

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: November 15, 2016

FROM: Gary Petersen, Director of Public Works

BY: Don Reynolds, Assistant Director of Public Works

SUBJECT: **TWO AMENDED AND RE-STATED LEASE AGREEMENTS FOR PARCELS 1511L AND 1509L ON HITCHCOCK ROAD WITH JOHN S. TAMAGNI AND SONS, INC. FOR FARMING PURPOSES**

RECOMMENDATION:

Approve a Resolution authorizing the City Manager to execute two Amended and Re-stated Lease Agreements with Tamagni and Sons, Inc., for City Parcels 1511L and 1509 on Hitchcock Road for farming purposes.

DISCUSSION:

For the past twenty years, these two parcels of nineteen-acres near the Animal Shelter on Hitchcock Road have been leased to the Tamagni family for farming. The leases have previously been held to one and two year terms; the twelve-acre parcel “1509L” ended September 30th, and the seven-acre parcel (“1511L”) will end November 30 of this year. The Tamagni family agreed to a two-month extension for the lease on Parcel 1509L to align the two terms ending November 30th. Beginning December 1, they have requested that they both be extended to five-year terms. The City appraised both parcels in August of this year, and staff is bringing forward an amended and re-stated leases for each for the Council’s consideration.

PARCEL 1511L

Parcel 1511L consists of portions from two City properties on Hitchcock Road east of the retention basin at the former Treatment Plant #1, and adjacent to agricultural land. The parcels were annexed into the City in 1975 for Sanitary Sewer (SS) Treatment Plant #1. When the Water Treatment Plan was demolished, the concrete and asphalt debris was pushed south to clear the way for a storm water retention basin. The property is thus divided into thirds; one-acre is leased to the County for its Animal Shelter, ten-acres are reserved for the storm water retention basin, and the remaining seven-acres are currently leased to the Tamagni family. The debris remains on the seven-acre parcel and makes it costly to farm requiring extra applications of pesticides and fertilizers. It has no water but for that water imported by the Tamagni family. In addition, the Tamagni family mows the retention basin for the City to keep the weeds clear.

The current rent for Parcel 1511L is \$930 per acre per year. The Appraisal for this recommends a market rate rent of \$1,300 per acre per year. This is a fifty-percent discount due to its rough farming conditions.

What the appraisal does not take into consideration is the cost of the weed abatement. This cost was recently estimated to be \$400 per acre, per mowing, which could be as many as three times per year. Subtracting the value of the weed abatement from the market rate rent amount confirms that \$930 per acre per year is more than a reasonable rental rate when all of the variables are taken into consideration (\$6,510 annually).

PARCEL 1509L

Parcel 1509L is leased at market rate, and would be due for an adjustment this year if the current terms were to continue. The Appraisal confirms that by bringing this parcel up to market rate would result in an increase of 5.84%. A cost of living increase would be 5.75%. The Tamagni family has agreed to a 5.84% increase with an adjustment review completed before the proposed five-year extension. Moving forward, the rent will increase from \$1,900 per acre per year to \$2,100 per acre per year, (\$24,306 annually).

The leases can be terminated by either party, at any time, during the term of the agreement provided that a 12-month notice is given. This provides the City some flexibility in the event it wishes to use the parcels to expand the storm water retention capacity or further develop solar energy at these sites. Having just completed a 17-acre solar farm north of this location, the City's current needs for power here have been met. There is no current demand for additional storm-water retention capacity. Staff has concluded, consistent with Municipal Code 12-13, that the City can lease these two parcels because there is no current municipal need for them.

An environmental review and has been completed and certified that this "project" is categorically exempt from CEQA because it involves negligible or no expansion of an existing use as identified in Categorical Exemption Class 1 (15301).

ISSUE:

Shall City Council authorize the City Manager to execute the two Amended and Re-stated Lease Agreements with John S. Tamagni and Sons Inc., for City-owned Parcel 1511L, and Parcel 1509L located on Hitchcock Road for farming use?

FISCAL IMPACT:

Leasing the two parcels to the Tamagni family for five-years and perhaps ten, will deposit at least \$30,816 per year into the General Fund. It will relieve the City of up to \$12,000 per year in mowing and maintenance costs. All property taxes are to be paid by Tamagni family.

ALTERNATIVES/IMPLICATIONS:

1. Modify the Lease Agreement as proposed.
2. Do not authorize the proposed Lease Agreements.

Neither option is recommended by staff.

CONCLUSIONS:

Because the City has no immediate use or development plans for the 19-acres being considered by these two Amended and Re-Stated Lease Agreements, staff recommends that the current use as farming land

be continued by the Tamagni family. Staff recommends that the City Council adopt a resolution authorizing the City Manager to execute the two Lease Agreements with John S. Tamagni and Sons Inc., for Parcel 15011L and Parcels 1509L from December 1, 2016 to November 30, 2021.

Back Up Pages:

Map

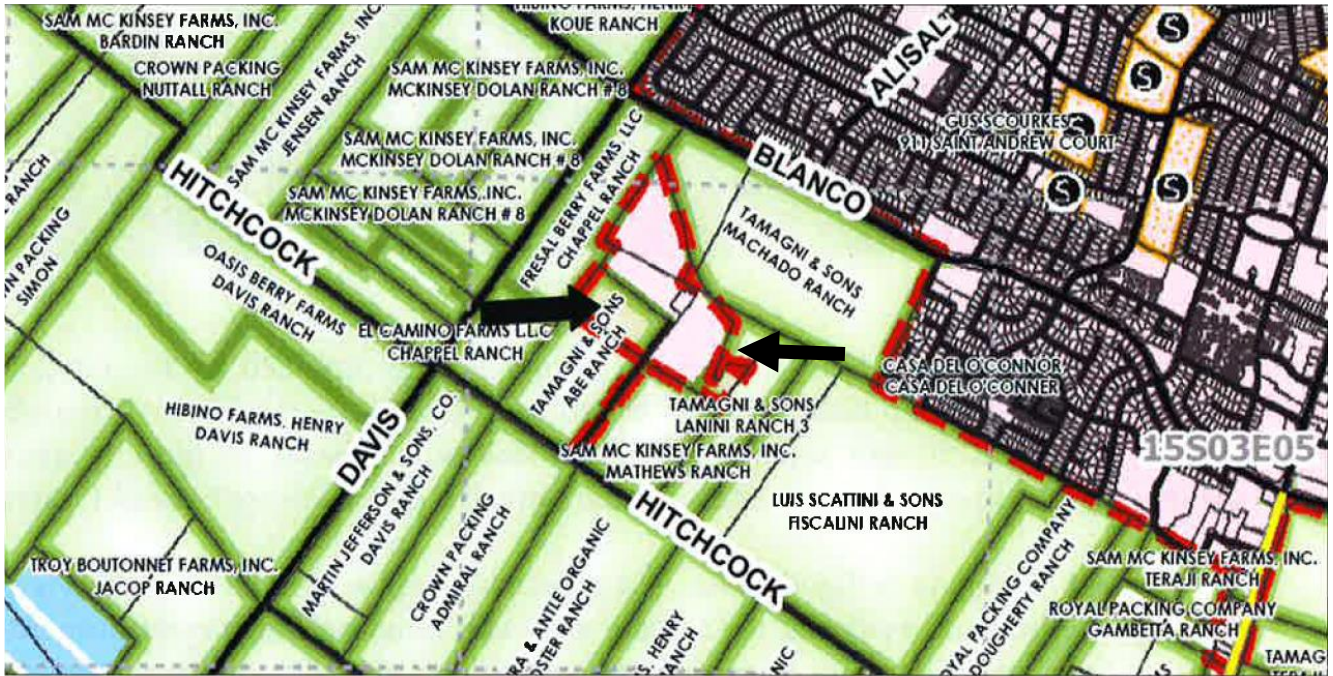
Resolution

1511L Renewed and Restated Lease Agreement

1509L Renewed and Restated Lease Agreement

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FIRST ATTACHMENT: MAP



RESOLUTION NO. _____ (N.C.S.)

**A RESOLUTION OF THE CITY OF SALINAS AUTHORIZING THE EXECUTION OF TWO
AMENDED AND RE-STATED LEASE AGREEMENTS FOR PARCELS 1511L AND 1509L
ON HITCHCOCK ROAD WITH JOHN S. TAMAGNI AND SONS, INC. FOR FARMING
PURPOSES**

WHEREAS, the City of Salinas owns two parcels on Hitchcock Road: a 7-acre parcel known as Parcel 1511L at the former Treatment Plant #1 and a 12-acre parcel known as Parcel 1509L next to the City's Animal Shelter; and

WHEREAS, John S. Tamagni and Sons Inc. have farmed these two parcels for close to twenty years, and the terms of the current leases expire November 30, 2016; and

WHEREAS, John S. Tamagni and Sons Inc. wishes to continue to farm the City land for an additional five years (each) with the possibility of extending these terms, effective December 1, 2016 and concurs with this and the other terms and conditions as described in the attached Agreements; and

WHEREAS, pursuant to Municipal Code 12-13, the Council expressly finds and determines that the subject parcel is not necessary for municipal purposes during the term of the lease.

NOW, THEREFORE, BE IT RESOLVED that the above recitals, accompanying staff report are true and correct; and

BE IT FURTHER RESOLVED that after its consideration of these facts, the Salinas City Council finds and determines that the subject Parcels are not currently needed for Municipal uses during the term of the Lease; and

BE IT FURTHER RESOLVED, that the City Council authorizes and directs the City Manager to execute the two Amended and Re-stated Lease Agreements for Parcels 1511L and Parcel 1509L located at Hitchcock Road with John S. Tamagni and Sons Inc. for farming purposes.

PASSED AND ADOPTED this 15th day of November 2016 by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Joe Gunter, MAYOR

ATTEST:

Patricia M. Barajas, CITY CLERK

Attached: Parcel 1511L Agreement and Parcel 1509L Agreement