

ITEM #2



City Council

**Item 2 - Real Estate and
Morse Mansion Study
Session**

RTC 22-1155

November 1, 2022

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Real Estate Update

- City does not have a Real Estate Manager
- Position created in 2021 to lead Real Estate, staff member left May 2022
- Position not currently being recruited
 - Work being absorbed as collateral duty by other staff
- Council has expressed interest in a more “strategic approach” to the management of the City’s real estate
- Working on two priorities
 1. 900 Lafayette and 1000 Lafayette Properties
 - Leases and management
 - Future redevelopment
 2. Morse Mansion
- Other real estate items continue to move forward (Parks, Related)

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POST MEETING MATERIAL

900 and 1000 Lafayette

- Commerce and Peddlers Plaza
 - City took over buildings in late 2021 and 2022
 - 59 total available spaces for lease (95,000 SF)
 - Council Eugene Burger Management Corporation for Property Management Services
 - Significant work effort from the Housing Division, Purchasing Division, and City Attorneys Office
- Last 4 months - completed 31 of 35 leases of occupied spaces (2-year terms)
- About 65% of SF is occupied
- Completed approximately 17 Purchase Orders to allow for daily operations and maintenance
 - Elevators, lighting, electrical, clean up/dumping, signage, alarm system, security



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900 and 1000 Lafayette

- About \$500,000 in “profit” to General Fund
- Many expenditures required to maintain building
- Significant long term capital investments needed
- Long term plan would be needed if properties were to be leased/maintained as is
 - City is not staffed to be long term landlord
- Downtown Precise Plan
 - Actively working on developing the process/options for City properties
 - Working with staff and outside Counsel
 - Future Council discussions
- Additional opportunities will be explored



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Morse Mansion

- Purchased in 2016 for \$3,875,070
- National Register of Historic Places
- Tenant lease expires June 2024
 - Currently leased to sorority with request for lease extension (Approx. \$17,000 a month)
 - Property manager and maintenance costs
- Major capital improvements required (foundation, electrical, plumbing, roof, etc.)
 - Inspection Report 2016
 - Preservation Treatment Plan Report 2017
 - Currently estimated at \$8.0 million plus (needs update)
 - No current funding source
- Today - Council feedback on possible options
- **Robust Community Outreach will be needed**



Spring 1893

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Morse Mansion

Option 1 – Extend Lease with Sorority

- Community concerns with the use and discussions of no future extensions
- Extending lease would require additional capital investment beyond current budgets
- Additional funding sources need to be identified

Option 2 – Sale of the Property

- Would need to go thru the surplus land act process

Option 3 – Maintain for City Uses

- Important historical property
- City typically prefers to keep property not sell
- Would require significant capital investment



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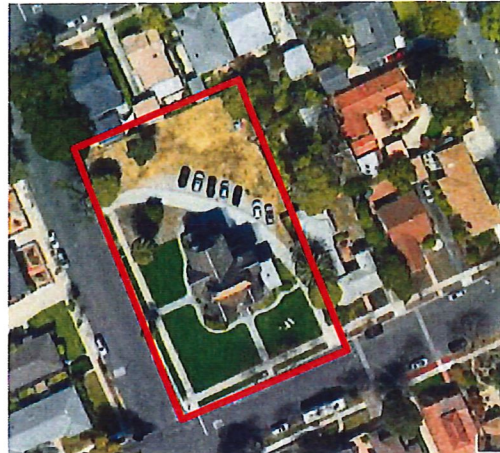
Option 2 - Sale of The Property

Surplus Land Act

- Historic Designation limits use
- Building would be available to public agencies, schools, etc, and affordable housing providers
- Don't expect interest – limited use
- Staff research on affordable housing use/needs suggests limited interest
- Won't know for sure until process is complete

Sale on the Open Market

- Would need to hire a Realtor
- If sold the buyer would be able to use the building for residential or commercial uses
- Could consider a deed restricted sale but it would limit buyers and value



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Option 3 – City Use

- Met with Public Works, Parks and Recreation, and Community Development to discuss options
 - No use was identified
- Capital funding would be needed (likely General Fund)
- Historical Designation limits uses
- One creative option exists for staff to explore if there is Council interest
 - SVP Sustainability Learning Center and Historical Center



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Sustainability and Historical Center

- Staff expressed interest in the past in developing an SVP Historic Center and more recently a Sustainability Learning Center
 - Roseville has a Utility Exploration Center
 - SMUD Museum of Science and Curiosity
- Morse Mansion could be a great place to implement a learning/historic center with components such as:
 - Historical nature of the building itself
 - Demonstration of building and home electrification
 - Learning center rooms solar and battery power
 - Sustainable yard and landscape demonstration
- Could this be accomplished in a historic building?
 - Consultant study would be needed



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SVP Sustainability and Historical Center

- Allows the historic building to be maintained within City ownership
- Restricted SVP funds (for educational and demonstration purposes) would be used – does not affect rates
- Having a funding source and proposing a creative use could make grant funding more realistic
- Reimburse General Fund for property value per updated appraisal
- Educational Sustainability and Historic center could be a destination for schools and residents
- Is it feasible? – if there is Council interest staff would need to work with consultants to determine feasibility and cost



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Discussion

- Option 1 – Extend Lease with Sorority
 - Community concerns and funding
- Option 2 – Sale of the Property
 - Would need to go thru the surplus land act process first
- Option 3 – Maintain for City Uses
 - Council thoughts on Sustainability and Historic Center
- Other options

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11/1/2022

Item #2

From: Tahir Naim <tahirjnaim@yahoo.com>

Sent: Tuesday, November 1, 2022 7:04 PM

To: Mayor and Council <MAYORANDCOUNCIL@SantaClaraCA.gov>

Subject: Option 3 for Morse Mansion

Hi,

I heard some of this and I think it would be a lovely place for wedding rental. I wed in the historic house behind the Triton which was nice, but I suspect that if the Morse mansion had been available, we would have booked it instead.

I think a demonstration garden in partnership with Ferry-Morse seeds is worth exploring.

Sounds like we have some time before the lease is up to explore partnership and uses.

Sincerely,

Tahir J. Naim
District 2

POST MEETING MATERIAL