



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: MAY 2, 2017
DEPARTMENT: PUBLIC WORKS
FROM: GARY PETERSEN, DIRECTOR OF PUBLIC WORKS
BY: DON REYNOLDS, ASSISTANT PUBLIC WORKS DIRECTOR
TITLE: ACQUISITION OF 7 MURPHY STREET AND 282 EAST ALISAL STREET

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing the City Manager and City Attorney to negotiate a purchase and sale agreement.

RECOMMENDATION:

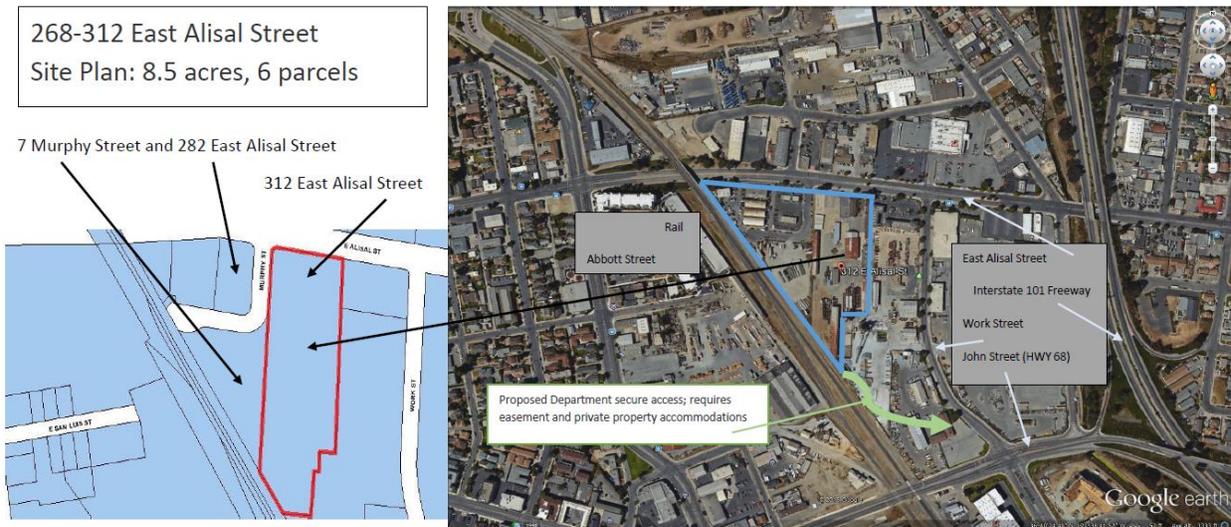
It is recommended that the City Council approve a Resolution authorizing the City Manager to negotiate a purchase and sale agreement related to the new Public Safety Center consistent with the terms and conditions outlined below, with the John and Rita Muller Trust, UTA, for the acquisition of 7 Murphy Street and 282 East Alisal Street in Salinas.

EXECUTIVE SUMMARY:

The City currently controls 5-acres of the necessary 8.5-acres required for the new Public Safety Center. If adopted by the City Council, the proposed resolution will initiate the acquisition process to buy two additional parcels from the John and Rita Family Trust adding 2.5 additional acres to the 5-acres currently under control: one at 7 Murphy Street, and a second 282 East Alisal Street.

BACKGROUND:

On December 6 2016 the City Council approved Resolution 20195, and initiated the process to solicit proposals for a development team to design and build the new Public Safety Center at 312 East Alisal Street. In its recitals the Resolution acknowledges the need to acquire additional properties expanding the site from 5-acres to 8.5-acres. The 3.5 acres to be added to the City's current parcel consist of five parcels west of, adjacent and continuous to 312 East Alisal Street bordered on the west by the railroad tracks. The five parcels are owned by two parties. The two parcels immediately adjacent to 312 East Alisal are owned by the John and Rita Muller Trust.



The City Council authorized staff to initiate negotiations with the property owners last fall after receiving funding for the property acquisition from a State grant received in July 2016. The year-old appraisals updated in January 2017, saw an increase in commercial real estate values of between 15.4 percent. The value of the Muller properties increased from \$1.3 to \$1.5 million. Further negotiations with the Muller’s representative resulted in an agreed asking price of \$1.6 million. Taking the potential for further delay and incurring additional appraisal and legal costs into consideration, staff has concluded that this is a reasonable asking price. On March 13, 2017, the City sent a letter of offer \$1.6 million to buy the property and the Owners accepted this offer.

The proposed purchase and sale agreement includes the asking price of \$1.6 million, and this is intended to be the final price: “net-terms” for the Seller. The Muller Trust is not willing to pay escrow or closing costs. Due to the longstanding ownership and a clear title this property has, many of the representations will be removed from the City’s standard agreement. It provides 90-days for the City to study the property to assure that all risks to the City are understood before entering into escrow. If severe issues are uncovered, the City will have the ability to re-negotiate and/or terminate the agreement. Escrow will last 30-days.

There are currently two tenants on the two properties. If or when the City becomes the new owner, it could assume the role of “landlord” to these two tenants. A car-wash leases 282 East Alisal Street through 2019 and it may be difficult to relocate. The City has been working with the owner to come to a reasonable agreement for its future disposition. The second at 7 Murphy Street is a simple month-to-month agreement with equipment being stored on an otherwise vacant lot. The Muller Trust has assured the City that it will terminate the month-to-month arrangement prior to the City taking possession. The City will help them find a new storage yard if necessary.

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities

which 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. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The acquisition of these properties furthers the development of the new Public Safety Center initiates the Council’s strategy to develop the Alisal Market Place, and supports the Council’s Goal moving toward Economic Diversity and Prosperity. Although not referenced in the key strategies for Council’s goal to have a “Safe Livable Community,” building the new Public Safety Center is a key component of this objective. Replacing the 1958 Police Station with a state-of-the-art facility is consistent with the Council’s goal toward Effective, Sustainable Government. This project is exemplary of Council’s goal to have a “Well Planned City and Excellent Infrastructure.”

FISCAL AND SUSTAINABILITY IMPACT:

The cost to acquire 7 Murphy Street and 282 East Alisal Street is paid for by the \$3.5 million State Grant received last summer.

ATTACHMENTS:

Resolution

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

A RESOLUTION OF THE CITY OF SALINAS AUTHORIZING THE CITY MANAGER AND CITY ATTORNEY TO NEGOTIATE A PURCHASE AND SALE AGREEMENT TO ACQUIRE 7 MURPHY STREET AND 282 EAST ALISAL STREET FROM THE JOHN AND RITA MULLER TRUST TO DEVELOP THE NEW PUBLIC SAFETY CENTER

WHEREAS, the City Council of the City of Salinas (the “City”) accepted the recommendations of the December 6, 2016 staff report describing the process in which the City will build a new Public Safety Center and initiate the development of the Alisal Market Place; and

WHEREAS, the City desires to cause redevelopment of underutilized properties in the Alisal Market Place and the Public Safety Center is seen a critical project needed to initiate its development; and

WHEREAS, it is estimated that 8.5-acres are necessary to build this 75,000 square foot Public Safety Center and provide adequate parking and public access for it, and currently, the City controls 5-acres located at 312 East Alisal Street; and

WHEREAS, it is necessary for the City to acquire and assimilate additional properties to build the Public Safety Center, and the City Council authorized staff to negotiate with those property owners who own property adjacent to and west of 312 East Alisal Street; and

WHEREAS, two of the five parcels adjacent to and west of 312 East Alisal are owned by the John and Rita Muller Trust, UTA (“Owner”) and include 282 East Alisal Street (.80 acres; APN 003-041-031) and 7 Murphy Street (1.7 acres; APN 003-041-030), together, the three properties will total 7.5-acres (the “Property”); and

WHEREAS, it is recommended that the City acquire 282 East Alisal Street and 7 Murphy Street because they are necessary for assimilation into a single parcel that will eventually be 8.5-acres; and

WHEREAS, the proposed use of 282-312 East Alisal and 7 Murphy Street will assist with the City’s implementation of General Plan Goals and Policies especially relative to safety, as follows:

Land Use Goal LU-11 to provide a new public safety facility to meet community needs;

Community Design Goal CD-2 and Policy CD-2.1 by assisting in the revitalization of an existing neighborhood and facilitate safe street life;

Safety Goal S-1 and Policies S-1.1 and S-1.2 by playing a central role in the creation and maintenance of a community which promotes peaceful non-violent conflict resolution and in which residents feel safe and proud to live; and

WHEREAS, the proposed Public Safety use of the assimilated property on Murphy and on East Alisal Street as defined per Section 37-10.400 is an allowable use in the subject Zoning District and will be subject to the Site Plan Review process per Section 37.30.310; and

WHEREAS, the City appraised 282 East Alisal Street and 7 Murphy Street in the summer of 2016, updated them in January 2017 and has made an offer to purchase the Property from the Owner based upon the appraised values; and

WHEREAS, after negotiating the initial offer with the Owner, the City has agreed to a price at 9% above the appraised value due to the trending increase in values and potential costs of delaying action on the acquisition, and the Owner has agreed to this amended offer and desires to enter into a purchase and sale agreement; and

WHEREAS, the terms of the proposed agreement include the asking price of one-million six hundred thousand (\$1,600,000), dollars, reserves the City's right to terminate the Agreement after a 90-day due diligence period if conditions are not acceptable to the City, including title issues, feasibility issues, and physical site characteristics of the Property (for example, hazardous materials existing at levels above that which is permissible for the proposed development); and

WHEREAS, by the staff report accompanying this Resolution and incorporated into this Resolution by this reference (the "Staff Report"), the City Council has been provided with additional information upon which the actions set forth in the Resolution are based.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALINAS AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. The acquisition and eventual development of the Public Safety Center on this property pursuant to the Agreement will improve the safety of Salinas, improve the neighborhood and eliminate blight by developing vacant and underutilized property.

Section 3. The City Council finds that the acquisition of the Property is consistent with both the Zoning Code and General Plan.

Section 4. The City Council hereby agrees to enter into an agreement to purchase 282 East Alisal Street and 7 Murphy Street for the agreed upon price of one-million six-hundred thousand (\$1,600,000) dollars that includes those terms and conditions herein, and as summarized in staff's report and that staff's report be incorporated into and made a part of the Council's findings.

Section 5. The City Council hereby authorizes the City Manager and the City Attorney together to take such other actions as are necessary to effectuate the intent of this Resolution including execution of a purchase and sale agreement and such other documents as are appropriate and necessary.

Section 6. This Resolution shall take effect immediately upon approval.

PASSED AND ADOPTED this 2nd day of May 2017 by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk