



June 15, 2017

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Purchase and Sale Agreement – Sale of Improved Property at 7484
Sheridan Road, Sunol, CA – Timothy Su and Lan Fong Chen or
Assignee – \$3,550,000**

Dear Board Members:

The City and County of San Francisco, through its Public Utilities Commission (SFPUC), has jurisdiction over the above-referenced improved property (Property). The SFPUC purchased the Property as a part of the Water System Improvement Program New Irvington Tunnel Project (Project), which has since concluded.

The SFPUC acquired the Property from Kenneth Paul Mackin and Janice Mackin (together, the Mackins) in 2014 in connection with the Project. At that time, the Mackins decided against extending the term of a temporary construction easement they issued to the SFPUC for the Project. Because use of the Property was essential to the Project, the SFPUC purchased the Property in order to avoid incurring Project construction delay damages. On November 12, 2013, the SFPUC Commission approved the purchase of the Property by Resolution 13-0173. Escrow closed on the purchase in December, 2013.

The SFPUC no longer needs the Property. In a written statement dated December 18, 2015, the Assistant General Managers for each of the Water, Wastewater and Power Enterprises declared that the Property is not essential to the SFPUC's utility needs.

On June 13 2017, the SFPUC Commission by Resolution 17-0145 approved the sale of the Property and determined that the Property is surplus to the SFPUC's operational needs.

Real Estate Brokerage Contract

On the SFPUC's behalf, the City's Real Estate Division (City RED) issued a request for bids from commercial real estate brokers to sell the Property and five other underutilized properties under the SFPUC's jurisdiction. The SFPUC instructed City RED to select Colliers (Broker) as the lowest responsible bidder. Cities RED negotiated and entered into an agreement with the Broker to market and assist the SFPUC in selling the properties.

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Commissioner

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Commissioner

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General Manager



Statutory Noticing

In 2016, City RED issued the required statutory notices offering to sell the Property to public entities at fair market value for parks, open space, public housing and schools in accordance with California Surplus Property Statute (California Government Code Sections 54220 through 54233) and the San Francisco Surplus Property Ordinance (San Francisco Administrative Code Chapter 23A). No such public entity expressed any interest in purchasing the Property.

Marketing and Bid Review

The Broker marketed the Property for approximately 12 months on commercial real estate platforms, posted "for sale" signage on the Property, and produced offering memoranda and other marketing materials sent to potential buyers.

After the statutory notice period expired and a pool of potential buyers expressed interest, the SFPUC, through the Broker, solicited bids from prospective Property buyers between May 11, 2017 and May 19, 2017. The SFPUC received three bids.

The husband and wife team of Timothy Su and Lan Fong Chen (Buyer) was the highest responsible bidder at \$3.55 million.

Purchase and Sale Agreement

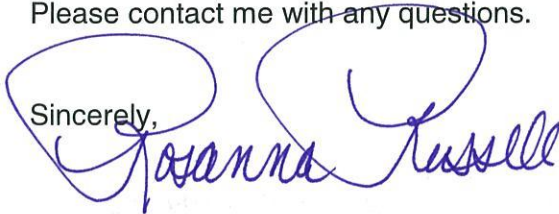
The Buyer agreed to the terms and conditions of a Purchase and Sale Agreement (Agreement) subject to the approval of the SFPUC Commission, the Board of Supervisors, and Mayor.

At close of escrow, the SFPUC will retain easements for (i) a subsurface tunnel, a surface electric transmission line and telephone line, and (ii) an electrical tower that existed prior to the SFPUC's purchase of the Property. In addition, the SFPUC will retain a new easement for future de-watering wells.

The SFPUC procured a fair market valuation of the Property dated March 16, 2017 by CBRE, a MAI appraiser. The sale price of \$3,550,000 is above the \$3,290,000 appraisal value.

Please contact me with any questions.

Sincerely,



Rosanna Russell
Real Estate Director

cc: John Updike, City's Real Estate Division
Jeff Suess, City's Real Estate Director