

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

<p>(1) DEPARTMENT Central Services</p>	<p>(2) MEETING DATE 1/26/2016</p>	<p>(3) CONTACT/PHONE Marvin A. Rose, Interim Central Services Director Shauna Dragomir, County Real Property Manager (805) 781-5206</p>	
<p>(4) SUBJECT Submittal of a resolution authorizing: 1) the surplus and sale of County-owned real property at 790 and 800 Cornwall Street in Cambria by public auction; and 2) a budget adjustment to repay the Cambria Friends of the Library and reduce an outstanding loan to the County's Building Replacement Fund, by the amount of the net proceeds of sale less costs of sale. District 2.</p>			
<p>(5) RECOMMENDED ACTION It is recommended that the Board:</p> <ol style="list-style-type: none"> 1. Hold a public auction for the County's vacant real property on Cornwall Street. 2. Adopt the Resolution to Surplus and Sell County-Owned Real Property located at 790 and 800 Cornwall Street in the Unincorporated Area of Cambria. 3. Approve a deed transferring title of the property to the highest qualified bidder. 4. Authorize the County Real Property Manager to sign all other related documents to close the escrow. 5. Authorize a budget adjustment, to be completed by the Auditor's office, after net proceeds of the sale less costs of sale have been determined, to repay the Cambria Friends of the Library and reduce an outstanding loan to the County's Building Replacement Fund, by the amount of the net proceeds of sale less costs of sale, by 4/5 vote. 			
<p>(6) FUNDING SOURCE(S) Net proceeds of sale.</p>	<p>(7) CURRENT YEAR FINANCIAL IMPACT Net proceeds of sale, with Minimum Bid of \$157,500.</p>	<p>(8) ANNUAL FINANCIAL IMPACT \$0.00</p>	<p>(9) BUDGETED? No</p>
<p>(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ____) { x } Board Business (Time Est. <u>15 mins.</u>)</p>			
<p>(11) EXECUTED DOCUMENTS { x } Resolutions { } Contracts { } Ordinances { x } N/A</p>			
<p>(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A</p>		<p>(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1415102 { x } 4/5 Vote Required { } N/A</p>	
<p>(14) LOCATION MAP Attached</p>	<p>(15) BUSINESS IMPACT STATEMENT? No</p>	<p>(16) AGENDA ITEM HISTORY { } N/A Date: <u>1/4/2005, 9/1/2009, 10/27/2009, 12/13/2011, 1/7/2014, 4/5/2014, 7/8/2014, 10/7/2014, 1/13/2015, 4/21/2015, 10/20/2015</u></p>	
<p>(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim</p>			
<p>(18) SUPERVISOR DISTRICT(S) District 2.</p>			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Central Services / Marvin A. Rose, Interim Central Services Director
Shauna Dragomir, County Real Property Manager
(805) 781-5206

DATE: 1/26/2016

SUBJECT: Submittal of a resolution authorizing: 1) the surplus and sale of County-owned real property at 790 and 800 Cornwall Street in Cambria by public auction; and 2) a budget adjustment to repay the Cambria Friends of the Library and reduce an outstanding loan to the County's Building Replacement Fund, by the amount of the net proceeds of sale less costs of sale.

RECOMMENDATION

It is recommended that the Board:

1. Hold a public auction for the County's vacant real property on Cornwall Street.
2. Adopt the Resolution to Surplus and Sell County-Owned Real Property located at 790 and 800 Cornwall Street in the Unincorporated Area of Cambria.
3. Approve a deed transferring title of the property to the highest qualified bidder.
4. Authorize the County Real Property Manager to sign all other related documents to close the escrow.
5. Authorize a budget adjustment, to be completed by the Auditor's office, after net proceeds of the sale less costs of sale have been determined, to repay the Cambria Friends of the Library and reduce an outstanding loan to the County's Building Replacement Fund, by the amount of the net proceeds of sale less costs of sale, by 4/5 vote.

DISCUSSION

The former Cambria Library located at 900 Main Street had outgrown its space requirements over the past decade, and Library staff worked with the Cambria Friends of the Library ("Cambria FOL") to find a new, larger location. It is a County policy that new library facilities can be considered for purchase when the community contributes half of the funds needed for the project. As agreed with the Cambria FOL, vacant lots at 790 and 800 Cornwall Street near the intersection of Hillcrest Drive (APNs 022-123-003 and 022-123-022, "Cornwall Street Property") were purchased by the County (with contribution by the Cambria FOL) on February 17, 2005 at a price of \$518,000 with the intention to build a new library on the property. The Cornwall Street Property total approximately 17,229 square feet in size and are zoned Commercial Retail. See Attachment 1 for a location map and Attachment 2 for an assessor's parcel map.

In 2009, a property with a new building under construction located at 1043 Main Street in Cambria was identified by the Cambria FOL as another option for the new library. It was considered to be a better location for the library and could be completed at a lower cost. The property was purchased by the County at a price of \$2,800,000 on November 3, 2009, and the new library opened at this location on December 26, 2013.

On September 1, 2009, the County signed a Memorandum of Understanding (MOU) with the Cambria FOL that estimated the cost to finish the new Cambria library improvements and determined the amount of funds necessary to be raised by the Cambria FOL. On December 13, 2011, the MOU was replaced with a new MOU which revised, among other things, the timeline for fundraising by the Cambria FOL. The County and the Cambria FOL are each credited 50% of the net proceeds of the sale of the Cornwall Properties less the costs of sale as defined in the MOU toward the fundraising goal for the new library. On November 4, 2014 the County signed a Second MOU with the Cambria FOL to document their

respective final responsibilities. The Second MOU was necessitated by the unknown timing of sale and unknown sales prices of the Cornwall Street Property and former library property at 900 Main Street ("Main Street Property"). The terms of the Second MOU acknowledge the receipt of the Cambria Friends' financial contribution, the proposed process for selling the Main Street Property and Cornwall Street Property, and the distribution of net proceeds after the sale of the above-mentioned properties.

A General Plan Amendment and rezoning from Public Facilities to Commercial Retail was completed for the Main Street Property, and was approved by the California Coastal Commission on December 11, 2014. Both the Main Street Property and the Cornwall Street Property were offered to the Cambria Community Services District (CCSD) and to other government agencies as required by California law, but no agencies expressed an interest in purchasing either property. The County is proceeding to auction the Main Street Property in addition to the Cornwall Street Property on January 19, 2016.

Included with the sale of the Cornwall Street Property is 1.29 commercial water equivalent dwelling units (EDU's) allocated to APN 022-123-003 by the Cambria Community Services District (CCSD) in an Intent to Serve Letter that is valid until June 1, 2017. The purchaser will be required to have the Intent to Serve Letter transferred into their name. Water connections are not permitted by the CCSD during the Stage 3 water crisis that is currently in place in Cambria, which has contributed to a longer marketing period than expected for the Cornwall Property. One of the two parcels (APN 022-123-003) is also encumbered with an irrevocable license agreement that requires the property owner to provide parking for five cars to serve a non-County-owned off-site development at 734 Main Street in Cambria.

Previous auctions for the Cornwall Street Property were held on April 8, 2014, July 8, 2014, October 7, 2014, January 13, 2015, and April 21, 2015, but no bids were received. The Board lowered the minimum bid price from \$250,000 to \$210,000 on July 8, 2014. On April 21, 2015, the Board directed County Real Property Services staff to: 1) perform further analysis with CCSD and County Library Department on structuring a water transfer from the Cornwall Street Property to the Main Street Property; 2) complete said water transfer if staff determined it will increase the overall marketability of the Cornwall Street and Main Street properties; and 3) return to the Board at a later date with new Resolutions of Intention to Surplus and Sell and to reschedule the auctions of both properties.

After significant discussion with CCSD and further analysis and evaluation with the County Library Director, staff determined that a transfer of water EDUs from the Cornwall Street Property to the Main Street Property would not increase marketability of either property to justify the transfer of the Intent to Serve Letter. A water transfer would significantly decrease marketability of the Cornwall Street Property. Without adequate commercial water EDUs for a commercial development, the Cornwall Street Property's marketability would diminish to reflect that of undevelopable vacant land. The significant decreased marketability of the Cornwall Street Property would not be offset by an increase in marketability at the Main Street Property, as a purchaser would not be allowed by CCSD to connect to the transferred water EDUs nor obtain building permits for the additional water EDUs during the Stage 3 water crisis currently in place in Cambria.

The minimum bid was previously reduced to \$210,000 from the original minimum bid of \$250,000. The reduced minimum bid was proposed by staff based upon review of comparable sales data and an appraisal by a member of the Appraisal Institute (MAI) certified appraiser. Following five auctions of the property which resulted in zero bids received, additional market research and analysis of comparable sales data of vacant commercial-retail land in Cambria was conducted by staff. In order to encourage bidding, the minimum bid for the Cornwall Street Property was reduced to \$157,500.

On October 20, 2015, the Board approved Resolution #2015-270 (Attachment 3) declaring the Cornwall Street Property to be surplus and not necessary for County use, reducing the acceptable minimum bid price to \$157,500, authorizing payment of a real estate commission, and setting the date of January 19, 2016 for the public auction of the Cornwall Street Property with sealed written bids on the County's bid form (Attachment 4) by 5:00 PM on January 18, 2016. The Board did not meet on January 19, 2016 and, accordingly, proposals will be received and considered at the Board's January 26, 2016 regular meeting, with all sealed written bids due by 5:00 PM on January 25, 2016, not January 18, 2016. All other terms and conditions of the October 20, 2015 adopted Resolution remains unchanged, and the legal notices of the auction have been published.

Approval of the Resolution to Surplus and Sell County-Owned Real Property (Attachment 5) will authorize the auction and sale of the Cornwall Street Property on January 26, 2016, under the following terms and conditions:

- The minimum acceptable bid price will be \$157,500.
- A nonrefundable deposit of \$10,000 payable by cashier's check to the County of San Luis Obispo shall be required with the offer.
- The balance of the purchase price shall be payable in cash through escrow, and escrow shall close within 45 days following approval of the County Board of Supervisors.
- The property will be sold in as-is condition, with no repairs or reports provided by the County except a preliminary title report.
- No conditions of sale will be accepted, including financing conditions.
- The sale will be subject to the CCSD's approval of the assignment of County's Intent to Serve Letter for 1.29 water EDUs to serve the property, to purchaser, at purchaser's sole cost.
- Upon successful close of escrow, a real estate sales commission of three percent (3%) of the selling price, or an amount as otherwise determined by California Business & Professions Code Section 10131, and California Government Code Sections 25531 and 25532, shall be payable from the proceeds of sale to a selling broker who is instrumental in obtaining the offer to purchase, provided that the broker is identified at the time of the bid.
- County and purchaser shall pay their own customary closing costs for San Luis Obispo County.
- Title to the property shall be transferred in the form of a Grant Deed (Attachment 6). The escrow and title company shall be selected by the County.

Sealed, written bids received before the deadline will be opened at the auction on January 26, 2016 by the Chairperson of the County Board of Supervisors, followed by an opportunity for oral bidding. In the event that no sealed, written bids are received, no oral bidding will take place, and the auction will be rescheduled.

The Cornwall Street Property was marketed to the public, prospective purchasers, and real estate offices, and a commission will be paid to a qualifying broker as described above. A sign was placed on the property, and advertisements were placed on Craigslist, and on the County's media sites. Legal notices were placed in a local newspaper. Interested parties were able to obtain a bid form, property brochure, and preliminary title report by contacting Shauna Dragomir, County Real Property Manager by e-mail at sdragomir@co.slo.ca.us or by calling (805) 781-5206.

OTHER AGENCY INVOLVEMENT/IMPACT

The County Library Department and the Cambria FOL were financial and supportive partners of the endeavor to bring a new, larger library to the community of Cambria. The CCSD approved the Intent to Serve Letter for water service on APN 022-123-003 and will process a transfer to the purchaser. The County Environmental Coordinator has issued a Notice of Exemption stating that the sale of the property is categorically exempt from CEQA per Section 15312 (a)(b)(2). On October 24, 2013, the County Planning Commission filed the General Plan Conformity Report, finding that the sale of the property is in conformity with the County General Plan. County Counsel has reviewed and approved the Resolution, Grant Deed, and Bid Form for form and legal effect.

FINANCIAL CONSIDERATIONS

The value of the Cornwall Street Property has depreciated significantly since it was acquired by the County in 2005. If the sales price of the property does not exceed the minimum bid, the reduction in value plus the costs to sell the property (approximately \$29,000) will result in a loss of approximately \$442,000.

When the eventual sales price of the Cornwall Street Property is determined at the auction on January 26, 2016, the amounts due to the new library project, including an outstanding loan to the County's Building Replacement Fund, and amounts refundable to the Cambria FOL, will be paid in amounts consistent with and which meet the requirements of the Second MOU with the Cambria FOL. The Resolution to Surplus and Sell authorizes the Auditor – Controller – Treasurer – Tax Collector's Office to complete the budget adjustment when the amount of the net proceeds of sale less costs of sale is determined.

RESULTS

Approval of the Resolution to Surplus and Sell will allow the Board to hold a public auction of vacant County-owned property at 790 and 800 Cornwall Street in Cambria. The sale will allow the net proceeds to be contributed toward the new, larger Cambria Library at 1043 Main Street to better serve the community of Cambria. This action will help the County to achieve a Communitywide Result of a Livable Community by promoting lifelong learning through improvements to our Library locations and programs.

ATTACHMENTS

1. Location Map
2. Assessor's Parcel Map
3. Fifth Amended Resolution of Intention to Sell
4. Bid Form
5. Resolution to Surplus and Sell
6. Grant Deed