Final Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report, File No. ER21-065 (Resolution Number 80060).

/s/
NANCI KLEIN
Director of Economic Development
and Cultural Affairs

/s/
KERRIE ROMANOW
Director of Environmental Services

For questions, please contact Kevin Ice, Senior Manager, Real Estate Services, at kevin.ice@sanjoseca.gov or Valerie Osmond, Deputy Director of Environmental Services, at valerie.osmond@sanjoseca.gov.

Exhibit A
Subject Property

