



STAFF REPORT

AGENDA NO: 9n

MEETING DATE: July 7, 2025

To: Honorable Mayor and City Council

Date: July 7, 2025

From: Jeremy Kirshner, Assistant to the City Manager – (650) 558-7229
Lisa Goldman, City Manager – (650) 558-7243
Michael Guina, City Attorney – (650) 558-7204

Subject: Adoption of a Resolution Declaring One or Both Parcels Composing Parking Lot H as Surplus Land Pursuant to the Surplus Land Act and Authorizing the City Manager to Prepare, Publish, and Distribute a Notice of Availability for One or Both Parcels

RECOMMENDATION

Staff recommends that the City Council adopt a Resolution declaring one or both parcels composing parking lot H as surplus land pursuant to the Surplus Land Act; and authorizing the City Manager to prepare, publish, and distribute a notice of availability for one or both parcels.

BACKGROUND

Earlier this year, the City executed a Tenant Improvement Agreement, Lease Agreement, and Purchase and Sale Agreement for 1440 Chapin Avenue to serve as the City's new City Hall pursuant to Resolution No. 015-2025. The Purchase price of City Hall will be \$34,500,000. In order to finance the purchase of 1440 Chapin, the City will use the General Fund, bonds, and potentially the sale of City owned property.

Parking Lot H is located across El Camino Real from Safeway and Walgreens, between Burlingame Avenue and Ralston Avenue. The total square footage of Lot H is 32,922 square feet; however, Lot H is composed of two different parcels. One parcel is 8,500 square feet and zoned R-1 Low Density Residential Zoning (APN No. 028-285-250), and the other lot is 24,422 square feet and zoned R-3 Medium/High Density Residential Zoning (APN No. 028-285-290).

The City owns several parking lots in and around Downtown Burlingame. While Parking Lot H is utilized by residents as well as customers and employees of local businesses, it is not frequently as full as other City owned parking lots. Further, while other City owned parking lots are surrounded by commercial properties, Parking Lot H is surrounded by single and multi-family residential properties.

On May 19, 2025, the City Council adopted Resolution No. 050-2025, declaring both of the parcels composing Parking Lot H as surplus land and directing the City Manager to sell or lease one or both of the parcels.

DISCUSSION

The Surplus Land Act (SLA) is the State law that governs disposition of publicly owned properties. In order to long-term lease or sell a City-owned property, the City must finish the extensive process described below that will likely take at least one year to complete.

The Purchase and Sale Agreement for 1440 Chapin Avenue requires the City to close on the purchase by June 30, 2027. In order to ensure that the SLA process is complete before the City finalizes a purchase, the City should initiate the process as soon as possible.

Staff has identified Parking Lot H as a property to consider for the SLA process, for the reasons mentioned above.

The statute requires the City to first declare, usually pursuant to a City Council resolution, the parcel(s) as surplus. Thereafter, the City must distribute a Notice of Availability to affordable housing developers, school districts, or open space districts, notifying these entities that the property is available. If one or more of these preferred agencies provides a Notice of Interest in the parcel(s), the City is obligated to enter into good faith negotiations regarding the sale of the property. The City is not obligated to sell the property to any of the preferred agencies for less than fair market value. If the City and an entity that submits a Notice of Interest are not able to reach agreement on the terms of sale of the Property within the time frame specified in the statute, the City is then free to dispose of the parcel(s) on the open market, but the City will be obligated to record a covenant on the property that requires that if more than 10 residential units are constructed on the property, at least 15% must be affordable. Throughout the notice and negotiation process the City is obligated to provide notices to the State Department of Housing and Community Development (HCD), which oversees compliance with the SLA. The SLA process is as follows:

1. Identify sites for disposition and consider the following factors:
 - a. Will the City sell or lease the land?
 - b. What is the fair market value of the land?
 - c. Are any zoning changes required?
 - i. If so, the City must make the determination as to whether the changes are the buyer's responsibility or if the City will initiate the zoning change?
2. Adopt a Resolution declaring the specified parcel(s) as "Surplus Land."
3. Prepare a Notice of Availability for HCD to review.
4. Publish and distribute the Notice of Availability to local agencies and housing developers.
5. Receive responses
6. Review responses and negotiate with proposers
- 7a. If there is a successful negotiation:
 - a. Draft purchase and sale agreement(s), with affordability covenants.
 - b. Submit the Notice of Availability, summary of negotiation process, and covenants to HCD.
 - c. Receive HCD approval
 - d. Approve the agreement

- e. Complete escrow
- 7b. If negotiations fail:
 - f. Submit the Notice of Availability, summary of negotiations to HCD, and proposed affordable housing covenant.
 - g. Receive HCD approval
 - h. Execute a contract with a broker to list property on the market.
 - i. Market property
 - j. Approve purchase and sale agreement(s).
 - k. Complete escrow

It is important to begin the SLA process quickly, as significant notice periods are required by law. The sale of City owned land will allow the City to pay down significant portions of any debts that may be incurred to acquire the new City Hall property.

The attached Resolution contains five alternative directions. If the City Council adopts the attached Resolution, the City Council can direct staff to complete the Surplus Land Act process for any of the alternatives:

1. Declare the entirety of Lot H to be surplus land, with the intention of selling both parcels composing Parking Lot H through a single transaction.
2. Declare the entirety of Lot H to be surplus land, with the intention of selling each parcel composing Parking Lot H separately.
3. Declare the entirety of Lot H to be surplus land, with the intention of allowing a buyer to purchase both parcels composing Parking Lot H through a single transaction or allowing a single or multiple buyers to purchase each parcel separately.
4. Declare APN No. 028-285-250 to be surplus land, with the intention of selling only APN No. 028-285-250.
5. Declare APN No. 028-285-290 to be surplus land, with the intention of selling only APN No. 028-285-290.

While the City Council previously directed the City Manager to sell or lease one or both of the parcels that compose Lot H, upon additional advice from the City's Surplus Land Act consultants, staff now recommends that the City Council adopt a Resolution only authorizing the sale of one or both parcels.

FISCAL IMPACT

The Surplus Land Act itself does not require the expenditure of any City funds. If the City sells one or both of the parcels composing Parking Lot H, the funds may be utilized to either lessen the debt required to pay for 1440 Chapin Avenue or pay off debt that is acquired to pay for 1440 Chapin Avenue.

Exhibit:

- Resolution