



March 19, 2009

To: Board of Directors – Los Osos Community Services District
From: Jon S. Seitz, District Legal Counsel
Regarding: Agenda Item 5F – 3/19/09 Board Meeting
Appraisal of Mid-Town Property

President

Joe Sparks

Vice-President

Marshall Ochylski

Director

Chuck Cesena
Maria Kelly
Steve Senet

General Manager

Utilities Manager

George J. Milanés

Fire Chief

Matt Jenkins



BACKGROUND

The District is the current owner of a parcel of real property commonly known as the Mid-Town property. This parcel was purchased by the District for \$3,009,895.00 (three million nine thousand eight hundred and ninety-five dollars).

The County of San Luis Obispo has expressed an interest in purchasing the Mid-Town property (others may also be interested in the property). However, pursuant to Government Code Section 61062(b) and Government Code Sections 54200-54232, prior to the sale of surplus property, local agencies (such as the District) must first offer the property to other local agencies that either provide low and moderate income housing or parks and recreation services.

There is no requirement that the Mid-Town property be appraised as part of the offer to the County. Government Code Section 54223 only requires that an interested agency enter into good faith negotiations to determine a mutually satisfactory sales price. If the price and terms cannot be agreed upon after a 60-day period of negotiations, then the disposing agency can sell the property to other parties.

However, the Mid-Town property (in whole or in part) will likely be an asset in the pending bankruptcy and thereby subject to creditors' claims. Staff believes that that an appraisal of the Mid-Town property will avoid any question of fair compensation related to a potential sale. The exact cost of an appraisal is unknown but estimated to be less than \$30,000.

District staff understands that the County is willing to release a part of the remaining SRF proceeds to pay the cost of having the Mid-Town property appraised.

RECOMMENDATION

Staff recommends that the Board, by motion:

- 1) Authorize a formal request from the District to the County to release SRF proceeds to fund an appraisal; and

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2) Tentatively approve the following selection process in awarding the appraisal:

- The District Engineer (John Wallace and Associates) will obtain proposals from three qualified appraisal firms.
- Qualified appraisal firms do not include firms that have previously appraised the Mid-Town property or are currently providing services for the County related to the County's wastewater treatment project.
- Both the County and the District will retain the right to exclude one appraisal firm from further consideration.

This item will be approved along with the consent agenda unless it is removed by a Director for separate consideration.