



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
Angel Rios, Jr.
Margaret McCahan

SUBJECT: SEE BELOW

DATE: June 11, 2018

Approved

Date

6/14/18

COUNCIL DISTRICT: 6

SUBJECT: AUTHORITY FOR THE CITY MANAGER OR HIS DESIGNEE TO NEGOTIATE AND EXECUTE AN AGREEMENT AND ALL OTHER DOCUMENTS NECESSARY FOR THE PURCHASE OF REAL PROPERTY LOCATED AT 1343 THE ALAMEDA AND ADOPTION OF APPROPRIATION ORDINANCE AMENDMENTS IN THE SUBDIVISION PARK TRUST FUND.

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager or his designee to negotiate and execute a Purchase and Sale Agreement (PSA) with Grizzly Hanchett, LLC, a California limited liability company in the amount not-to-exceed \$561,000 for the purchase of a parking lot located at 1343 The Alameda, San José, CA identified as Assessor Parcel Number (APN) 261-23-064 for the future construction of a public plaza or pocket park and to negotiate and execute all other documents necessary to complete the transaction.
- (b) Adopt the following 2018-2019 Appropriation Ordinance amendments in the Subdivision Park Trust Fund (Fund 375):
 - (1) Establish the Council District 6 Land Trust Acquisition Project to the Parks, Recreation, and Neighborhood Services Department in the amount of \$561,000; and
 - (2) Decrease the Future PDO/PIO Projects Reserve appropriation by \$561,000.

OUTCOME

Acquisition of the subject property will allow for the construction of a future plaza or pocket park along The Alameda. The property was identified as future park space in The Alameda

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Urban Village Plan. This acquisition will add parkland serving the City Council District 6 community and the park-limited Shasta Hanchett neighborhood in particular. The purchase of this property will allow the City to develop an approximately 7,000 square feet of a new future plaza or pocket park. Once completed, these improvements that will provide recreational opportunities that build community and advance quality of life goals within the *Envision San José 2040* General Plan.

BACKGROUND

The subject property is located on the corner of The Alameda and Hanchett Avenue. The property is currently a 19-space parking lot used by patrons of businesses in the immediate area.

The property was owned by the City of San José's Successor Agency to the Redevelopment Agency. At the time the Successor Agency considered selling the property, the Department of Parks, Recreation, and Neighborhood Services (PRNS) did not pursue its acquisition. During the economic downturn, PRNS made a strategic choice not to pursue the construction of small "pocket parks". These smaller parks present maintenance and management challenges that the department was not adequately staffed to manage.

After PRNS chose not to purchase the property, the parcel was listed for sale on the open market by the City of San José's Successor Agency to the Redevelopment Agency (SARA). The Redevelopment Agency purchased the property in July 2002 for \$350,000. On February 28, 2017 SARA placed the property out to bid with bids due on April 28, 2017. SARA received 6 bids for the property ranging from \$40,000 to \$363,000. Imwalle Properties was determined to be the highest most qualified bidder and purchased the property and closed the sale transaction in December 2017 under the name "Grizzly Hanchett, LLC," a California limited liability company, in the amount of \$363,000. Imwalle Properties originally intended to develop the site with a mixed use product. The Imwalle Properties purchase price reflected less than 4% appreciation in over 15 (fifteen) years from the purchase by the Redevelopment Agency. An appreciation rate of less than 4% in 15 (fifteen) years is highly unusual given the current real estate market.

In 2017-2018, PRNS began focusing its efforts more on equity and access. This includes making efforts to provide parks within a 1/3-mile walk of every resident of the city. The Shasta Hanchett Neighborhood is one that does not have many parks and where new parkland is not readily available.

In early 2018, Imwalle Properties and PRNS began discussions to potentially purchase the property as parkland and an agreement was reached in spring 2018.

The proposed parkland acquisition site is approximately 7,000 square feet and is designated by the City's General Plan as Neighborhood/Community Commercial. This designation supports a broad range of commercial activity, including commercial uses that serve neighboring communities and promote walking, transit use, and public interaction.

As described in The Alameda Urban Village Plan, PRNS and the neighboring community have long been interested in this site for the construction of a small neighborhood park or plaza.

ANALYSIS

There are very few properties in Council District 6 (or elsewhere in the city) that are available for purchase and properly suited for an active plaza or small neighborhood park.

City staff pursued this property because its acquisition is consistent with the strategies and goals outlined in The Alameda Urban Village Plan. While the acquisition of small pocket parks is not something PRNS has aggressively pursued in the past few years, the acquisition strategy has evolved in this fiscal year to focus on parks located in neighborhoods that do not have enough parkland, such as the Shasta Hanchett Neighborhood.

The property is a suitable size for a small pocket park or plaza, which could complement nearby businesses and residences, as well as provide space for community events and small markets. The proposed acquisition aligns with public park and recreation goals in the *Greenprint 2009 Update* and the *Envision San José 2040 General Plan*.

Real Estate staff conducted market research, a title search, and an environmental review of the property to establish recommended pricing for negotiations with Imwalle Properties. In reviewing comparable sales within proximity to the subject property over the past five years, staff has estimated that the fair market value of the property was between \$105 to \$110 per square foot. Market value during the past five years has increased from \$78 per square foot in 2013 to \$110 per square foot in 2018. Imwalle Properties indicated that it had a target sales price for the property of \$600,000 or \$85.54 per square foot.

Current market data indicates that the Imwalle Properties purchase price of \$51.85 per square foot was clearly below market value in 2017, especially given the original purchase by the Redevelopment Agency of \$50 per square foot in 2002. Through the efforts of the City's Real Estate team, Imwalle Properties and City staff reached a tentative agreement at a price of \$550,000 which represents \$78.41 per square foot. As mentioned previously, the tentative purchase price of \$78.41 per square foot probably reflects the market value of the property between 3 and 4 years ago. The tentative price is below the target price that Imwalle had hoped to receive and is believed to be below the current market value of \$105 to \$110 per square foot.

This memorandum recommends approval for the City Manager and/or his designee to execute a Purchase and Sales Agreement and all other documents necessary for the acquisition of this property from Grizzly Hanchett, LLC, a limited liability company. The purchase of the subject property is \$550,000, which is below the current fair market value of the property based upon an analysis completed by Real Estate staff. In addition to the purchase price, staff is recommending an additional \$11,000 for anticipated closing costs for the total purchase price not to exceed \$561,000.

If approved for purchase, PRNS will seek funding during the 2019-2020 capital budget development to begin the park planning process with the hope of having the park under construction in the 2020 or 2021 calendar year. In the short-term, the property to remain 'as-is' with no change in use from the current parking lot.

EVALUATION AND FOLLOW-UP

Staff will seek City Council approval through the budget process for the appropriation of funds for the design and construction of the future park or plaza.

PUBLIC OUTREACH

This memorandum will be posted on the City Council's Agenda website prior to the June 26, 2018 City Council agenda.

COORDINATION

This project has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation is associated with this action.

FISCAL/POLICY ALIGNMENT

Acquisition of the proposed site aligns with public park and recreation goals of the *Greenprint 2009 Update* and the *Envision San José 2040 General Plan*.

COST SUMMARY/IMPLICATIONS

A total amount not-to-exceed \$561,000 is needed for the land purchase and associated escrow and closing costs for the property located at 1343 The Alameda in San José.

1. LAND ACQUISITION COST:

Amount of City's offer to be deposited into escrow	\$550,000
Estimated amount of escrow closing and ancillary costs	<u>11,000</u>
Total	\$561,000

2. SOURCE OF FUNDING: Park Trust Fund (Fund 375)

3. FISCAL IMPACT: The anticipated annual costs for operation and maintenance is approximately \$3,000 for this site in its current state. These costs will be absorbed within in the budget of PRNS. Any additional costs to maintain the site after it is developed as a park will be discussed with the City Council as part of future operating and capital budgets.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2018-2019 Proposed Capital Budget Page ¹	Last Budget Action (Date, Ord. No.)
375	NEW	Council District 6 Land Acquisition	\$0	\$561,000	N/A	N/A
375	8845	Future PDO/PIO Projects Reserve	\$7,396,399	(\$561,000)	V-488	N/A

¹ The 2018-2019 Proposed Operating Budget was approved by the City Council on June 12, 2018 and is scheduled for adoption on June 19, 2018.

CEQA

Exempt, File No. PP18-052, CEQA Guidelines Section 15061(b)(3), Review for Exemption.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

/s/
ANGEL RIOS, JR.
Director, Parks, Recreation, and
Neighborhood Services Department


MARGARET MCCAHAN
Budget Director

Attachments: Exhibit A – Aerial of Proposed Acquisition Site
Exhibit B – Legal Description for the Property

For questions, please contact Nanci Klein, Assistant Director, Office of Economic Development, at (408) 535-8182.

**EXHIBIT A
AERIAL OF PROPOSED ACQUISITION SITE**



EXHIBIT B
LEGAL DESCRIPTION

Real property in the City of San José, County of Santa Clara, State of California, described as follows:

BEGINNING AT A POINT IN THE NORTHWESTERLY LINE OF HANCHETT AVENUE DISTANT THEREON 10 FEET NORTHEASTERLY FROM THE MOST SOUTHERLY CORNER OF LOT 10 IN BLOCK 17, AS SHOWN UPON THE MAP HEREINAFTER REFERRED TO; THENCE NORTHWESTERLY AND PARALLEL WITH THE SOUTHWESTERLY LINE OF SAID LOT 10, 57.79 FEET TO A POINT WHICH IS 17 FEET SOUTHEASTERLY MEASURED AT A RIGHT ANGLE FROM THE DIVIDING LINE BETWEEN LOTS 10 AND 11 IN SAID BLOCK 17; THENCE NORTHEASTERLY 49.04 FEET TO A POINT WHICH IS 9 FEET SOUTHEASTERLY MEASURED AT A RIGHT ANGLE FROM THE SAID DIVIDING LINE BETWEEN LOTS 10 AND 11, AND EIGHTY (80) FEET SOUTHEASTERLY (AND PARALLEL WITH AND 9 FEET SOUTHEASTERLY FROM SAID DIVIDING LINE) FROM THE SOUTHWESTERLY LINE OF ALAMEDA, THENCE NORTHEASTERLY AND PARALLEL WITH THE SAID DIVIDING LINE BETWEEN SAID LOTS 10 AND 11, 80 FEET TO THE SOUTHWESTERLY LINE OF THE ALAMEDA; THENCE ALONG SAID LINE OF THE ALAMEDA SOUTHEASTERLY 49.28 FEET TO THE POINT OF INTERSECTION OF SAID LINE OF THE ALAMEDA WITH THE NORTHWESTERLY LINE OF HANCHETT AVENUE; THENCE SOUTHWESTERLY AND ALONG THE NORTHWESTERLY LINE OF HANCHETT AVENUE 129.45 FEET TO THE POINT OF BEGINNING, AND BEING A PORTION OF LOT 10 IN BLOCK 17, AS THE SAME AREA UPON THE MAP ENTITLED, "HANCHETT RESIDENCE PARK, ADJACENT TO THE CITY OF SAN JOSÉ, CALIFORNIA", AND WHICH SAID MAP IS FILED IN THE OFFICE OF THE COUNTY RECORDER OF SANTA CLARA COUNTY, IN BOOK "L" OF MAPS, PAGE 53, RECORDS OF SAID COUNTY.

APN: 261-23-064