



Memorandum

TO: COMMUNITY & ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: April 8, 2019

Approved

Date

April 12, 2019

SUBJECT: UPDATE ON REAL ESTATE ACTIVITIES: SURPLUS SALES AND LEASING ACTIVITIES

RECOMMENDATION

Accept staff's status report updating the Committee on Real Estate activities related to the sale of City-owned properties, the leasing of facilities with the City as a Landlord or City as a Tenant, and the leasing of City facilities for telecommunication providers and Real Estate's role in Measure T.

BACKGROUND

The Office Economic Development's Real Estate Services Division manages the City's real estate portfolio, provides real estate services to City departments, and represents the City in third-party transactions. Real Estate Services' areas of expertise and real estate activities include:

- **Acquisition:** The acquisition of easements (water, sewer, etc.) for public projects or of properties for City use (fire stations, libraries, etc.).
- **Disposition:** The sale of city-owned properties and right-of-way (e.g. Google, Hayes Mansion, SARA properties)
- **Surplus Sales:** The sale of City-owned surplus properties (e.g. 551 Keyes St., Fire Station 24).
- **Leasing:** Negotiating and maintaining City as landlord and City as tenant lease such as the United States Patent and Trademark Office.
- **Property Management:** Management of City leases involving maintenance requests such as weed abatement or fence repair. Also, responding to requests from other departments involving City-owned properties (ownership, easements, use, etc.).
- **Relocation:** Relocation of commercial businesses or residences as a result of acquisitions for City projects.
- **Valuation:** Provide estimates of value for acquisitions of easements and properties. Also, negotiate lease rents with landlords and tenants such as Police Evidence Warehouse.

- **Telecommunication:** Negotiate and maintain leases with carriers such as AT&T and Verizon – allowing such carriers to install telecommunication equipment on City-owned property (e.g. San Jose Shirakawa Center, Mexican Heritage Plaza, etc.)

Real Estate manages leases where the City is the Landlord and both private and community-based organizations lease space in City-owned properties. These leases are projected to generate the following:

- FY 18-19: approximately \$1.81M
- FY 19-20: approximately \$1.85M

In addition, Real Estate manages leases where the City is a tenant. For FY 18-19, leases are expected to cost approximately \$1.61M and for FY 19-20 leases are expected to cost approximately \$1.63M.

Furthermore, Real Estate manages numerous telecommunication leases where carriers such as AT&T and Verizon are leasing space on City-owned property for their telecommunication equipment. For FY 18-19, Real Estate estimates leases will generate \$1M. For FY 19-20 Real Estate projects generating \$1.1M.

Real Estate generally is responsible for surplus sales and for FY 18-19 is on track to meet its revenue target and generate approximately \$1.3M. For FY 19-20, Real Estate Services is projecting to exceed its \$1M revenue target goal.

One of Real Estate Services' core functions is providing acquisition services and staff is currently supporting the City's Fire and Police Departments with Measure T activity. Staff is researching and negotiating for sites that could be potential locations for a new Police Academy and four new fire stations. In addition, staff is also searching for and identifying sites for potential future City use (e.g. Police Evidence Warehouse). Such acquisitions involve finding available sites, negotiating directly with brokers and property owners, working with the project team in identifying compatible sites, ordering appraisals, making and negotiating deals, and closing escrow. These acquisitions would provide long term cost savings for the City along with addressing future growth and facility needs.

Next Steps

Staff will continue to monitor and track all City leases and generate revenue through surplus sales in order to meet its annual revenue targets.

/s/
NANCI KLEIN
Director of Real Estate
Assistant Director of Economic Development

COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE

Subject: Update on Real Estate Activities

April 8, 2019

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For questions, please contact Jocker Alejandro, Senior Executive Analyst, Real Estate Division
at (408) 975-7317.