



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: November 29, 2021

Approved

Date

12/03/21

COUNCIL DISTRICT: 3

SUBJECT: SALE OF EXEMPT SURPLUS LAND ADJACENT TO INTERSTATE 280

RECOMMENDATION

Adopt a resolution:

- (a) Declaring the approximately 5,120 square foot subject property “exempt surplus land” under California Government Code §54221(f)(1)(B) as the land is not necessary for the City of San José’s use, is less than 10,000 square feet, will have no recorded access at the time of conveyance, is not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes, and is being transferred to a contiguous property owner; and
- (b) Authorizing the City Manager, or her designee, to negotiate and execute a Purchase and Sale Agreement, the conveyance deed, and the easement agreement for City-owned property located adjacent to the Interstate 280 right of way, south of East Reed Street, identified as a portion of Assessor’s Parcel Number 472-27-106, to Juniper Fund-III LLC for the consideration of \$115,000 and an easement providing four parking spaces in any future development including the subject property to the benefit of the neighboring Pallesen Apartments owned by Habitat for Humanity, by direct negotiation under San José Municipal Code Section 4.20.070 and in accordance with Council Policy No. 7-13(D)(1) as the transferee is an adjacent property owner and the transaction is for fair market value; and
- (c) Authorizing the City Manager, or her designee, to negotiate and execute all other documents necessary to complete the transaction.

OUTCOME

If City Council approves the actions listed above, the approximately 5,120 square foot property located adjacent to the Interstate 280 right of way, known as Parcel B on the attached site map (“Subject Property”), will be conveyed by private sale to Juniper Fund-III LLC, an adjacent landowner, for a purchase price of one hundred fifteen thousand dollars (\$115,000). As a condition of sale of the Subject Property, a 512 square foot floating perpetual easement for four (4) parking spaces in any future development including the Subject Property will be recorded against the Subject Property (“Parking Easement”). The Parking Easement will benefit the adjacent Pallesen apartment property owned by Habitat for Humanity. The Subject Property will be sold to a neighboring property owner, Juniper Fund-III LLC, who is anticipated to assemble it with other neighboring parcels to facilitate a future development. Juniper Fund-III LLC is associated with the developer Cypress Group. The Parking Easement will provide one parking space for each of the Pallesen apartment building’s four affordable housing units, which currently have no off-street parking.

BACKGROUND

The Subject Property has been determined to be not needed for, nor adaptable to, municipal purposes as its unique site constraints restrict the independent buildable utility of the site and therefore was deemed surplus to the needs of the City by the City Council on February 4, 2020, Resolution # 79396. The Surplus Land Act (Cal. Gov Code §54220 et. seq.) governs the sale of surplus land.

The Subject Property was originally included in a larger parcel known as APN 472-27-106. In accordance with the Surplus Land Act, in 2018, the City noticed intent to sell the larger parcel as surplus. The City offered the sale of the property through a competitive process in accordance with Section 4.20.040 of the San José Municipal Code. The City received four offers, but a sale did not proceed.

With no agreement reached in 2018, the City split the larger parcel into two halves in order to facilitate transfer of the approximately 5,116 square foot frontage property, known as Parcel A on the attached site map, to Habitat for Humanity through direct negotiations under Cal. Gov. Code. §50570 and San José Municipal Code §4.20.080. Council approved the sale of Parcel A on February 4, 2020, which allowed Habitat for Humanity to use the property as a receiver site for relocation of the historic Pallesen apartment building. The Pallesen was in danger of being demolished due to redevelopment of the property that it was previously situated on. The Pallesen is now located on Parcel A and undergoing renovations for use as four affordable housing units. The Pallesen building has no off-street parking.

The Subject Property is the remainder of the larger parcel, known as “Parcel B”, and is approximately 5,120 square feet. The Subject Property will have no dedicated street access after transfer, is steeply inclined, and immediately adjacent to the Interstate 280 right of way. The

Subject Property has a General Plan dedication of Downtown Core. This designation includes office, retail, service, residential, and entertainment uses in the Downtown area. The General Plan calls for promoting consistency with surrounding residential uses at the edge of the Downtown area. The Subject Property's zoning is Multiple Residence District (R-M).

Cal. Gov. Code Section 54221 authorizes the sale of surplus land to the owner or owners of adjacent property to the surplus land via direct negotiations. The property will be sold to Juniper Fund-III LLC, which is a holding entity associated with the developer Cypress Group. Juniper Fund-III LLC owns the adjacent parcel, APN 472-27-054.

ANALYSIS

Staff's analysis indicates that there is no City use for the Subject Property. The site is a challenge for independent development due to surrounding topography, lack of recorded access, and adjacency to the I-280 right-of-way. The site is impacted by frequent trespass and poses a management challenge.

The Subject Property is "exempt surplus land" under California Government Code §54221(f)(1)(B) and conforms to Council policy No. 7-13(D)(1) because it has no recorded access, is less than 10,000 square feet, is not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes, and will be sold to an adjacent property owner for fair market value.

A City-commissioned appraisal determined that the highest and best use of the site is for assemblage with one or more adjacent properties for high-density residential development. The appraisal determined the fair market value of the property to be one hundred fifty thousand dollars (\$150,000). The appraisal determined the fair market value of the Parking Easement to be thirty-five thousand dollars (\$35,000).

Sale of the Subject Property is subject to the Parking Easement which would be retained for the benefit of the Habitat for Humanity parcel. The Parking Easement would provide one dedicated off-street parking space for each unit in the Pallesen apartments. In consideration of this restriction on future development of the site, staff finds it reasonable to subtract the value of the Parking Easement from the appraised value of the Subject Property. Therefore, the fair market value and sale price of the Subject Property is one hundred fifteen thousand dollars ($\$150,000 - \$35,000 = \$115,000$).

CONCLUSION

Staff agrees with the conclusion of the appraisal and recommends sale of the property to an adjacent landowner for fair market value, subject to the Parking Easement. There is no City use of the Subject Property, and management of the site is a burden on resources. Sale to an adjacent

landowner allows the Subject Property to be assembled with neighboring parcels to facilitate development in spite of the site's access constraints. Any future development of Parcel B would require the development to retain four parking spaces for the neighboring Pallesen Apartments owned by Habitat for Humanity, which currently have no off-street parking. In consideration of this restriction on future development, staff finds it reasonable to subtract the value of the Parking Easement from the appraised value. Therefore, the fair market value and purchase price of Subject Property would be one hundred fifteen thousand dollars (\$150,000 - \$35,000 = \$115,000).

EVALUATION AND FOLLOW-UP

No additional follow-up is anticipated.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 14, 2021 Council Meeting.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The recommendations in this memorandum will approve the sale of the Subject Property. The proceeds of the sale, \$115,000, will be deposited in the City's General Fund to meet the 2021-2022 Adopted Budget revenue estimate for property sales.

HONORABLE MAYOR AND CITY COUNCIL

November 29, 2021

Subject: Sale of Surplus Land Adjacent to Interstate 280

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CEQA

Categorically Exempt, File No. ER21-296, CEQA Guidelines Section 15312, Surplus Government Property Sales.

/s/

Nanci Klein

Director of Economic Development and
Cultural Affairs

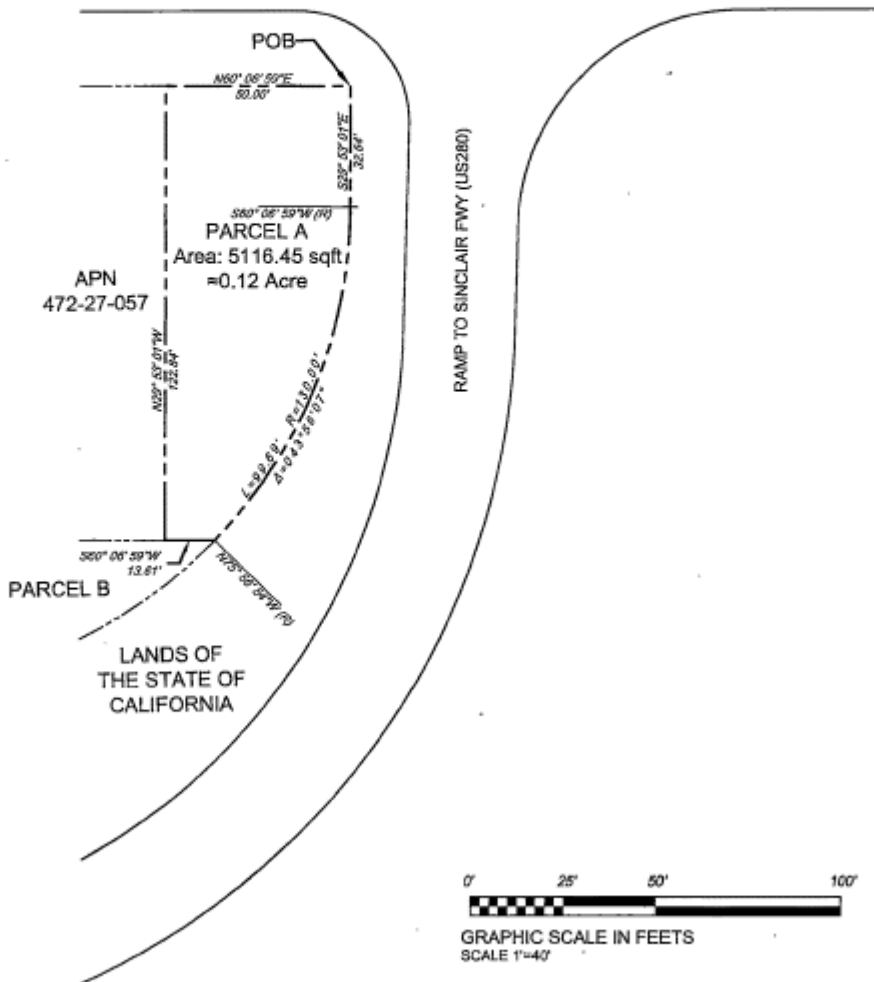
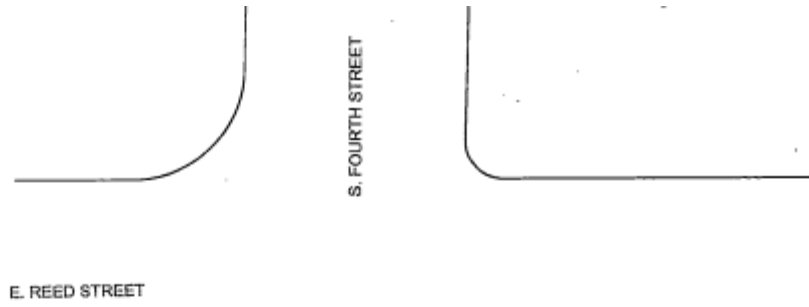
Director of Real Estate

For questions, please contact Kevin Ice, Real Estate Services Manager,
at kevin.ice@sanjoseca.gov or (408) 535-8197.

Attachment A: "Parcel A" Site Map

Attachment B: "Parcel B" Site Map

Attachment A



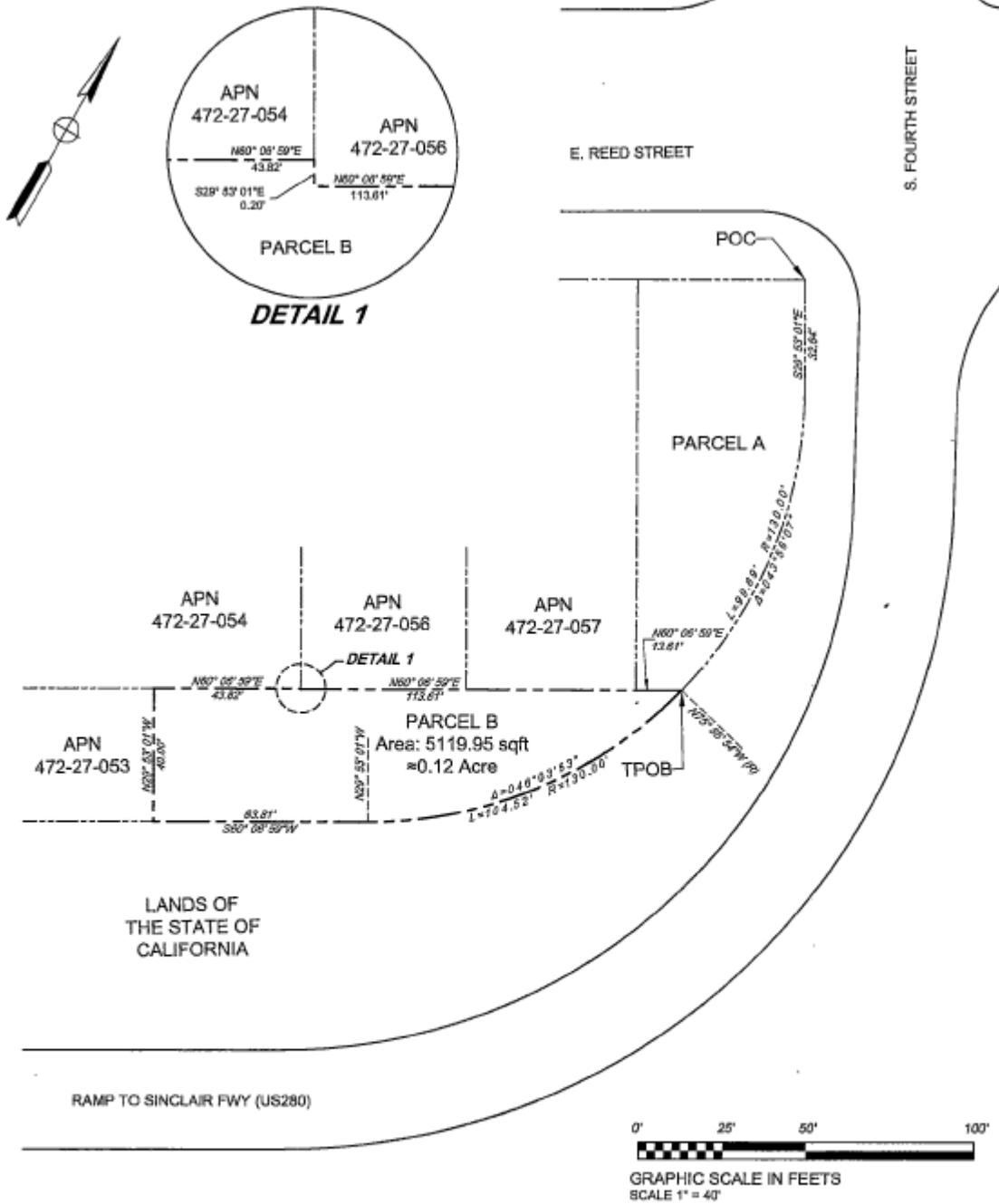
DRAWN BY: JR
CHECK BY: SC

CSJ PROJECT FILE: 20-102
SHEET 1 OF 1

EXHIBIT A-1 PLAT TO ACCOMPANY LEGAL DESCRIPTION FOR REAL PROPERTY

PREPARED BY CITY
OF SAN JOSE
SURVEY SECTION
MARCH 1, 2021

Attachment B



DRAWN BY: JR
CHECK BY: SC

CSJ PROJECT FILE: 20-102
SHEET 1 OF 1

EXHIBIT B-1 PLAT TO ACCOMPANY LEGAL DESCRIPTION FOR REAL PROPERTY

PREPARED BY CITY
OF SAN JOSE
SURVEY SECTION
MARCH 1, 2021