



## Fremont City Council

3300 Capitol Avenue  
Fremont, CA 94538

**SCHEDULED**

Meeting: 06/07/16 07:00 PM

Div/Dept: Public Works

Category: Property Acquisitions & Dispositions

### STAFF REPORT (ID # 2636)

Sponsors:

DOC ID: 2636

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## **SALE OF DECOTO ROAD PROPERTY - Approve Sale of City Property at 4178, 4194 and 4268 Decoto Road to SiliconSage Builders LLC in the amount of \$32,000,888 and Authorize the City Manager to Execute a Purchase and Sale Agreement. Exempt from CEQA Review per CEQA Guidelines Section 15312 (Surplus Government Property Sales)**

### **Contact Persons:**

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**Executive Summary:** The purpose of this report is to request City Council approval of the sale of a 9.59 acre surplus property, located on Decoto Road, southwest of Fremont Boulevard. Proceeds from the sale will be used to support Downtown/Civic Center initiatives consistent with the Surplus Property Disposition Plan approved in 2013.

**BACKGROUND:** In 2011, the City updated the General Plan where policies to address future population growth were identified. These policies call for a transition from Fremont's auto-oriented suburban community to a strategically urban environment. Two initiative project areas, the Downtown and Warm Springs districts, were identified by the City Council as areas designated to accommodate future growth through higher densities, innovative infrastructure, cohesive and connected transportation systems, and vibrant urban centers.

Subsequently, the City completed a financial analysis and identified several City properties that could be sold to fund these initiatives. Ten properties were designated as surplus properties, including the subject property on Decoto Road. On October 8, 2013, the City Council approved the Surplus City Property Disposition Plan, directed staff to dispose of the properties, and approved the appropriation of sale proceeds to the Downtown and Warm Springs initiatives.

In the past, the properties have been designated for use in connection with different proposed transportation improvement projects. On September 22, 1981, the City Council adopted Resolution No. 5203 to amend the General Plan to re-designate properties located along the Alameda County Flood Control Channel between Decoto Road and Fremont Boulevard from Freeway (for Route 84) to Retail Commercial and Decoto Road Bypass.

In 1986, the Historic Parkway project on Route 84 was included in the Alameda County Measure B Expenditure Plan, which was to provide an improved link between I-880 and Route 238 (Mission Boulevard) in the cities of Fremont, Newark and Union City. The planned improvements included a combination of new roadways and improvements to existing roadways and intersections in the corridor between the I-880/Decoto Road interchange and the planned intersection at Mission Boulevard (Route 238).

On January 23, 1989, the City acquired the 9.59 acres of land at 4178, 4194 and 4268 Decoto Road for the future State Route 84 Historic Parkway project.

In January of 2007, Alameda County Transportation Authority (ACTA), Caltrans, and the cities of Union City and Fremont signed a Memorandum of Understanding for local roadway improvements in Fremont and Union City. An alternative set of improvements was identified and included as Amendment No. 2 to the 1986 ACTA Sales Tax Expenditure Plan. The amendment sought to replace the Historic Parkway project. The Highway 84 extension project has since been rescinded, and was replaced by the East-West Connector Project. Various route alternatives were proposed in 2007. The final decision was to improve Decoto Road between I-880 and Paseo Padre Parkway in Fremont, and therefore, the City's Decoto Road property is no longer needed for the road project. The City Council declared the property surplus land on October 8, 2013.

The Decoto Road property was originally improved with three single family residential houses. Due to vandalism and the high costs of maintenance, all three houses were demolished in 2012. Regan Nursery, a commercial nursery, has been leasing a portion of the Decoto Road property since 1992, with the understanding that the use is temporary at this location. Their lease will expire on December 31, 2016. .

The current General Plan land use designation for each of the three properties is Commercial – Mixed Use and the zoning designation is Thoroughfare Commercial (C-T), which allows a range of commercial and mixed uses. On April 14, 2014, the City Planning Commission made a finding as required by Government Code section 65402, that the location, purpose and extent of the proposed disposition of this property is in conformance with the General Plan.

**DISCUSSION/ANALYSIS:** Pursuant to Government Code Section 54222, a written notification regarding the availability of the Decoto Road surplus property for purchase was sent to specified entities for low- and moderate-income housing, park and recreational and school purposes. One letter of interest from a housing sponsor was received but it was withdrawn.

In January 2016, after the 60-day notice period expired, a Notice to Bidders was published in the local Tri-Cities Voice newspaper and staff sent the Notice via email to the City's interested party list. Staff also posted "For Sale" signs at the property, and conducted a tour of the site for interested parties. On February 18, 2016, an oral auction was conducted, but no bids were received.

After reviewing the outcome of the first auction with staff and members of the development community, staff, in collaboration with the City Attorney's Office, made minor process modifications which included requesting sealed written proposals from buyers and changes to the terms of escrow in the purchase and sale agreement, providing a longer escrow period to enable the preparation of a private development project for the site. On March 22, and March 29, 2016, the City re-advertised the Notice to Bidders in the local Tri-Cities Voice newspaper. Thereafter, staff emailed the Notice to Bidders to the interested party list on March 24, April 5, and April 18, 2016.

On May 10, 2016, City staff conducted a public bid opening with a minimum bid set at the appraised value of \$28,000,000. Three sealed bids were received. The highest bid of

\$32,000,888 was received from SiliconSage Builders LLC. The price offered is \$4,000,888 over the established minimum bid. Staff has reviewed the results of the bidding and recommends acceptance of the high bid. Staff further recommends that the City Council accept the high bid and authorize the City Manager, or his designee, to execute a Purchase and Sale Agreement, Deed and all other documents related to the sale of the Decoto Road surplus property to SiliconSage Builders LLC.

If the City Council accepts the high bid, escrow will open and the buyer's 60 day due diligence period begins. The buyer has deposited a \$200,000 good faith deposit with the City for the property. Seven business days after approval of the sale by the City Council, the buyer will deposit in escrow an additional \$440,017.76 to increase the deposit to 2% of the purchase price, and by February 28, 2017, the buyer will increase the deposit amount in escrow by an additional \$960,026.64, for a total deposit of \$1,600,044.40 (5% of the purchase price). Close of escrow is estimated to be in mid-September of 2017.

**FISCAL IMPACT:** Pursuant to City Council direction, proceeds from the sale of the Decoto Road property will be appropriated to 501PWC8520, Downtown/Civic Center Plan. These funds will enable the City to continue its implementation of initiatives in the Downtown/Civic Center area. Staff recommends that Council also appropriate the lease payments from Regan Nursery made during the 2015/16 fiscal year through the end of the lease term to the Downtown project 501PWC8520.

**ENVIRONMENTAL REVIEW:** The sale of this property is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15312 as the sale of surplus government property.

**ATTACHMENTS:**

- Draft Real Property Purchase and Sale Agreement
- Grant Deed

**RECOMMENDATIONS:**

1. Find the sale is exempt from California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15312 (Surplus Government Property Sale).
2. Approve the high bid for the City surplus property at 4178, 4194 and 4268 Decoto Road in the amount of \$32,000,888.
3. Authorize the City Manager, or his designee, to execute the Real Property Purchase and Sale Agreement, Deed and all related documents necessary to complete the sale and conveyance of the property at 4178, 4194 and 4268 Decoto Road to SiliconSage Builders LLC or its assignee.
4. Appropriate the proceeds from the sale of the Decoto Road property to 501PWC8520, Downtown/Civic Center Plan.
5. Appropriate the lease payments received from Regan Nursery during the 2015/16 Fiscal Year and through the term of its tenancy to the Downtown project 501PWC8520.