



TO: T.C. Broadnax, City Manager
FROM: Kurtis D. Kingsolver, P.E., Interim Public Works Director/City Engineer / *KDK*
COPY: City Council and City Clerk
SUBJECT: Request for Resolution – Sale of Former Sector Four Police Substation – 3524 McKinley Avenue – October 29, 2013
DATE: October 11, 2013

SUMMARY:

This memorandum provides information on a proposed City Council action for October 29, 2013 to authorize the execution of a Purchase and Sale Agreement and Restrictive Covenant with Alan Lynden, for the sale of the former Sector Four Police Substation, located at 3524 McKinley Avenue, in the amount of \$285,000 to relocate Chuckals Office Products to the site.

BACKGROUND:

In 2010, the Police Department relocated its Sector Four police operations to a newly constructed substation located at Stewart Heights. In 2012, Animal Control moved its operations from this facility to Fleet Headquarters. This property is classified as a Tier 2 Property pursuant to the City's Policy for the Sale/Disposition of City owned General Government Real Property and will be sold via a competitive request for proposals process (RFP).

In order to prepare for the sale, staff conducted community outreach with the Eastside Neighborhood Advisory Council and the Dome Top Neighborhood Alliance. The Declaration of Surplus Property was approved January 30, 2013. Estimated market value was established at \$335,000 by an appraisal prepared by Kidder Mathews, dated January 30, 2013.

RFP Process

On April 4, 2013, the RFP was published in the Tacoma Daily Index and on the City's purchasing website. Also, notice of the Sector Four Substation sale was posted on the subject property, on a dedicated City web-page, e-mailed 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 substation. Although the City did receive some interest in the property, the City did not receive any responsive proposals by the June 4, 2013 due date.

Property is Listed by Real Estate Broker

Following the RFP, 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 Ray Schuler, Kidder Mathews was hired to list and market the property (Broker). From July 2 to September 3, 2013, through consultation with the Broker, the property was relisted for another 60 days at \$335,000. The Broker worked diligently to market the property and solicit proposals for the disposition of the property. Despite hiring a Broker, the City still received no responsive bids. After further consultation between City Staff and the Broker the decision was made to reduce the minimum bid to \$280,000 and extend the submittal due date to September 24, 2013 for receipt of responsive bids. The Broker received one responsive bid. However, based on the concerns of another potential bidder, the City extended the due date one additional week for submittal of responsive bids to October 1, 2013.



At the close of business October 1, 2013, the Broker received an additional responsive bid for a total of two responsive bids. City staff decided to convene the Selection Advisory Committee to review the proposals.

Selection Advisory Committee Review

The Selection Advisory Committee (SAC) is comprised of three City staff, two representatives of the Eastside Neighborhood Advisory Council and the Dome Top Neighborhood Alliance, and the Broker (non-voting). The SAC met on October 8, 2013 to review the responsive proposals. The proposals consisted of:

- 1) Relocation of an existing office supply business to the site, Chuckals Office Products (Chuckals), under a 20-year lease agreement with Alan Lynden, a principal of Chuckals. The proposal includes modification to approximately 40% of the building for storage and distribution of business products. The remaining space will be used for administrative office/retail type uses, with approximately 17.5 employees.
- 2) Relocation of an existing food bank currently operating in the immediate neighborhood. The Making a Difference Foundation (MADF) proposed to relocate the existing Eloise Cooking Pot Food Bank with a newly created McKinley Hill Business Center and McKinley Hill Business Accelerator. The proposed intent is to provide shared office space and business accelerator services in the front area facing McKinley Avenue.

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 City's planning and economic development goals. 40 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. 60 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 Alan Lynden (456/500) for his proposal to rehabilitate the property and activate it for operation as Chuckals. Overall, the SAC felt that Chuckals would be a good fit for the neighborhood, would provide a direct community benefit by siting an established business in an emerging business district, and that a for-profit commercial use was most consistent with the City's neighborhood's goals and economic development goals. On October 8, 2013, the SAC unanimously recommended that the City sell the Sector Four Police Substation to Alan Lynden.

Restrictive Covenant

If this resolution is approved and the sale agreement executed, Lynden will also execute a Restrictive Covenant encumbering the land, which requires him to use the property consistent with his proposal for a five year period or make a neighborhood reinvestment payment in lieu of such use and in accordance with a schedule provided in the Restrictive Covenant. This payment is intended to compensate the City for its losses in the event Lynden fails to make good on its covenant.



ISSUE:

The Sector Four Substation has been vacant since December 2012. The City has attempted to sell this property for six months. If the surplus property is not sold, there will be ongoing maintenance and holding costs associated with keeping this property. The facility condition assessment report (as estimated in 2009) shows approximately \$627,494 in deferred maintenance needs for the facility.

ALTERNATIVES:

The preferred alternative is to sell this Tier 2 property, already declared surplus to the needs of the City, to the highest bidder. The high bid received exceeds the minimum bid amount. 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.

SALE PROCEEDS:

Of the \$285,000 purchase price, the Brokers will split a 4.0% commission. Commission split would be 1.49% to seller's agent, Kidder Mathews, and 2.5% to buyer's agent. The remaining proceeds will be deposited in the City's PW Property Management account for the maintenance of other City owned properties/facilities.

RECOMMENDATION:

Real Property Services recommends authorizing the surplus sale of the Sector Four Police Substation to Alan Lynden for the consideration of \$285,000 and requiring the purchaser to enter into the restrictive covenant.

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1100 PROP, PW Property Mgt.	296000		(\$11,400)
Broker's Commission			
TOTAL			(\$11,400)

* General Fund: Include Department



REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1100 PROP, PW Property Mgt.	296000		\$285,000
TOTAL			\$285,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$11,400 (4% Broker's fees)

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes