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Services of the San Francisco Public Utilities Commission

SFPUC Sale of Underutilized Property Millbrae Lots, Millbrae CA

**February 16, 2017
Budget and Finance Committee Hearing**

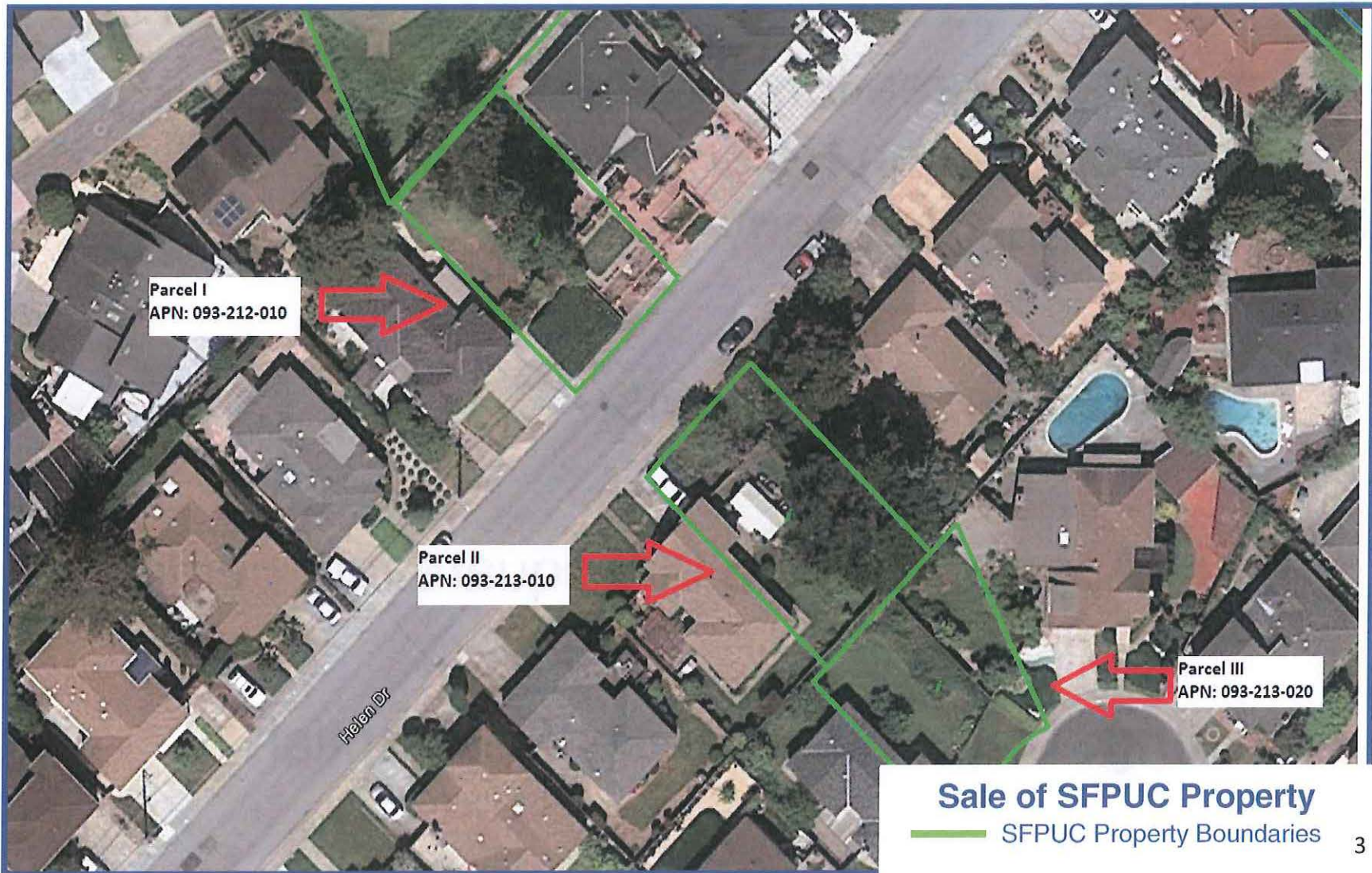
**Rosanna Russell, Real Estate Director
San Francisco Public Utilities Commission**



Underutilized Property

- The SFPUC is selling underutilized property in order to offset costs for its capital improvement program.
- The SFPUC's Real Estate Services division (RES) has been working with the City's Real Estate Division (RED) to market and solicit bids for underutilized properties.
- RES has accepted offers for two properties, 401 & 403 Old Bernal Avenue, Pleasanton and the Millbrae Lots, Millbrae

Millbrae Lots, Millbrae





Property Description

- **Location:** Three lots in a residential neighborhood on Helen Drive and Dexter Place in Millbrae (the “Property”).
- **Current Use:** Vacant Lots
- **Size:** Approximately 5,000 square feet per lot
- **Zoning:** LDR - Low Density Residential



Millbrae Lots

- The SFPUC acquired the Property in 1948.
- The Property was purchased for a potential water infrastructure project.
- On December 13, 2016, the SFPUC Commission declared the Property surplus to the SFPUC's utility needs.



Real Estate Broker Selection

- On behalf of the SFPUC, RED issued a request for proposal for brokerage services.
- Of the bids received, RED selected Colliers International due to its compliance with the bid terms and low commission rate.
- Collier's International's commission rate is 2.75%.



Compliance with Surplus Property Statutes

- The SFPUC complied with the California Surplus Property Statute and the San Francisco Surplus Property Ordinance.
- On behalf of the SFPUC, RED issued statutory notices to all required public entities (CA Government Code § 54222 and 50079) and housing sponsors (California Government Code § 5422(a)).
- The SFPUC received no letters of interest from housing sponsors or public entities.



General Plan Conformance and CEQA

- **General Plan Conformance**
 - On November 6, 2016 , the Planning Department found the sale of the Property consistent with the Eight Priority Policies of the Planning Code.
- **CEQA**
 - The SFPUC's Bureau of Environmental Management determined that the sale of the Property is not a project under CEQA.



Fair Market Value Determination

- Appraisal
 - On June 13, 2016, CBRE, Inc., an MAI Appraiser, valued the Property at \$2,040,000.
- Appraisal Review
 - On January 5, 2017, Richard Blum and Associates reviewed and confirmed the original appraisal valuation.
- Bidders Pradeep Gandhi and Gabriel Gonzalez submitted the highest responsible bid at \$2.34 million for all three lots.



Bidding Process

- Prior to soliciting formal bids, Colliers International (“Colliers”) prepared marketing materials, placed the Property on commercial real estate websites, and placed signage on the Property for approximately 25 weeks.
- Colliers called for offers between October 12, 2016 and October 27, 2016.
- Colliers received six bids. On November 7, 2016, the SFPUC notified Pradeep Gandhi and Gabriel Gonzalez that they were the selected bidder.



Purchase and Sale Agreement

Terms and Conditions

Purchase Price:	\$2.34 Million
Deposit Amount:	\$70,200
Contingency Period:	Buyers removed all contingencies.

Pradeep Gandhi and Gabriel Gonzalez executed the Purchase and Sale Agreement on November 18, 2016.



Water Enterprise Revenue

- The Property is an SFPUC wholesale water customer asset.
- The revenue from the sale will be used to support revenue-funded capital programs.
- The SFPUC will save approximately \$2,320 per year in property taxes on the Property and will reduce its liability as property owner of a vacant lot.