



City of Placerville MEMORANDUM

DATE: March 25, 2008

TO: City Council

FROM: John Driscoll, City Manager/City Attorney

SUBJECT: **SALE OF OLD CITY HALL**

RECOMMENDATION

That the City Council take the following actions:

1. Receive, file and approve the appraisal report of Bender Rosenthal, Inc. for the Old City Hall Building (the Property);
2. Direct staff to request proposals and qualifications from commercial real estate brokerage firms for listing the Property;
3. Direct staff to, within 45 days, select a commercial real estate brokerage firm to market the Property;
4. Execute a listing agreement with such firm for the sale of the Property at a price not less than the appraised fair market value with a 6% commission;
5. Direct that the Property be sold "as is" with the following conditions:
 - a) Utilities for the public restroom and the City Hall parking lot be separated from the Property;
 - b) The boundary line be adjusted so that the public restroom and City Hall parking lot be separate from the Property;
 - c) The Property shall include the "stacked" parking and parking area directly adjacent to and behind the Old City Hall building;
 - d) The sale of the Property shall include a façade preservation easement to ensure that the historical nature of the Property is preserved;
 - e) Easements for the maintenance of the existing camera and for the Main Street banner.
6. Direct staff to commence proceedings to designate the Property as a historical building in a historic district pursuant to City Code Section 10-4-10 within the Central Business District (CBD) zoning designation;
7. Direct that the funds from the sale of the Property be placed in the Economic Impact Reserve Fund; and
8. Direct staff to report back to the Council as a staff report agenda item with a status report at future Council meetings until the close of escrow for the sale of the Property.

BACKGROUND

Attached to this staff report is a memo from Councilmember Rivas requesting that the matter be agendized for further Council action. Also attached to this report is a copy of the appraisal report from Bender Rosenthal, Inc. for the Old City Hall building (the Property). The administrative draft of the appraisal was received by staff approximately six weeks ago. After reviewing the draft and meeting with the appraisers, several revisions and corrections were made to the appraisal. Councilmember Rivas' memo is timely as the final draft of the appraisal was received approximately two weeks ago and staff planned to bring this matter to Council for further action at this time.

The history of what to do with the Property and its marketing is well documented in Councilmember Rivas' memo. After meetings with the Blue Ribbon Committee and Council direction, staff prepared a RFP requesting proposals for either the lease or purchase of the Property. The RFP was modeled after ones which had been done by jurisdictions relating to historical properties. The RFP was distributed approximately one year ago. Only one response was received. In response to the proposal from Dave Machado and Roger Klemm, the Blue Ribbon Committee was reconvened. The input from the Committee as well as Machado and Klemm was that the RFP was too detailed and needed to be simplified. After waiting for additional input from Committee members, staff revised the RFP and it was distributed last fall. As with the first RFP, it was distributed to all parties who had expressed an interest in the Property, as well as realtors in El Dorado County, Sacramento, San Francisco and Los Angeles. It was also noticed in the Business Journal.

Unfortunately, no additional responses were received. However, while the second RFP was being circulated, staff continued to follow up on the proposal by Machado and Klemm. One of the items requested in that proposal was a new appraisal, as Machado and Klemm felt the first appraisal was too high and inaccurate. Proposals were sought for an updated second appraisal. Bender Rosenthal (Rosenthal) were selected as the most qualified for the appraisal. Rosenthal had considerable experience in appraising historical buildings and were well recommended. The final appraisal report is now before the Council for receipt, file and approval. Staff understands that Machado and Klemm are no longer interested in acquiring the Property.

DISCUSSION

Staff has reviewed the appraisal in detail. We have discussed the comparable sales and income approaches used by Rosenthal and feel that they are appropriate. We have confirmed the square footage and assumptions utilized in the report. The appraisal concludes that based on both an income approach and a comparable sales approach, the market value of the Property is one million dollars (\$1,000,000). However, fair market value is defined as what a willing seller will sell for, and what a willing buyer will pay. Therefore, the actual value will only be verified in the marketplace. Staff is therefore recommending that the appraisal be approved for the purpose of listing the Property for sale.

Staff has attempted to market the Property through the RFP process for over a year without success. Staff agrees with Councilmember Rivas' recommendation that the Property should be

marketed by listing it with a qualified commercial real estate brokerage firm. Even though the previous RFP provided for a real estate commission, actually listing the Property with a broker should produce more interest and incentive in finding interested and potential buyers. Staff also agrees that the real estate commission should be six percent as opposed to the customary ten percent for commercial property. In the present real estate climate, it is not unusual to see negotiated commissions at less than the customary amount.

One of the assumptions in the appraisal was that the Property boundaries would be adjusted so that the public restroom and the City Hall parking lot would be a separate parcel from the Property and would not be part of the area offered for sale. The appraisal also assumed that the “stacked” parking and the stalls directly adjacent to and behind the Property would be included with the Property. In order to complete any sale, staff will have to prepare the appropriate boundary line adjustments. Additionally, the utility services to the property will have to be separated from those for the public restroom and the parking lot.

The appraisal also assumed that there would be a facade preservation easement required as part of any sale of the Property. This document can be prepared while the sale is in escrow. There is a sample form of such an easement attached to the appraisal. This easement is important in order to ensure that the Property retain its historical character. Additionally, Councilmember Rivas has requested that the property be designated as a historical building and constitute a historical district within the current CBD zone pursuant to City Code Section 10-4-10. This will add an additional safeguard in preserving the historical character of the Property and may facilitate a potential buyer in obtaining tax credits for restoration work.

There are two other conditions that should be included in any sale. The Property is the location for one of the cameras in the downtown area along Main Street. An easement for the continued placement and maintenance of the camera should be negotiated as part of any sale. The Property is also used to support the Main Street banner, and continued use of the Property for that program should be negotiated as part of any sale.

Councilmember Rivas is recommending that proceeds from the sale of the Property be placed in a special account for the purpose of acquiring a new Public Safety Building. While the funds could ultimately be used for that purpose, staff does not agree with the idea of “earmarking” the funds for that specific purpose at this time. When the current City Hall was purchased, the funds came from the Economic Impact Reserve Fund. That fund has been used for capital acquisitions as well as a reserve to weather rough economic times. Given the uncertain economic times, it would seem prudent and logical to replenish that fund with the proceeds from the sale of the Property. The current balance of the fund is approximately nine hundred and twenty-four thousand dollars (\$924,000). Staff has and will continue to explore all options for a new Public Safety Building. Once either a site is located or a plan to use the existing site is determined and a financing plan developed, the proceeds could be used for acquisition and/or financing purposes.

FISCAL IMPACT

As discussed above, the sale of the Property will produce funds that could be used to replenish the Economic Impact Reserve Fund and be available for possible use a new Public Safety Building. Based on the appraisal, the sale of the Property should net proceeds in the vicinity of one million dollars (\$1,000,000).

Respectfully submitted,

Reviewed for fiscal impact:

John Driscoll
City Manager/City Attorney

David Warren
Finance Director