



Agenda Item No. \_\_\_\_\_

File Code No. 330.03

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** May 15, 2012

**TO:** Mayor and Councilmembers

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Contract For Professional Services For The Listing And Sale Of Excess City Properties

**RECOMMENDATION:** That Council:

- A. Authorize the Public Works Director to execute a contract with Goodwin & Thyne Properties for listing and sale of the excess residential City-owned properties known as 136 West Haley Street, 306 West Ortega Street, and 309 West Ortega Street; and
- B. Authorize the Public Works Director to execute a contract with Hayes Commercial Group for the sale of the City-owned commercial property known as 20 South Milpas Street.

**DISCUSSION:**

The excess residential City-owned properties at 136 West Haley Street, 306 West Ortega Street, and 309 West Ortega Street, were acquired by the City in connection with improvements related to the Haley/De La Vina Streets and Ortega Street Bridge Replacement Projects. These properties have previously been declared excess by the City and are subject to disposal under Government Code 54220. The properties were acquired utilizing project grant funding due to their proximity to the bridge construction and the potential of being damaged during construction. Each property has been inspected and repaired as appropriate and, as such, is ready to be sold at auction as excess City property.

The excess commercial City-owned property at 20 South Milpas has also been declared excess, and having now complied with Government Code 54220 requirements, the City is now also ready to dispose of this property. The Milpas property is an undeveloped parking lot that has been owned by the City since 1960. It has served primarily as customer parking for the adjacent improved commercial property under a long-term lease with the United States Postal Service, serving the Milpas Street Post Office for many years. In 2008, the post office relocated, and the parking lot was sublet by the

United States Postal Service to another business tenant until 2011, when the lease with the City expired.

Proposals were solicited from seven realtors in the County of Santa Barbara. Five of the seven firms were reported by the Santa Barbara Association of Realtors to be the top residential realtor firms, based on the total number of completed residential sales transactions and the total dollar volume of residential sales transactions. These five firms offer combined residential and commercial realtor services. Two of the seven firms are recognized local commercial realtor specialists. Staff expects that the hiring of the realtors will result in maximizing the sale proceeds of the properties through professional real estate company marketing that includes the use of the Multiple Listing Service and all other resources available for sales by the selected realtors. This additional marketing will be in conjunction with the City's required public bid/auction sale process, as mandated by the Santa Barbara Municipal Code. The expectation is that the higher level of professional real estate sales services will gain wider exposure to potential buyers, and subsequently result in higher prices being bid and in the best future use for the properties.

Staff is recommending that the City enter into a contract with Goodwin & Thyne Properties as residential real estate sales specialists for the sale of the excess residential City-owned properties on Haley and Ortega Streets. Goodwin and Thyne Properties has proposed receiving a commission of 1.5 percent for their services, while recommending a 2.5 percent commission be offered to the potential buyer's realtor, for a total of 4 percent sales commission. A common industry standard for best sales results is for the seller's and buyer's realtors to receive a 3 percent commission each, for a total of 6 percent. The lower 4 percent commission looks appropriate due to the nature of the properties being sold via a public bid auction sale process, which is anticipated to reduce the time a realtor could spend finalizing a property sale. This was the lowest commission of the proposals received.

Additionally, staff recommends hiring the Hayes Commercial Group (Hayes) for the sale of the 20 South Milpas Street property, which is a unique sale due to its size and configuration. Staff believes Hayes will provide the highest service and commercial market exposure as compared to the other Realtors that submitted proposals. Of the seven proposals received, Hayes and Radius Commercial Real Estate & Investments (Radius) both specialize in the sale of commercial property. Radius withdrew their proposal leaving Hayes as the lead candidate for the sale of the 20 South Milpas property. Hayes proposed a 3 percent commission earned for the buyer and seller realtors, for a total of 6 percent gross sales commission. Conventional commercial realtor services are expected to attract additional buyer interest, due to the more unique site limitations for the 20 South Milpas property.

#### **BUDGET/FINANCIAL INFORMATION:**

The actual cost of sales and the net proceeds will be determined by the final sales prices obtained through the public auction sales. It should be noted that all shared realtor costs and other sale expenses will be paid from the property sale transactions

when the sale is completed at the close of escrow. Since the residential properties were purchased with Highway Bridge Program funds, the net proceeds received by the City from the properties sold can only be used on eligible federal projects. As a result, these proceeds will be placed in a Streets Capital Bridge Project fund to be established for use as matching funds for future federally funded bridge replacement projects. However, net proceeds from the 20 South Milpas Street sale will go into the City's General Fund to be used as determined by Council.

The table below summarizes the approximate anticipated sales prices to be realized and the associated realtor sales costs.

**Goodwin & Thyne Properties - Residential Excess City Properties**

	<b>136 West Haley</b>	<b>306 West Ortega</b>	<b>309 West Ortega</b>	<b>Commission</b>	<b>Totals</b>
Estimated Sale Price	\$334,000	\$264,333	\$405,166		\$1,003,469
Realtor Seller Commission at 1.5%	\$5,010	\$3,965	\$6,077	\$15,052	
Realtor Buyer Commission at 2.5%	\$8,350	\$6,608	\$10,130	\$25,087	
Total Commission	\$13,360	\$10,573	\$16,207		(\$40,140)
<b>Estimated Net Sale Proceeds</b>	<b>\$320,640</b>	<b>\$253,760</b>	<b>\$388,959</b>		<b>\$963,359</b>

**Hayes Commercial Group - Commercial Excess City Property**

<b>20 South Milpas</b>	<b>Commission</b>	<b>Totals</b>
Estimated Sale Price		\$725,000
Realtor Seller Commission at 3%	\$21,750	
Realtor Buyer Commission at 3%	\$21,750	
Total Commission		(\$43,500)
<b>Estimated Net Sale Proceeds</b>		<b>\$681,500</b>

The associated sales cost for the residential property listings is estimated at \$40,140 based on the anticipated sale prices of the properties. A similar cost determination has been made for the commercial property, with a cost of \$43,500.

Given the recognition of the benefits of professional real estate sales advertising and marketing has in obtaining the highest potential sales proceeds and anticipated best use for these properties, staff recommends approval of these contracts.

**PREPARED BY:** John Ewasiuk, Principal Civil Engineer/DT/mj

**SUBMITTED BY:** Christine F. Andersen, Public Works Director

**APPROVED BY:** City Administrator's Office