



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, EWD

SUBJECT: Donation of Land on Longcroft Drive
to the City of Oakland

DATE: June 26, 2020

City Administrator Approval

Date: July 15, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt The Following Pieces Of Legislation:

1) Resolution (a) Accepting A Donation Of Real Property On Longcroft Drive (APN 48D-7277-32), From Magon C. Patel And Marilyn Hall Patel, To The City Of Oakland; (b) Authorizing The Expenditure Of An Amount Not To Exceed \$10,000 For Associated Closing Costs And Fees; And (c) Making California Environmental Quality Act Findings; And

2) Resolution Declaring The Real Property Located On Longcroft Drive (APN 48D-7277-32) To Be Donated To The City Of Oakland As "Surplus Land" Pursuant To Government Code Section 54221(b)(1).

EXECUTIVE SUMMARY

Oakland residents Magon C. Patel and Marilyn Hall Patel have offered to donate a parcel of land to the City of Oakland (the City) without restrictions. The real property is a vacant hillside parcel of 5,985 square feet on Longcroft Drive, Oakland, CA 94603 (APN 48D-7277-32) (the Property). Staff recommends that the City accept the donation and designate the property as "surplus land" in accordance with the State Surplus Land Act (SLA). Staff would then market the property for sale to generate unrestricted revenue to be deposited in the City's General Fund. As required by the SLA, staff would first attempt to market the property for affordable housing development.

BACKGROUND/LEGISLATIVE HISTORY

Pursuant to Oakland Municipal Code (OMC) Section 2.41.080, "any gifts or donations of real property to the City shall be governed by Section 2.04.160" Pursuant to OMC Section 2.04.160, "... the City Administrator is delegated limited authority to accept restricted gifts and donations to the City up to fifty thousand dollars (\$50,000)." Staff estimates that the Property is worth \$60,000-\$70,000 and its donation, therefore, exceeds the City Administrator's authority and requires City Council authorization.

City Council
July 21, 2020

The City of Oakland faces extraordinary budget challenges caused by the economic impact of the Coronavirus pandemic. The measures taken to curb the transmission of the virus will result in a negative impact on the City's anticipated Fiscal Year 2020-21 revenue.

In response to these fiscal challenges, the Department of Economic & Workforce Development and the Real Estate Asset Management Division are exploring opportunities to generate new, unrestricted revenues through the use, lease and disposition of underutilized City-owned real property. This includes the sale of property offered to the City by donation.

As required by the SLA, staff would first market the Property for affordable housing development for a period of 60 days by issuing a Notice of Availability to eligible affordable housing developers. Under the SLA, the City would be required to negotiate with eligible respondents in good faith for 90 days, although the SLA does not create an obligation to sell the Property for less than fair market value. If negotiations lead to development of a potential project, Staff will return to City Council to present the recommended project proposal for public comment and Council authorization for an Exclusive Negotiation Agreement. If no notices of interest are received or if negotiations conclude with no recommended project proposals, staff will commence disposition procedures in accordance with the City's Municipal Code.

ANALYSIS AND POLICY ALTERNATIVES

Property Description

The Property is a vacant hillside parcel of 5,985 square feet with a slope of approximately 27 degrees and is wooded with primarily non-native trees. Inspection of the Property did not identify any physical or environmental concerns. State and County databases identify no releases of hazardous substances or contamination in the vicinity.

Staff has reviewed the preliminary title report and the Property appears to have clean title. Staff further reviewed available City records relating to planning, building, code enforcement, and fire inspections and did not identify any irregularities. The Property is in compliance with annual vegetation inspections.

The Property is not located in a flood zone or fault zone. It is located in the City's Wildfire Prevention Assessment District as are essentially all homes in the Oakland Hills east of Highway 13.

Properties with similar physical characteristics are developed with single family residences in the immediate vicinity the Property and the likely highest and best use of the Property is for development of a single-family residence.

There is an active market for vacant hillside parcels with at least 55 sales in the last 26 months, and the pandemic does not appear to have appreciably affected this pace of sales. During 2019, at least 1.5 hillside parcels were selling each month. Since the beginning of 2020, at least 2 hillside parcels have sold each month, including at least 4 parcels during the pandemic. The Shelter-In-Place Order for Alameda County does not affect the viewing of parcels. It is the opinion of staff that there remains a viable market for hillside parcels. On average, hillside parcels are on the market for about 4 months.

Terms of Donation

Should the City Council authorize donation of the Property at its meeting on July 21, 2020, staff expects to execute a donation agreement with the current owner by the end of July. The agreement would provide for a 10-day due diligence period and subsequent 5-day closing period. Close of escrow would occur on or around the end of August 2020. Closing costs would be paid by the City, as is customary in Alameda County.

Future Sale of Property

The owner of the Property has offered to donate the Property to the City with knowledge that the City may dispose of the property. The City does not have an essential use for the Property and staff therefore requests that the City Council declare the property as "surplus land" pursuant to Government Code section 54221(b)(1). Upon acceptance of the donation, the Property would be marketed for sale in accordance with the SLA process noted above. Proceeds from such sale would be deposited into the General Fund.

Alternate Policy Action

The alternative policy action is to not accept the donation of the Property. In this case the Property would remain in the possession of the current owner and the City would expend no additional resources on the proposed acquisition.

FISCAL IMPACT

Upon acquisition of the Property, staff would issue Notices of Availability for the purpose of developing affordable housing on the Property. If no notices of interest are received or if Staff cannot come to terms with an affordable housing developer, staff would then list the property for sale at its estimated fair market value of \$60,000-\$70,000. The City would have incurred closing costs not to exceed \$5,000 related to both the acquisition and disposition and an estimated \$5,000 per year in holding costs (including periodic vegetation management) to be paid from funds budgeted in General Fund (1010), Real Estate Organization (85231), Surplus Property Project (1000235), and Real Estate Program (PS32). Assuming the Property would be sold for fair market value, the net financial return to the City is estimated to be \$40,000-\$50,000, deposited into the City's General Fund and realized in Fiscal Year 2020-2021. While it retains ownership of the Property, the City will also not be able to collect its portion of the property taxes for the Property, which are currently \$444.25 per year.

While staff believes acquisition and sale of the Property would generate unrestricted revenue to support the City's General Fund in Fiscal Year 2020-2021, there is risk that sale of the property will take longer than anticipated and that the net financial return to the City could be less than anticipated.

PUBLIC OUTREACH/INTEREST

Standard City Council agenda noticing procedures were followed for the acceptance of the donation and the declaration of surplus land. The sale of the Property would follow the notice requirements of the SLA and the City's Municipal Code.

COORDINATION

Several City departments, including the City Administrator's Office, City Attorney's Office, Watershed Division (under Public Works Department), and Economic & Workforce Development Department, are working together to coordinate this donation. Real Estate Asset Management Division is providing expertise regarding the due diligence process and donation agreement and would manage the marketing and sale of the Property.

SUSTAINABLE OPPORTUNITIES

Economic: Proceeds from the proposed, future sale of the Property would be deposited into the City's General Fund to mitigate reductions in essential public services, which could otherwise harm Oakland's economy. Proceeds could be invested directly in economic and workforce development programs, which would further benefit the Oakland economy.

Environmental: The Property would be sold without restrictions in order to generate maximum proceeds for the City. A future buyer would be expected to pursue development of the Property with a single-family residence, consistent with existing land uses in the vicinity. Given the size of the Property and the adjacent land uses, the environmental impact of development is considered de minimis.

Race & Equity: Accepting the donation of property and its sale in accordance with the SLA could lead to an affordable housing development. In addition, proceeds from the proposed, future sale of the Property would be deposited into the City's General Fund and expended consistent with the City's values of and express commitment to equitable outcomes.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Staff has determined that this action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because the donation authorized by this Resolution will not have a direct or reasonably foreseeable indirect physical change in the environment. Furthermore, nothing in the action declaring the Property "surplus land" should be interpreted as an approval or a pre-commitment to approve, now or in the future, of the disposition of the Property to any particular party, on any particular terms, or for any particular purposes. Any proposed disposition of the Property, whether made pursuant to a Notice of Availability or otherwise, will require further discretionary actions of the City, and the City retains full discretion, following conclusion of the response and negotiation periods set forth in the Notice of Availability and the SLA to proceed with disposition of its interest in the Property in compliance with CEQA. As such, this action will not result in a direct or indirect physical

change in the environment and does not in-and-of-itself constitute a “project” pursuant to CEQA Guidelines Section 15378.

ACTION REQUESTED OF CITY COUNCIL

Staff Recommends that the City Council Adopt The Following Pieces Of Legislation:

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For questions regarding this report, please contact Brendan Moriarty, Real Property Asset Manager, Real Estate Asset Management Division, (510) 238-6354, bmoriarty@oaklandca.gov.

Respectfully submitted,



ALEXA JEFFRESS

Director, Economic & Workforce Development
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