



1 EXHIBIT "A"

2 **Policy for the Sale/Disposition of City-owned**
3 **General Government Real Property**

4 **A. Background**

5 The City owns a variety of properties to meet its objectives, including properties which
6 site City buildings and facilities, parks, open spaces, tidelands, and rights-of-way. The
7 City also owns properties which support specific community programs such as
8 libraries, senior centers, public assembly facilities, and centers for performing arts.
9 Further, the City owns certain properties which the City has either acquired or retained
10 ownership for the specific purpose of redevelopment or for partnering with the private
11 sector to redevelop. Lastly, the City owns certain properties which it has acquired over
12 the course of the past 128 years since incorporation, and for which the City no longer
13 has an interest in retaining ownership.

14 Overall, the City should retain properties which meet its property ownership objectives
15 and sell properties which do not.

16 **B. Guiding Principles for the Sale of City-owned Property**

- 17 1. The City should retain ownership of properties necessary for conducting its
18 business operations, supporting community and economic development
19 initiatives, and for the preservation of public spaces and open space.
- 20 2. The City should endeavor to sell those City-owned properties which do not
21 meet the City's property ownership objectives. Among the City's goals in
22 property dispositions are: private development which meets the City's economic
23 development objectives, development of affordable housing, historic
24 preservation, and increasing density and improving walkability in support of the
25 City's Comprehensive Plan objectives.
- 26 3. The City has three established processes for selling City-owned property: (1)
direct negotiated disposition; (2) request for proposal process; and (3) bid sale
to the highest bidder. Having several tools for the sale of City property gives
the City useful options and flexibility when selling property to meet the needs of
the City and community.
4. City staff should *classify* its properties to be sold in order to help guide the
determination of which sale process should be utilized for selling specific City
properties. This classification is helpful because the City owns a variety of
properties with varying levels of value and interest to the City and community.
In sum, not all properties need to be sold the same way.
5. The City should establish appropriate processes for notifying the City Council
and the public prior to selling property. This notification will vary based on the
classification of the property. This process shall be transparent to the Council
and the public.



1 **C. Property Classification**

2 Property that has been identified for sale or transfer will be classified into three tiers
3 with differing policy objectives. City staff will develop and maintain processes for each
4 property tier that are consistent with the policy objective.

5 **Tier 1** properties are generally those properties that: (1) are strategically located in the
6 downtown or a mixed-use center with high visibility; (2) are high value (greater than
7 \$500,000) and sizable (one-third of an acre or greater); (3) have the potential to
8 generate a high level of community interest due to substantial neighborhood or
9 City-wide impact that may result from their development; and (4) can be instrumental in
10 meeting the City's economic development goals and/or in implementing its key policies.

11 Overall goals for sale of these properties will be to achieve a reasonable return on
12 investment through such outcomes as: generate new property taxes, sales tax,
13 business and occupation taxes, and other taxes, generate new family wage jobs,
14 catalyze new private investment and/or leverage existing public facilities, minimize
15 public liability, implement City master plans, encourage density, and promote
16 sustainability.

17 **Tier 1 Disposition:** The process for property disposition will generally involve
18 outreach and high levels of participation. The Request for
19 Qualifications/Request for Proposals approach will be the preferred method of
20 disposition. Exceptions to this policy may include property sales to other public
21 entities and property transfers which are the result of public-private
22 development partnerships – in these situations, the property will likely be
23 conveyed via the direct negotiated disposition process.

24 The City will maintain an inventory of Tier 1 properties and the City's associated
25 objectives through its economic development strategy. Additional guidance on direct
26 negotiation is found in Section D of this policy.

27 **Tier 2** properties are those properties which have some development potential, are
28 important to the surrounding neighborhood, and have a value greater than \$250,000,
29 but have no significant alignment with the City's economic development interests or
30 other City goals and policies.

31 Overall goals for sale of these properties will be to support goals and strategies of
32 applicable neighborhood councils and neighborhood business districts through such
33 outcomes as: increase affordable housing, improve the quality of life and property
34 values in the neighborhood, improve walkability, foster a safe environment for
35 residents, reduce crime and blight in the community, and increase tax revenue for the
36 City.

37 **Tier 2 Disposition:** Because of the importance to community stakeholders,
38 Tier 2 properties will likely be sold via a Request for Proposals or negotiated
39 disposition process to put the City in a better position to influence the future



1 use(s) of the property. Because of potential community impacts and interest,
2 there will be opportunities for community feedback and outreach and the City
has a vested interest in influencing the future use(s) of the property.

3 **Tier 3** properties are those properties which may be important to the adjacent or
4 surrounding property owners but have a minimal level of interest to the community at
5 large. Tier 3 properties will be sold to minimize the City's liability and turn ownership
6 back the private sector or to public partners. These properties include: remnant
7 parcels that have little or no financial value and may negatively impact the adjacent
8 owner; properties that would only be considered for acquisition by abutting neighbors;
9 vacant City parcels that have no operational, development, or open space potential to
10 the City; properties that by virtue of their location or functionality would be better owned
11 by another government agency; and other properties which have little financial value.

12 Overall goals for sale of these properties will be to reduce City liability for property
13 maintenance and operations, return underutilized properties to the tax rolls and private
14 ownership, and initiate sale and development that encourages improvement for the
15 neighboring residences.

16 **Tier 3 Disposition:** Tier 3 properties will likely be sold by direct negotiated sale
17 when selling to neighbors. In most other cases, Tier 3 properties will be sold
18 via bid-sale to the highest bidder. Because of the limited impact of these
19 property sales, community outreach efforts will generally be more direct and
20 limited.

21 **D. Guiding Principles for Direct Negotiated Dispositions**

22 City code allows the City, upon City Council authorization, to approve the negotiated
23 disposition of real property (see TMC 1.06.280). This authority provides the City with
24 substantial flexibility to sell property to governmental and nonprofit agencies, adjacent
25 property owners, and public-private development partners. While competitive selection
26 for surplus sales is ordinarily preferred, there are circumstances where direct
negotiation is in the best interests of the City. In considering whether a direct
negotiated disposition should be pursued, City staff will consider the following
guidelines, ranked in order of procedural clarity:

1. The City should consider selling surplus property directly to adjacent/abutting property owners when the adjacent/abutting property owner(s) are the only feasible or likely candidates for acquisition and when selling to another party would have significant detrimental effects to the adjacent/abutting property owners; and when selling to the adjacent/abutting property owner(s) will allow for expansion and development of a profit or nonprofit enterprise increasing economic and community improvement opportunities within the City; and further when said sale is an ancillary component of a street vacation.
2. The City should consider selling surplus property directly to other governmental agencies and nonprofit agencies when the proximity or functionality of said surplus property improves the ability of the organization to achieve its mission



- 1 and where the City can achieve economic benefit through an increase in sales
2 tax, admissions tax, or other revenues.
- 3 3. The City may transfer property to a City-formed Public Development Authority
4 to develop according to a City-approved plan or development strategy.
- 5 4. Where feasible, the City should consider selling surplus property suitable for
6 housing directly to governmental and nonprofit agencies who will repurpose the
7 property to include affordable housing, or to negotiate components of affordable
8 housing in sale documents or development agreements.
- 9 5. The City should consider selling surplus property directly to a private
10 development partner when the conveyance of the property is an element of a
11 public-private partnership agreement between the City and a third party that
12 has been approved by the City Council and is necessary to achieve the desired
13 development; and when (even if the City is not a development partner) the
14 development will help the City achieve its economic development goals and is
15 more suitable than existing alternatives and potential partners.
- 16 6. In the circumstance where the City has previously completed a Request for
17 Proposals process and an acceptable proposal was not received, the City may
18 directly or through a third-party agent contact potential developers/investors
19 and directly negotiate a sale.
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