

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

Agenda Item Number

DATE: June 17, 2014

FROM: Gary Petersen, Director of Public Works

BY: Don Reynolds, Project Manager

SUBJECT: **PROPERTY USE AGREEMENT FOR 26 STATION PLACE
WITH THE MONTEREY AND SALINAS VALLEY
MODEL RAILROAD AND HISTORICAL SOCIETY**

Department Director Approval

Finance Director Review

City Attorney Review

City Manager Approval

RECOMMENDATION:

It is recommended that the City Council adopt a resolution authorizing the City Manager to execute a Property Use Agreement for the REA Building and full-scale rail exhibit to the Monterey and Salinas Valley Model Railroad and Historical Society (MSVRR).

DISCUSSION:

The MSVRR has leased the Railway Express Agency (“REA”) building since 1997 wherein they built a replica of the Southern Pacific rail line in the Salinas Valley, a rail museum, and most recently helped to repair the antique rails cars and locomotive on display next to the REA Building. Their volunteer work maintaining the building and the rail cars, has been applied to the rent of the building and has off-set this cost to them over the past 17-years. The Lease was last amended in 1999, and most recently in 2004, with a five-year term, and a five-year extension. It expired May 11, 2014.

During most of this original lease term, the Salinas Redevelopment Agency paid for major repairs including a new roof and the repair of termite damage. The Agency also helped the MSVRR paint and repair plumbing.

Recently, thanks to the addition of several new Board members, the MSVRR has been able to fully develop its status as a not-for profit organization. Tax returns and annual reports are current, and the education component has expanded. It has grown its membership, and received several grants helping the REA building to develop into a full-scale museum.

When the Museum is open in the REA Building, MSVRR provides guided access to the adjacent historic rail cars. The Rail exhibit is maintained by dedicated volunteers, many of which are former City employees. The Rail Cars are not formerly part of the current lease. The cost of refurbishing the cars has been left to these volunteers. Accessibility improvements were approved by the City Council in this year’s 2014-15 CIP, to be paid with Community Development Block Grant funds.

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Prior to renewing the Lease, MSVRR requested several changes. They have asked for rent to be reduced from \$2,400 to \$1 per year, and to lengthen the term from five to ten-year increments. Rent has always been forgiven in exchange credit for the labor at \$20 per hour, that has been needed to keep-up the facility and repair the rail cars. A reserve balance valued at \$14,000 currently exists. Over the past two-years, nearly all of the labor has focused on refurbishing the rail cars. In the past, MSVRR has been held responsible for all of the building maintenance and they ask to have some form of limit to reduce their exposure. The MSVRR carries property insurance and insures the City from loss, but the Lease allowed any proceeds from this policy to be kept by the City. The MSVRR asks that if they must provide property insurance, that any proceeds from their policy be applied to refurbish damage to the building and re-establish their presence.

The City also has a need for changes. The Redevelopment Agency used to pay for the maintenance of the common areas consisting mostly of parking, street lights and tree trimming. Now the cost of electricity, water, landscape maintenance, trash pick-up, security, and liability insurance have to be shared amongst all tenants. The same pro-rata share of the costs will be split between as many as seven different users that include MSVRR, Amtrak, the County of Monterey, the First Mayor's House, Greyhound, and two future tenants at the Train Station and Freight Building.

The attached draft Property Use Agreement simplifies the City's relationship with the MSVRR, and addresses those changes referenced above in the following manner. It re-defines the property for use by the MSVRR ("PREMISES") to include the full-scale rail exhibit. It provides a short two-year term so the operational costs and their apportionment can be determined. Once resolved uniformly, a ten-year term would be appropriate. It changes the proceeds from property insurance to be reinvested in the building. It retains the ability to credit rent payments with property maintenance labor at \$2,400 per year. It re-states and formalizes the need for the service organizations to work together and maximize the public's access to the historical exhibits.

ISSUE:

Shall the City enter into a Property Use Agreement for 26 Station Place with the Monterey and Salinas Valley Model Railroad and Historical Society?

COMMISSION, COMMITTEE, COUNCIL SUBCOMMITTEE RECOMMENDATIONS:

None.

FISCAL IMPACT:

This Agreement proposes a direct exchange between public educational services and market rent. Building maintenance costs remain the responsibility of the MSVRR, except in the event of a significant systematic change, where re-investment is necessary. The lease may at some point generate a small portion of revenue to off-set the operational expense of securing and maintaining the common parking, lighting and landscape of the train station.

TIME CONSIDERATIONS:

The current lease expired May 11, 2014.

ALTERNATIVES/IMPLICATIONS:

The City Council may:

- 1) Change any of the proposed provisions within this Property Use Agreement; or
- 2) Choose to not enter into a Use Agreement with the MSVRR.

These options are not recommended by staff.

CITY COUNCIL GOALS:

Of the Council’s five goals, the Property Use Agreement with the MSVRR meets three: Economic Diversity and Prosperity, maintenance of Excellent Infrastructure, and Quality of Life.

CONCLUSIONS:

The City and former Redevelopment Agency have maintained a mutually beneficial relationship with the MSVRR over the past 17-years, and the proposed Use Agreement takes this relationship forward as part of the future Intermodal Transportation Center.

This Use Agreement is one of perhaps seven new agreements that will come before the Council as the Intermodal Transportation Center is developed. It sets the stage for cost recovery to maintain property formerly maintained by redevelopment tax increment dollars. It furthers the existing public/private partnerships and maintains a quality educational service for the community. Staff recommends the Council’s adoption of the Resolution allowing the City Manager to execute this lease.

Distribution:
 City Council
 City Manager
 City Attorney
 Department Directors

Back Up Pages:
 Resolution and Draft Property Use Agreement

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

RESOLUTION OF THE CITY OF SALINAS APPROVING
THE PROPERTY USE AGREEMENT
FOR 20 STATION PLACE WITH THE
MONTEREY AND SALINAS VALLEY MODEL RAILROAD
AND HISTORICAL SOCIETY

WHEREAS, since 1997, the Salinas Valley Model Railroad And Historical Society (“PERMITTEE”) has leased from the Salinas Redevelopment Agency the building commonly known as the Railway Express Agency Building located at 20 Station Place, on the parcel known as Assessor’s Parcel Number 002-171-033, for the purpose of operating a model railroad museum (this Lease was modified and extended in 1999, and again in 2004); and

WHEREAS, on January 10, 2012, the City Council (the "City Council") of the City of Salinas (the "City") adopted Resolution No. 20141 accepting for the City the role of Successor Agency to the Dissolved RDA (the "Salinas Successor Agency"); and

WHEREAS, on August 12, 2012, the Salinas Successor Agency approved the retention of the Train Station properties including 20 Station Place APN 002-171-033 with the REA Building as City assets for a continued governmental use, and this action was later upheld and supported by both the Salinas Oversight Board and State Department of Finance; and

WHEREAS, the term of the Lease expired May 11, 2014 and both the PERMITTEE and CITY desire to enter into a new Property Use Agreement (“AGREEMENT”) to replace the prior Lease agreement; and

WHEREAS, PERMITTEE and CITY agree that this Agreement will expand the description of the property to include the REA Building, the adjacent historic rail display that includes rail cars and a steam locomotive on tracks, and the shared use of the Train Station garage (“PREMISES”); and

WHEREAS, PERMITTEE and CITY agree that the use of the PREMISES shall remain for the benefit and enjoyment of the general public as a rail museum, and that to maximize this benefit to the public, the PERMITTEE shall coordinate and work together with other services organizations and the First Mayor’s House to the greatest extent possible.

NOW, THEREFORE, BE IT RESOLVED, that the City hereby approves and adopts the PROPERTY USE AGREEMENT, and directs the City Clerk to maintain on file a copy of the Agreement in the form hereby approved by the City.

BE IT FURTHER RESOLVED that the City Manager be authorized to execute the PROPERTY USE AGREEMENT for and on behalf of the City and as its act and deed.

BE IT FURTHER RESOLVED that this resolution shall take immediate effect upon adoption.

AYES:

NOES:

ABSENT:

ABSTAIN:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk