

Agenda Report

December 11, 2023

TO: Honorable Mayor and City Council

FROM: Housing Department

SUBJECT: AUTHORIZE THREE CONTRACT AWARDS FOR BROKER LISTING SERVICES FOR CALTRANS PROPERTIES WITH: 1) WILLIAM PODLEY/COMPASS (FORMERLY DEASY PENNER PODLEY), 2) MICHAEL SLAUGHTER/MUTUAL REALTY, AND 3) MICHAEL BELL/SOTHEBY'S INTERNATIONAL REALTY, INC. FOR A COMBINED TOTAL AMOUNT NOT-TO-EXCEED \$1,387,260

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the recommended actions are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines per Section 15061 (b) (3), the "common sense" exemption that CEQA only applies to projects that may have an effect on the environment;
- 2) Authorize the City Manager to enter into a professional service contract and to execute all related documents and amendments, with William Podley, broker, and Compass (formerly Deasy Penner Podley), to provide broker listing services for the marketing, listing, and sale of five (5) residential properties for a one-year term. The total contract amount is not to exceed \$462,420. Contract is recommended as the result of a competitive selection process as specified by Section 4.08.047 of the Pasadena Municipal Code; competitive price bidding is not required pursuant to City Charter Section 1002(F) (contracts for professional or unique services);
- 3) Authorize the City Manager to enter into a professional service contract and to execute all related documents and amendments, with Michael Slaughter, broker, and Mutual Realty to provide broker listing services for the marketing, listing, and sale of up to five (5) residential properties for a one-year term. The total contract amount is not to exceed \$462,420. Contract is recommended as the result of a competitive selection process as specified by Section 4.08.047 of the Pasadena Municipal Code; competitive price bidding is not required pursuant to City Charter Section 1002(F) (contracts for professional or unique services);

- 4) Authorize the City Manager to enter into a professional service contract and to execute all related documents and amendments, with Michael Bell, broker, and Sotheby's International Realty, Inc., to provide broker listing services for the marketing, listing, and sale of up to five (5) residential properties for a one-year term. The total contract amount is not to exceed \$462,420. Contract is recommended as the result of a competitive selection process as specified by Section 4.08.047 of the Pasadena Municipal Code; competitive price bidding is not required pursuant to City Charter Section 1002(F) (contracts for professional or unique services); and
- 5) Authorize the City Manager or his designee to enter into any amendments to the contracts as may be necessary to effectuate the transactions, including increases in the contract amount that may result from increases in the market sale prices of the properties.

BACKGROUND:

SB 959

In the 1950s, 1960s, and 1970s, the California Department of Transportation ("CalTrans") acquired four hundred sixty (460) properties in Pasadena, South Pasadena, and El Sereno for the construction of the State Route 710 (SR-710) North Project, which would have connected the northern stub of the SR-710 with the 210 Freeway. The SR-710 North project was officially terminated with CalTrans' 2018 certification of the final environmental impact report on the freeway and subsequent legislation in 2019.

The Roberti Act (Senate Bill 86) was enacted in 1979 for the purpose of preserving, maintaining, and expanding the supply of affordable housing to affected persons and families of low- or moderate-income.

The Roberti Act set forth the priorities and procedures for the sale of state-owned surplus residential properties located within the SR 710 corridor in Los Angeles County. The Act requires CalTrans to sell properties in a specific order of priority and restricts the use of sales proceeds, primarily for affordable housing and transportation projects.

Senate Bill 959 (Portantino, 2022), signed into law in September 2022, amends the Roberti Act and provides the City with purchase priority for CalTrans' owned vacant surplus properties along the 710 corridor that are located within its boundaries. SB 959 enables the City to purchase these vacant surplus properties at the price that CalTrans acquired them for, provided that the properties are either used for

affordable housing or that net proceeds from the subsequent market rate sale of the properties are used for the creation or preservation of affordable housing. The City is required to finance the production or acquisition of affordable housing units at a three-to-one (3-to-1) ratio for each house sold at market rate.

Request for Proposals – Broker Services

On July 6, 2023, CalTrans transmitted a Notice of Solicitation to the City. This Notice of Solicitation contained seventeen (17) property addresses, along with the original acquisition prices, which average at \$57,420. The City indicated its interest in purchasing all seventeen (17) properties in a response dated July 25, 2023.

The City has identified four (4) of the properties as potential affordable homeownership opportunities, with the remaining thirteen (13) properties to be marketed and sold to market buyers. The City will enter into purchase and sale agreements with CalTrans after conducting its due diligence, including property appraisals and inspections. Staff will return to Council with a recommendation to acquire the properties including information about the due diligence findings.

Marketing will begin while the properties are in escrow, which will require the services of listing agents. All properties will be sold in “as-is” condition. Many of the properties are in poor condition after many years of vacancy. As proposed, buyers will be required to execute a performance deed of trust in the form of an addendum to their purchase and sales agreement to ensure that the properties are maintained, brought up to code, and occupied within a reasonable period of time.

Twelve (12) of the thirteen (13) properties were identified by CalTrans as historic; these twelve (12) properties are all contributors to one of two National Register Landmark districts (the Markham Place Historic District or the Pasadena Avenue Historic District). Four (4) of the properties may be individually eligible for listing on the National Register of Historic Places. Notable architects represented include G. Lawrence Stimson, Charles Buchanan, Frederick Roherig, and Charles and Henry Greene (“Greene and Greene”).

In preparation to purchase and sell these seventeen (17) properties, the City issued a Request for Proposals (“RFP”) for Broker Listing Services on July 7, 2023. The RFP was open from July 7, 2023 to July 25, 2023. Notification of the RFP was initially sent to 2,743 vendors. The RFP was forwarded to the Pasadena Association of Realtors (PFAR) and was shared with Pasadena Heritage. An article about the RFP appeared in Pasadena Now on July 17th.

A total of thirty-five (35) proposals were received. Two (2) proposals were disqualified for failure to provide threshold documentation. An evaluation panel was assembled, consisting of cross-departmental staff, including staff from the City

Manager's office (Economic Development), the Housing Department, and the Planning Department (Design & Historic Preservation Section).

All thirty-three (33) complete proposals received in response to the RFP were evaluated by the panel and scored according to specific criteria detailed in the RFP that consisted of responsiveness of proposal, background and relevant experience, proposed marketing and sales strategy for two sample properties, cost effectiveness, and whether the vendor is a local Pasadena business or small business.

On October 30, 2023, all proposers were offered the opportunity to furnish any documentation that might have been missing from their initial submission. The submission of additional documentation was allowed from October 30, 2023 to 5:00 pm on November 6, 2023. All additional documentation received was reviewed by the evaluation panel. In addition, members of the evaluation panel verified their initial scoring and corrected any errors or omissions for all thirty-three (33) proposals received.

Of the proposals evaluated, a total of twenty (20) met the local Pasadena business evaluation criteria and six (6) were State-certified small businesses. Eighteen (18) demonstrated experience with the sale of designated or contributing historic properties.

The internal panel scored each of the proposals and the scores were tabulated. Attachment A contains a summary of the proposals and the scoring based on the established evaluation criteria.

Recommended Vendors

The following top three (3) vendors in rank order are recommended to provide services:

Vendor	Location	Aggregate Score
Deasy Penner Podley (William Podley)	Pasadena, CA	79.61
Mutual Realty (Michael Slaughter)	Pasadena, CA	78
Sotheby's International Realty (Michael Bell)	Pasadena, CA	77.33

Each selected firm demonstrated notable knowledge of and experience with the Pasadena single-family real estate market, including demonstrated experience with the sale of designated or contributing historic properties As contemplated in the RFP, the top scoring vendor (William Podley/Compass, Formerly Deasy Penner Podley) will be responsible for selling five (5) of the thirteen (13) properties,

with the next scoring candidates Michael Slaughter/Mutual Realty and Michael Bell/Sotheby's International Realty to sell up to five (5) properties each.

The not-to exceed contract amount of \$1,387,260 was calculated by taking the highest estimated pricing provided by the three selected vendors, which varied by their respective estimates of the properties' market value. Should actual market sale prices exceed these estimates, resulting in brokers fees exceeding the recommended contract amount, it is recommended that the City Manager shall have the authority to amend the contracts accordingly. Each listing broker will receive payments out of sales proceeds. A five percent (5%) commission shall be earned, with each listing broker responsible for paying two and a half percent (2.5%) of each commission earned to the Buyer's agent at the close of each escrow. Should a buyer be represented by the listing broker, the commission rate shall be reduced to four percent (4%) of the sales price. A maximum one-year contract term is recommended.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Plan.

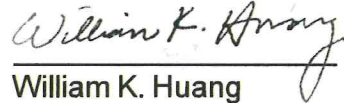
ENVIRONMENTAL ANALYSIS:

The actions proposed herein are exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15061 (b)(3), the "common sense" exemption of CEQA which applies to projects which may have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Executing contracts for broker listing services for the marketing and sale of existing properties will not have a significant effect on the environment and, hence, are not subject to CEQA.

FISCAL IMPACT:

The recommended actions will have no direct fiscal impact. The funds recommended to be used for the proposed contracts are included in Other Housing Fund (Fund 238) of the Department's Fiscal Year 2024 Operating Budget.

Respectfully submitted,



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Approved by:



MIGUEL MÁRQUEZ
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Attachment A: Broker Listing Services Scoring Matrix by Criteria
Attachment B: Proposing Teams Summary with Broker(s)' Names (Top Ten)