



TO: T.C. Broadnax, City Manager
FROM: **Richard Price, Sr. Real Estate Officer**
Kurtis D. Kingsolver, P.E., Public Works Director/City Engineer */KDK*
SUBJECT: **Council Action Memo – Request for Resolution – January 7, 2014**
DATE: December 20, 2013

SUMMARY:

Public Works, Facilities Management, Real Property Services requests City Council to authorize a purchase and sale agreement and restrictive covenant with Advanced Technology Construction (ATC), for the sale of Swan Creek Library, located at 3828 Portland Avenue, in the amount of \$120,000 for the operation of a licensed construction company business office.

BACKGROUND:

The Swan Creek Library closed in January 2011 as a result of library budget cuts and costs associated with repairing the building.

In December 2011, the Tacoma Public Library (TPL) Board of Trustees recommended the City sell the Swan Creek Library and property for uses which would improve and enhance the community in which it is located. In January 2012, the City's Public Safety, Human Services, and Education (PSHSE) Committee concurred with staff's recommendation to sell the property via a competitive Request for Proposal (RFP) process which took into consideration the proposed future uses of the property as well as the monetary compensation offered by potential buyers. Further, the PSHSE Committee requested staff obtain feedback and input from the Eastside Neighborhood Advisory Council of Tacoma (ENACT) on the proposed RFP selection criteria. On February 21, 2012, and March 19, 2012, staff presented and solicited input on the RFP from ENACT.

On April 20, 2012, the RFP was published in the Daily Index and on the City's purchasing website. Also, notice of the Swan Creek Library sale was posted on the property, posted on a dedicated City web-page, emailed to over 500 persons and entities registered with the City's surplus directory e-mail service, and mailed to residents and owners located within a 1,000 foot radius of the Swan Creek Library. Although the City did receive some interest in the property, the City did not receive any proposals by the May 22, 2012 due date.

Following the RFP, City staff solicited input from parties that had shown interest in the property and modified the RFP by reducing the minimum bid amount and modifying certain terms. Thereafter, the City published a second RFP on June 15, 2012, with proposals due by July 24, 2012. Despite changes in the RFP, the City did not receive any proposals for the second RFP.

Following the first and second RFP's staff continued to solicit input and generate interest with respect to the property and ultimately decided to hire a real estate broker to assist in soliciting proposals for the sale of the property. A real estate broker was hired after being selected via a competitive Request for Quotes process. Represented by Kyle Prosser, First Western Properties was hired to list and market the property (Broker). From September 2012 through February 2013, the Broker worked diligently to market the property and solicit proposals for the acquisition. Despite hiring a Broker, the City still intended to review the proposals in



accordance with the selection criteria set forth in the preceding RFPs and via a Selection Advisory Committee (SAC) established pursuant to the RFPs. By late December 2012, the Broker had generated several legitimate offers to acquire the Swan Creek Library and City staff decided to convene an SAC consisting of three City staff, the Director of Tacoma Public Libraries, two representatives of the Eastside Neighborhood Advisory Council, and one representative of the First Creek Stewardship Group to review the proposals.

From January 18, 2013 to February 20, 2013, the SAC met four times to review and discuss the four proposals received for acquisition of the property. At one meeting, the SAC conducted in person interviews of three of the four proposers. The fourth declined to meet in person.

The proposals consisted of: 1) a person who wanted to turn the facility into private storage for collector vehicles; 2) an entity that wanted to buy the property speculatively for potential commercial leasing; 3) the adjacent church that wanted to conduct certain ministries at the facility; and 4) an entity that wanted to rehabilitate the property and lease it for operation as a day care center (Gill).

Each proposal was weighed against four criteria: 1) consideration offered; 2) alignment with vision and goals of neighborhood; 3) alignment with City's goal to be a safe, clean and attractive community; and 4) alignment with the City's planning and economic development goals. Forty percentage points were allowed for consideration offered, with the highest monetary offer being allocated the maximum consideration points available and all lesser offers being normalized against said high offer. Sixty percentage points were allowed for the remaining three criteria which deal with alignment with the Neighborhood and City's goals.

The highest score was awarded to Gill (578/740) for his comprehensive proposal to rehabilitate the property and activate it for operation as a day care center. Gill is a real estate broker and loan officer; his son and son's family reside in the Eastside Neighborhood and have for generations. Overall, the SAC felt that a day care center was needed in the neighborhood, would provide a direct community benefit, and that a for-profit commercial use was most consistent with the City's neighborhood goals and the City's economic development goals. Based on Gill's interview and his detailed proposal, the SAC also felt that Gill had the clearest plan and timeline both for rehabilitating the facility and ensuring that the property would be activated soon. On February 20, 2013, the SAC unanimously recommended that the City sell the Swan Creek Library to Gill.

All proposals offered considerably less monetary compensation than established by the appraisal at \$400,000 conducted in March of 2012. The monetary proposals ranged from \$140,000 to \$91,000. However, after taking into consideration approximately \$455, 218 in deferred maintenance needs for the facility (as estimated in 2009), the site constraints and limited potential uses for the facility, and the fact that the property has been on the market for ten months, City staff in consultation with the Broker were satisfied that these offers were within available market range.

On March 19, 2013, City Council authorized the execution of a purchase and sales agreement and restrictive covenant with 4 RentCheck.com, LLC for the sale of the Swan Creek Library for



consideration in the amount of \$91,000, for the intended use for operation as a daycare center. The purchase and sale agreement contained a 90 day feasibility period prior to closing. The purchase and sales agreement was fully executed on April 3, 2013.

Mr. Gill contacted the City and requested an additional feasibility time extension to obtain financing and close on the purchase of the Property. An Amendment to the purchase and sale agreement was granted and approved by City Council at its meeting on July 23, 2013 with the stipulation the property must close no later than September 16, 2013. Unfortunately, 4Rentcheck.com, LLC was not able to close the purchase of the property.

With the help of our Broker, another interested party came forward and expressed interest in acquiring the Property. The City received a letter of intent to purchase the library on October 14, 2013 in the amount of \$120,000. Advanced Technology Construction (ATC) is a minority-owned, disadvantaged, small business enterprise. The business was established in 1999 and has become the largest service disabled veteran owned small business general contractor in the Pacific Northwest. ATC is a full service general contractor and has 49 full-time employees (20% are veterans) with an annual payroll of roughly \$4M. Nearly two thirds of ATC's work is for the US Navy, Coast Guard, and Department of Veteran Affairs. ATC is currently headquartered in Renton, WA and is seeking a location more centrally located between Seattle, Bremerton and JBLM to better serve its clients.

ISSUE:

The Swan Creek Library has been vacant since January 2011. The City has attempted to sell this property for almost three years since closure. If the surplus property is not sold, there will be ongoing maintenance and holding costs associated with keeping this property. The 2009 Meng Analysis provided a Facilities Condition Assessment report showing approximately \$455,218 in deferred maintenance needs for the facility.

ALTERNATIVES:

The City could choose to sell to another bidder, or keep this property, but would need to allocate funds for its on-going maintenance and upkeep due to the backlog of deferred maintenance needs. The preferred alternative is to sell this Tier 2 property, already declared surplus to the needs of the City, to ATC via direct negotiated disposition. The bid received falls into the range of market value and RPS recommend its acceptance.

RECOMMENDATION:

Real Property Services recommends authorizing the negotiated disposition of Swan Creek Library to Advanced Technology Construction for the consideration of \$120,000 and requiring the purchaser to enter into the restrictive covenant.



SALE PROCEEDS:

Of the \$120,000 purchase price, the Brokers will split evenly a 6% commission and 5% of the monies derived from the sale must be deposited in the City's Community Development Block Grant (CDBG) Fund because of their investment in the property and applicable federal law. The remaining proceeds will be deposited in the City's General Fund. The Library Board of Trustees has requested that this money be allocated for the maintenance of Library facilities.

PROCEEDS:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Gross Sale Proceeds			\$120,000.00
Broker's Commission (6%)			(\$7,200.00)
TOTAL			\$112,800.00

* General Fund: Include Department

DEPOSITS:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1195- FGRT, CED Special Rev. (5% of Gross returned to CDBG)	GRT-00507	4345450	\$6,000.00
General Fund (remaining proceeds)	80017981	6411030	\$106,800
TOTAL			\$112,800.00

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
N/A			
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$112,800

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

Proceeds are from unanticipated sale of asset