



STAFF REPORT
DISCUSSION ITEM

Item #13g

SUBJECT: Options for Selling Pullen House

DATE OF MEETING: September 12, 2017

STAFF CONTACT: Alex Vanegas, CPM, Interim Town Manager

SUMMARY and RECOMMENDATION:

The Town purchased the property at 301 S. 20th Street for \$175,000 in January 2011. The property is two separate lots with one house and two accessory structures. The Town Council has requested that staff bring this property to their June 27, 2017 meeting for discussion. At the meeting, staff was directed to obtain an appraisal of the properties. Staff is bringing this item

BACKGROUND:

Selling property owned by a local government can be done in a variety of ways as long as the disposition of property adheres to Code of Virginia. The requirements identified in the Constitution of Virginia and in the Code of Virginia are as follow;

Public Hearing

Before any property can be sold or disposed of, the jurisdiction must hold a Public Hearing (see Code of Virginia §15.2-1800). There are not any other limitations or restrictions found in the Town's Charter or Code.

Vote

According to Article VII, Section 9 of the Constitution of Virginia, the sale of public property requires a three-fourths vote of the members of the elected body. As such, there must be six (6) affirmative votes to sell Town property.

Options for Selling Property

There are three primary ways that the Town could sell the property:

- **Unsolicited Bid:** Any member of the public can make an unsolicited bid for Town-owned property at any time. If such a bid is received, the Town staff would review and analyze the proposal and bring an item to Closed Session for the Council to consider. This may result in moving forward to a public hearing and a vote.

This option is the least predictable, because it relies on the private sector to approach the Town with an offer. This is unlikely to generate much interest.

- **Solicited Proposals through Sealed Bid:** The Town can publish and announce its intent to sell the property through News Release, Public Notices, Social Media, local real estate firms, and other public contacts. The Town can declare its intent, set a baseline (minimum) price (if desired), set a deadline, and receive sealed bids at Town Hall. Staff would then review and analyze the sealed bids and bring an item to Closed Session for the Council to consider. This may result in moving forward to a public hearing and a vote.

This option is the least expensive to the Town, as there would be no costs for the Town to pay a real estate firm. The Town can also dictate (or negotiate) contract terms with a potential buyer regarding closing costs, fees, timeline, and other matters. The impact of this option is on staff time (either the Town Attorney or hiring outside counsel) and that staff would not be marketing this in the same way as a realtor might.

- **Hire a Real Estate Firm:** This option would require the Town to procure the services of a real estate firm that would handle all aspects of the sale. Then, the realtor would sell the property on behalf of the Town and would be the one responsible for getting bids/contracts and then making recommendations to Council. Ultimately, this would still require an item in Closed Session for the Council to consider. This may result in moving forward to a public hearing and a vote.

This option would provide the least impact to staff time but would cost the Town funds due to fees for services, commission, etc. This option could lead to a higher sale price based on the experience or activities of the realtor, although there is no guarantee of this. Based on the likely sale price, this service would fall under the Town's Small Purchase Policy and would only require three verbal quotes (a formal RFP would not be needed).

ISSUES:

The property is assessed at \$236,240, but an appraisal provided an estimated market value of the fee simple interest in the 0.37 acre subject lot (Pin # 48827834) as of July 11, 2017 is \$120,000. The estimated market value of the fee simple interest in the 0.14 acre subject lot (Pin # 48827825) as of July 11, 2017 is \$100,000. Based on the information listed above, the Town could choose to sell the property "as is" in the range of \$220,000-\$240,000.

If the Council so desires to solicit bids, the Town can place a minimum purchase price within the aforementioned range. Another option for consideration, is to subdivide the property into two equal sized lots to obtain a higher value but this will take additional time to navigate through the planning process.

Timeline of Actions

Should Council wish to move forward, an example of a timeline for the Sealed Bid process is below as an example:

- Prepare property for sale – 1 month
- Prepare proposal documents, advertisements, and public information – 1 month
- Open up timeline for receiving sealed bids – 2 months
- Staff review of bids and preparation of staff report – 1 month
- Council review of bids – 1 month
- Council Public Hearing – 1 month
- Council vote – 1 month

Some of these processes may be able to run concurrently, so the process in totality would run between 4-8 months.

The process to use a realtor would take 3-4 weeks in order to receive verbal quotes and award a contract to a firm for realtor services.

BUDGET IMPACT:

There is no direct budget impact to proceeding with possible sale of the property at 301 S. 20th Street. Staff time and resources will be required, depending on the option chosen. The sale of the property will result in a positive variance on the budget. The revenue generated by the sale could be added to Unassigned Fund Balance or a dedicated fund that could be used at a future date.

MOTIONS:

"I move that the Town Council direct staff to move forward with a soliciting proposal for sealed bids to sell the property located at 301 S. 20th Street in Purcellville, Virginia with setting a minimum purchase price to be established by staff within the range of \$220,000-\$240,000."

OR

"I move that Town Council direct staff to move forward with procuring a real estate firm to sell the property located at 301 S. 20th Street in Purcellville, Virginia. "