

First Restated Exclusive Negotiated Rights Agreement with RN Borelli

Recommended Motion

Approve a Resolution approving the First Restated Exclusive Negotiating Rights Agreement with RN Borelli.



Andrew Myrick, Economic Development Manager
Office of the City Manager
August 13, 2019

Executive Summary

- The First Restated Exclusive Negotiating Rights Agreement (ENRA) provides the City and Borelli Development Company with additional certainty to expend funds for study.
- The City and Developer already have an ENRA for development of 13.25 acres at the Airport.
- This ENRA allows for the potential expansion of the project to include a potential land swap and construction of a new Public Works Corporation Yard.

Background

- Salinas Airport has 13.25 acres of land in front of Airport Main Entrance
- Used as a barracks in WWII.
- Has been largely vacant since early 1970's.
- Not currently development-ready.
- City and Developer have existing ENRA to develop the property.



Background

- City operates Public Works Corporation Yard at 426 Work Street
- Approximately 4 acres in size.
- Most buildings built from 1950's to 1970's.
- Highly Visible Entry Point to City.
- Part of Alisal Marketplace Concept.



Discussion

- The ENRA envisions the following Agreements (to be considered later):
 - A 50-year market-rate ground lease for the 13.25-acre airport site.
 - An exchange of the Work Street site for 4-6 acres of leased land at the Airport site (market rate valuations).
 - An option for the City to have the Developer construct a new Corporation Yard, if City decides not to finance the construction itself.
- Property exchange would need to take place by December 31, 2019 in order to maximize potential benefits of Work Street Opportunity Zone designation.

Discussion

- This approach resolves many challenges and provides several benefits:
 - Airport site requires \$2-\$3 million of work to be development-ready, which is too high for Airport Enterprise Fund to provide.
 - Developer would perform the work and be reimbursed through lease terms.
 - Reconstruction of Corporation Yard on-site would be costly and disruptive
 - City would occupy existing site during construction of new facility. The exchange of the Work Street property would generate a financial surplus which could partially offset the cost of construction.
 - The City does not have cash-in-hand to construct a new Corporation Yard, and borrowing capacity is limited.
 - The structure allows for City to “finance” the construction through a lease.

Discussion

- This approach resolves many challenges and provides several benefits :
 - The existing Corporation Yard was not designed for current uses.
 - Provides an opportunity for the City to design facility around current and projected needs.
 - The Airport is in need of additional ongoing revenue to more effectively maintain its facilities and operations.
 - The Ground Lease would generate over \$200,000 per year for the Airport.
 - The City does not currently collect any property tax revenue on these properties.
 - City would collect property tax on Work Street site and Possessory Interest Tax on private development at Airport site.

Alternatives

- If this project is ultimately approved, there would be ongoing costs to the City to lease or finance the newly constructed Corporation Yard buildings. However, most alternatives result in similar costs:
 - Simply relocating the facilities to the Airport would require the City to pay for site preparation costs and would still need to be leased by the Airport.
 - Rebuilding the Corporation Yard in the same location would be disruptive to operations and the property value could not be used to offset costs.
 - Independently buying another parcel of land would result in land acquisition costs on top of construction costs.
- This deal structure likely represents the lowest-cost option for constructing a new Corporation Yard.

CEQA Consideration

- The proposed ENRA is exempt from CEQA as it would have no impact on the environment. The individual Agreements, if brought to Council, would include any required CEQA reviews.

Strategic Plan Initiative

- This project would promote the Council's goal of Economic Development & Prosperity.

Fiscal Impact

- The ENRA would have no fiscal impact upon the City of Salinas.

Recommendation

- Staff recommends that the Council adopt the Resolution approving a First Restated ENRA with Borelli Development Company.