SALE OF CITY-OWNED PROPERTY LOCATED AT 314 NORTH PILGRIM STREET TO THE CHILDREN’S HOME OF STOCKTON FOUNDATION

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Deeming the real property located at the 314 Pilgrim Street (APN 151-120-32) as excess;
2. Authorizing the sale of the property to the Children’s Home of Stockton Foundation; and,
3. Authorizing the City Manager to execute the purchase agreement and any related documents.

Summary

In 2002, the City of Stockton acquired the property at 314 Pilgrim Street (Attachment A - Vicinity Map and Attachment B - Aerial Map) through a foreclosure sale as the holder of a second mortgage on the property. The purpose of the second mortgage was for the rehabilitation of the home. After the owner passed away, the heirs to the property allowed it to go into default and the City purchased the home from the first mortgage holder to protect its interest in the property. The City has received an offer from the Children’s Home of Stockton Foundation to purchase the property in an “as is” condition for $35,000.

DISCUSSION

Background

In October 1990, the City of Stockton granted a CDBG deferred-payment, residential rehabilitation loan in the amount of $30,000 for repairs to the single-family home located at 314 N. Pilgrim Street. The property owner passed away and the heirs stopped making payments. On December 2, 2002, the City acquired the property from the first mortgage holder through foreclosure proceedings. The City has been maintaining the property since then. The property consists of an approximate 834 square foot home on a 2,400 square foot lot. Presently, the home is in need of repairs to allow for decent, safe, and sanitary occupancy (Attachment C - Property Photograph).

Present Situation

Administrative Directive HRD-02 requires that staff review the property for both future and present use, as well as the ability to develop the site.

Staff reviewed the use of the property and the surrounding neighborhood to determine what is in the best interest of the City and concluded that the sale of 314 N. Pilgrim Street was in the best interest of the City since the Children’s Home is located in the area and has expressed a desire to use the
property for future expansion of its services. Additionally, selling the property will reduce the City’s maintenance and property tax expenses.

Normally, Government Code Section 54220 requires notice to public agencies; however, there is an exemption to this requirement for the sale of property that is less than 5,000 square feet. Since the subject property is below the square footage requirements at only 2,400 square feet, it is exempt from noticing requirements.

Administrative Directive HRD-02 allows for a member of the Real Property division to perform a staff estimate in cases where the property value is nominal, as was determined in this instance. Staff estimated the property value by reviewing comparable sales. The properties analyzed included sales within the general area of the Pilgrim Street property. All sales that were available were in good condition and habitable. Analysis showed that residential values in this area range from $54 per square foot to $72 per square foot.

The subject property which consists of an approximate 834 square foot home is not habitable at present due to deteriorating conditions and lack of utilities available to the structure. Based on its location and the fact that the existing building is in need of extensive repair to allow for occupancy, adjustments were made to the estimated value. The property appears to have a value of $39 to $42 per square foot after adjustments for the condition of the home. Therefore, staff determined the market value of the property to be $35,000 in its “as is” condition. The Children’s Home Foundation has agreed to purchase the property for market value, subject to the utility easement limitations. Staff recommends that the property be deemed excess and sold to the Children’s Home of Stockton Foundation.

Notification

As required, a “Notice of Intent to Grant or Sell Real Property Interest” in accordance with the provisions of Article V, Section 510, of the Charter of the City of Stockton was advertised in the legal notice section of The Record on April 25, 2014.

ENVIRONMENTAL CLEARANCE

It has been determined by the Community Development Department that this action/project is exempt from the requirements of the California Environmental Quality Act (CEQA) and has been granted a “Categorical Exemption” under Article 19 and, specifically by Section 15312, Class 12 of the State CEQA Guidelines. In accordance with Section 65402 of the Government Code, the Community Development Department further determined that this project/action conforms to the City’s General Plan designation for the site and with the General Plan Policy Document, as amended.

FINANCIAL SUMMARY

Upon close of escrow, the gross amount of $35,000, less approximately $3,300 for escrow closing costs, advertising, and filing fees for the Notice of Exemption, will be deposited into the CDBG Sale of Miscellaneous Property/Real Property-Foreclosure Account No. 054-0000-375.01-05.

Attachment A - Vicinity Map
Attachment B - Aerial Map
Attachment C - Property Photograph