

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-8

Urgent

Routine



AGENDA DATE July 29, 2008

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval to Declare County Property located at 700 17th Street, Modesto, California, Commonly Known as the Medical Arts Building, as Surplus and Adopt a Resolution declaring the County's Intent to Sell the Surplus Property

STAFF RECOMMENDATIONS:

1. Declare the County-owned property located at 700 17th Street, Modesto, California as surplus.
2. Adopt a Resolution by a two-thirds vote declaring the County's intent to sell the County-owned facility and property previously occupied by the Health Services Agency and known as the Medical Arts Building located at 700 17th Street, Modesto. The Resolution shall further state:
 - a. The minimum sale price shall be set at \$2.5 million; and
 - b. Sealed proposals to purchase the property will be received and considered at the Chief Executive Office, 1010 10th Street, Suite 6800, Modesto, California, on December 2, 2008 at 1:00 PM.

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FISCAL IMPACT:

This building has been used for years by the County's Health Services Agency. As a part of the re-design of the County's Clinic system, the facility is no longer needed. Prior to this action, staff has actively sought other public uses, and no short or long term uses have materialized. The appraised market value of the Medical Arts Building in February 2006 was \$3 million to 3.3 million based on highest and best use. To obtain the highest and best use, building improvements would be needed.

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BOARD ACTION AS FOLLOWS:

No. 2008-556

On motion of Supervisor Grover, Seconded by Supervisor DeMartini

and approved by the following vote,

Ayes: Supervisors: O'Brien, Grover, Monteith, DeMartini and Chairman Mayfield

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS (Continued):

3. Authorize staff to notify in writing the appropriate local agencies in accordance with legal requirements requiring the notification, announcing the availability of the surplus property and request that any local agency that has an interest in acquiring the property respond within 60 days.
4. Direct staff to return to the Board after the 60-day local agency notification period for consideration of local agency interest in acquiring the surplus property and to enter into negotiations with interested local agencies.
5. Direct staff to concurrently finalize the publication notice and any marketing materials to sell the surplus property to a private party in the event a local agency does not express an interest in purchasing the property within the allotted 60-day period.
6. Direct the Clerk of the Board to publish the adopted Resolution in accordance with Stanislaus County Code 4.24.030B and E regarding the sale of surplus real property.
7. Direct staff to submit to the Modesto Planning Commission for a finding of General Plan Consistency the Board's intentions of selling the Medical Arts Building.

FISCAL IMPACT (Continued):

The appraised value was based on the property's income generating potential from its highest and best use as an office and/or medical services building. In the current market conditions the income generating potential of the property has been greatly reduced by lower lease rates, an increase in the anticipated vacancy rate and the cost of restoring the building to its highest and best use. The County's maintenance and engineering staff estimates that the existing deferred maintenance cost of the building could exceed \$600,000. In addition to the deferred maintenance cost, a future owner of the building would be faced with a substantial cost of restoration of the building in order to secure lease revenue that reflects a reasonable return on investment. In light of current market conditions and the estimated deferred maintenance cost the recommended minimum sale price for the Medical Arts Building is \$2.5 million, based on the building condition and market assessment.

The County acquired the property 1992 at a purchase price of \$1,790,000. The current outstanding debt on the Medical Arts Building is approximately \$880,000. The remaining debt is a fiscal obligation to the Health Services Agency budget. The proceeds from the sale or lease will eliminate that obligation and provide funds to support critical needs of the Health Services Agency.

DISCUSSION:

The County-owned property located at 700 17th Street in Modesto recommended as surplus consists of a two-story building structure of approximately of 37,463 gross square feet. The first and second floors have 12,079 square feet and 12,120 square feet respectively for a total net rental area of 17,782 square feet. In addition the building has a basement for storage and underneath parking of 13,264 square feet. Across the street from the building structure the property includes 71 parking spaces located on three (3) parcels that are paved and striped.

A very complex process is required to sell surplus County property. State law allows a County to sell, lease or contract for the management of public property. Whenever the Board of Supervisors determines that real property belonging to the County is no longer necessary for County purposes, the Board of Supervisors may declare the property surplus and sell the property in the manner set forth in County Ordinance.

However, before the Board can dispose of surplus property certain procedures must be followed. Prior to soliciting bids for the sale of public property the Board shall declare the property surplus, declare the Board's intent to sell the property and set a minimum selling price. The Board must also send a written notice to "local agencies" announcing the surplus property, the Board's intention to sell the surplus property and the availability of the property for the purpose of developing low-and moderate-income housing, park and recreational facilities, open space, school facilities, enterprise zone or transit terminal. A "local agency" is a city, districts, including school districts empowered to acquire and hold real property.

Any local agency desiring to purchase the surplus property shall notify in writing the Board of Supervisors within 60 days after receipt of the Board's notification of intent to sell the property. If the Board does not receive a notice of interest from a local agency to purchase the surplus property within the specified time period the Board may proceed to issue a Request for Proposal for bids. The Board is not required to sell property to any local agency at less than the minimum price as set by the Board.

If a local agency and the County do not agree upon the sales price and/or terms for the sale after 60 days of good faith negotiations, the property can be sold through a Request for Proposal process to members of the private sector.

Concurrent to these actions staff will develop terms under which the property may be leased. At the end of the initial 60-day period, staff will return to the Board for consideration of any and all notices of interest from local agencies. In the event that no notices of interest are received from local agencies, staff will ask the Board to issue a call for bids for lease of the property, to be received concurrent with proposals to purchase the property.

Request for Proposal and Selection Process

The Board's Resolution stating its intent to sell surplus property must fix a time and place to receive bid proposals. It is recommended that the bid proposals be received on December 2, 2008 at 1:00 PM in the Chief Executive Office. This 120-day period provides local public agencies 60 days to express their interest in the surplus property and an additional 60 days for good-faith negotiations, as well as for the private sector to submit proposals.

The Chief Executive Officer or his designee shall publicly open, examine and declare all proposals conform to all terms and conditions specified in the resolution. After opening, examining and declaring all proposals which conform to all terms and conditions specified in the resolution of intention to sell, the Chief Executive Officer or his designee shall call for oral bids.

If, upon the call for oral bidding, any responsible person offers to purchase the property, upon the terms and conditions specified in the resolution, for a price exceeding by at least 5 percent, the highest written proposal, such highest oral bid shall be accepted as the highest bid. In determining which the highest proposal is any commission that may have been paid shall not be subtracted.

The Board of Supervisors must approve the final acceptance of the highest bid. The Board of Supervisors may, in its sole discretion, agree to sell the surplus property or reject any and all bids, either written or oral.

If the Board of Supervisors accepts and approves a bid, the Board may direct the Chief Executive Officer or his designee, to execute a property deed transfer.

In the sale of the Medical Arts Building it is recommended that a licensed real estate broker not be retained and that a sales commission not be incurred.

POLICY ISSUE:

The Board of Supervisors should decide if declaring the Medical Arts Building surplus property and the sale of the property is consistent with their priority of efficient government service.

STAFFING IMPACT:

Existing staff will provide the necessary support for the actions recommended in this item.

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

Date: July 29, 2008

No. 2008-556

On motion of Supervisor Grover Seconded by Supervisor DeMartini
and approved by the following vote,

Ayes: Supervisors: O'Brien, Grover, Monteith, DeMartini, and Chairman Mayfield

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

Item # B-8

THE FOLLOWING RESOLUTION WAS ADOPTED:

**Resolution to Declare the County's Intent to Sell Surplus Property located at
700 17th Street, Modesto, California**

Whereas the County of Stanislaus owns property located at 700 17th Street, Modesto California, ("Property") and

Whereas the Property, commonly known as the Medical Arts Building, was previously occupied by the Health Services Agency, and is now vacant, and

Whereas the Board of Supervisors has declared the Property as surplus, and

Whereas the Stanislaus County Code requires adoption of a formal resolution by a two-thirds vote, to declare the intention to sell surplus property owned by the County, and

Whereas the recommended minimum sales price for the Property is \$2.5 million.

Now, therefore, be it resolved that the County Board of Supervisors does hereby declare its intention to sell the County-owned Property located at 700 17th Street, Modesto, California, and that sealed proposals for the purchase of the Property will be received at the Chief Executive Office, 1010 10th Street, Suite 6800, Modesto, California, on December 2, 2008 at 1:00 PM.

ATTEST: **CHRISTINE FERRARO TALLMAN**, Clerk
Stanislaus County Board of Supervisors,
State of California



File No.