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by City Manager's Office
Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Peter Jensen
General Services Director

**SUBJECT: VALUATION OF CITY-OWNED
PROPERTY – DANIEL WAY**

DATE: 02-12-10

Approved

Date

2/16/10

INFORMATION

At its meeting of January 26, 2010 the City Council approved the sale of City-owned property, Assessor Parcel 274-22-002, located at the southeast corner of Daniel Way at Forest Avenue. During the Council meeting, there was a discussion on the valuation of the property. This memo provides additional information on how that valuation was achieved.

The action brought forward to the City Council was a result of the ongoing assessment of all City properties by the General Services Real Estate Services and Asset Management (RESAM). During this assessment, each property is being evaluated for its current or potential use for a City core service, the potential value of the property for lease or sale, and the ongoing expenses associated with retaining the property. Properties that do not meet future need have been or will be recommended for surplus. The Council declared this property surplus on April 7, 2009.

Twelve of the properties the Council declared surplus in April and June 2009 were assigned to three different real estate brokerage companies for disposition. The Daniel Way property was assigned to Grubb & Ellis Company. Grubb & Ellis undertook the valuation of this property, and the valuation was then reviewed and approved by the Real Estate Services and Asset Management Division.

In valuing the property, several important factors are considered. The first is the nature of the property, as shown on the attached map and satellite picture. Large portions of this property are unusable or extremely limited in their use. These areas are summarized as:

- **Street and Sidewalk** – 30% of the parcel consists of a portion of Forest Avenue and its sidewalk.
- **Slope** – 25% of the parcel is steeply sloped, and contains pine trees that overhang Forest. The maintenance responsibility for these trees will move from the City to the property owner. The slope also includes a public stairway, which remains the City's responsibility.

- **Flat Area** - The remaining 45% of the parcel is flat and adjacent to the backyard of the adjoining property. However, this portion has three large redwood trees that inhibit the use of the property as well as a PG&E easement that further limits usage.

The chart below shows the methodology Grubb & Ellis used in its valuation, and lists the factors that contributed to reducing the market value.

Valuation Factor	Effect on Valuation	Total Value after Factor is Considered
Comparable property (calculated on land only portion of comparable lot)	Initial	\$27.11/sf Total = \$193,755
Not independently developable, doesn't add additional development potential for adjacent owner	Reduces remaining value by 95%	\$1.36/sf Total = \$9,720
Significant maintenance needs (removal of trash and debris from adjacent I-880 and streets, sprinkler repair, potential trespassing nuisance)	Reduces remaining value by 75%	\$0.34/sf Total = \$2,430
Public use of stairway	Reduces remaining value by 50%	\$0.17/sf Total = \$1,215
Fencing needed along slope to keep pedestrians off	Reduces remaining value by 50%	\$0.09/sf Total = \$643

Staff believes this third party valuation of the site was fair, and that the chief value to the City of the transaction is a significant decrease in the cost of maintenance and obligations to address inappropriate uses of the land.


 PETER JENSEN
 General Services Director

N. DANIEL WAY

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OWNED BY:
WILCOCK

SIDEWALK

CONCRETE WALKWAY

FLAT AREA
(ENCUMBERED BY TREES)

5' PUBLIC UTILITIES EASEMENT

ASSESSOR PARCEL NUMBER 274-44-002
OWNED BY: CITY OF SAN JOSE
SLOPE

2:1 SLOPE

STAIRS

CURB, GUTTER, & SIDEWALK

STREET AND SIDEWALK

FOREST AVE.

