



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MARCH 30, 2021

DEPARTMENT: OFFICE OF THE CITY MANAGER

FROM: ANDREW MYRICK, SR ECONOMIC DEVELOPMENT MGR

TITLE: DECLARATION OF SURPLUS LAND – 282 E ALISAL STREET

RECOMMENDED MOTION:

A motion to approve a Resolution Declaring the Identified City-Owned Property as Surplus Land.

RECOMMENDATION:

Staff recommends that the Council approve the attached Resolution declaring the City-Owned Property as Surplus Land, as defined in Government Code Section 54221(b).

BACKGROUND:

The City of Salinas is the owner of the property located at 282 East Alisal Street (Assessor's Parcel Number [APN] 003-041-031-000) located at the corner of East Alisal Street and Murphy Street. This parcel of land is approximately 0.84 acres (36,590 square feet) in size. It has been used as a car wash since the mid-1960's. Adjacent uses include light industrial uses to the west, the City's Public Safety Building to the east and south across Murphy Street, and mixed commercial and light-industrial uses across East Alisal Street to the north. This site (along with three adjacent privately-owned parcels) has been identified in the Alisal Vibrancy Plan (AVP) as part of an Opportunity Site which would include a mixed use development consisting of residential development, retail/community space, a courtyard/play area, and a public plaza. The AVP Opportunity Site concept is provided as an attachment to this report.

This parcel of land was acquired in 2017 as a part of a group of properties obtained by the City for the construction of the Public Safety Building. When the site was acquired by the City, it also assumed an existing lease and became the landlord for the existing tenant, ES Car Wash #1. The City Council approved a new Lease and Relocation Agreement on October 10, 2017. Under this Agreement, the previous lease was superseded, the tenant was provided a lease until September 30, 2019, and the City paid relocation expenses of \$700,000 to the tenant. The tenant has exercised options to extend the lease term until September 30, 2021 – however, there are no options remaining under the lease. The present rent received by the City is \$4,167.71 per month, and the tenant is responsible for maintenance of the property.

The Surplus Lands Act, which regulates the disposal (ie sale or lease) of surplus land by local agencies, was amended by the State of California effective January 1, 2020. Under the revised law, Cities may not sell or lease property owned by the City unless it first declares the property to

be either Surplus Land or Exempt Surplus Land. Staff does not believe that this property qualifies as Exempt Surplus Land as defined in the Surplus Lands Act.

If a City declares land to be Surplus Land and proceeds to dispose of the property, it must notify affordable housing providers, open space districts, and educational institutions of its intention to dispose of the land. If any of these entities express an interest in the property, the City must negotiate in good faith with those parties. The City may only sell or lease the land to other parties (such as the current tenant) if no interest is expressed and/or the City is unable to negotiate mutually acceptable terms with the entities described above – in fact, the City is prohibited by law from negotiating any terms of a new lease with the current tenant until the City declares the land to be Surplus Land and notifies the entities described above. The process specified in the Surplus Lands Act can take up to 150 days to complete, as entities are provided 60 days to respond to the notification and the City must negotiate in good faith for a minimum of 90 days.

Because the lease will expire, the City does not have the option of entering into a new lease with the current tenant without going through the Surplus Lands process. The City has three options regarding its response to the expiration of the lease:

- 1) The City may determine that it no longer desires to lease the site and directs the tenant to vacate the site upon expiration of the lease, and also determines not to dispose of the property, leaving the site unoccupied;
- 2) The City may elect to do nothing – in this case, the tenant could remain on the site on a month-to-month tenancy under the current lease's holdover clause; or
- 3) The City could declare the land to be Surplus Land as described above and offer it for sale or lease to the appropriate parties.

Option No. 1 would leave the City with additional costs to maintain the site and would eliminate the revenue generated by it. The tenant has paid rent as agreed and has generally complied with the terms of the Lease Agreement, so the City would gain nothing by forcing them to leave and leaving the property vacant. Staff does not recommend this option.

Option No. 2 would preserve the status quo. This would likely be an acceptable solution over the short term. However, over time, the rent collected would remain static and not increase with inflation, eroding its value. Further, the month-to-month nature of the tenancy would reduce incentives for the tenant to invest funds into the property, as they will not know if they will receive a return on that investment. Eventually, the City will either lose the tenant or will be forced to expend money in order to maintain the property, at which time (barring further changes in the law) it would need to commence the same process it is contemplating now. While this is preferable to Option No. 1 over the short term, staff recommends that the City make efforts towards a long-term solution.

Under Option No. 3 staff would declare the land Surplus Land and proceed with the Surplus Lands process. As noted previously, the AVP identifies this site as part of an Opportunity Site for a mixed-use development. This project would complement the nearby public safety building and support the Alisal Marketplace concept for the area. Based on this, exploring the possibility of

selling or leasing the site for mixed-use is consistent with the City's previously-defined goals for the site. The City would be able to explore this possibility through the Surplus Lands process.

Staff does have some concerns with proceeding under Option No. 3:

- The City does not control the other properties located within the Opportunity Area (although the three properties share common ownership). Staff has approached representatives of the owner of these properties to see if they have any interest in selling (or otherwise making available) those properties; however, thus far the owners of those properties have indicated that they are not interested in selling at this time. Staff does have concerns that proceeding on only a portion of the site could result in less cohesive development if those properties do not become available until later or not at all.
- The property is presently located in the Industrial – General Commercial (IGC) zoning district, which would not allow a private owner to develop the property as envisioned in the Alisal Vibrancy Plan. This could complicate any plans to develop the property.
- The Surplus Lands process will likely take several months to resolve. During that time, the City cannot provide guarantees to the existing tenant that it will be able to enter into a new lease upon completion of the process. In the event the tenant elects to relocate rather than wait for the outcome of the Surplus Lands process and the City is unable to find a new buyer or tenant, the City could be left with a vacant property, resulting in a loss of revenue until a tenant or buyer could be found.

Nevertheless, staff believes that exploring disposition of the property through the Surplus Lands process is the best course of action at this time, for the following reasons:

- It could be many years before the owners of the adjacent properties are willing to sell their land; waiting until conditions are perfect risks no action ever taking place. Staff will periodically attempt to reengage with the adjacent property owners with the goal of including that land in a larger project.
- Community Development staff has received state SB2 funds to undertake environmental and technical studies necessary to consider rezoning the property and adjacent parcels to the Mixed-Use (MX) Zoning District. While this is expected to be a lengthy process, if a party is interested in the property, the current tenant could remain on the site on a holdover term until matters are resolved.
- There are still approximately six months left on the current lease – delaying the start of the process would only create additional uncertainty. In the event that there is no interest in the site or we are unable to agree to mutually agreeable terms with the parties mentioned above, the City would then be free to lease or sell the property as it chooses, including a new lease with the existing tenant.

For these reasons, staff recommends that the City Council adopt the attached Resolution declaring the property to be surplus.

CEQA CONSIDERATION:

The City 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:

This item relates to the City's goals of Investment Strategies and Risk Management to leverage existing City assets to address the City's housing deficit and invest in its infrastructure.

DEPARTMENTAL COORDINATION:

Economic Development has worked with both the Community Development and Public Works Departments on this item.

FISCAL AND SUSTAINABILITY IMPACT:

While taking this action could ultimately result in positive or negative financial impacts to the City (depending on the outcome of the Surplus Lands process), this action would have no impact on City finances. Staff will provide information relating any financial impacts related to the disposal of this property once the form of the disposal becomes clearer.

ATTACHMENTS:

Proposed RESOLUTION, including the following Exhibits:

Exhibit A: Property Map, including Assessor's Parcel Number
Excerpt from Alisal Vibrancy Plan - Opportunity Site No. 1

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

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALINAS DECLARING
THE CITY-OWNED PROPERTIES AT 282 EAST ALISAL STREET AS SURPLUS
LAND PURSUANT TO GOVERNMENT CODE SECTION 54221**

WHEREAS, the City of Salinas (the "City") owns in fee simple that real property shown on the attached Exhibit A (the "Property"), which is located at 282 East Alisal Street in the City of Salinas (Assessor's Parcel Number 003-041-031-000); and

WHEREAS, the Property is no longer necessary for the City's use; and

WHEREAS, the Alisal Vibrancy Plan identifies this property as a portion of an Opportunity Site for a mixed-use development; and

WHEREAS, City's lease with its current tenant is set to expire on September 30, 2021, and the City would need to negotiate terms for a new lease if that tenant were to remain; and

WHEREAS, pursuant to California Government Code section 54221(b)(1), the City must declare land as either Surplus Land or Exempt Surplus Land prior to beginning any negotiations to sell or lease the Property.

NOW, THEREFORE, BE IT RESOLVED that the City hereby designates the Property as Surplus Land pursuant to Government Code Section 54221.

PASSED AND APPROVED this 30th day of March, 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Kimbley Craig, Mayor

ATTEST:

Patricia M. Barajas, City Clerk

Exhibit A: Property Map, including Assessor's Parcel Number

RESOLUTION EXHIBIT A

Map including Assessor's Parcel Number 003-041-031-000



Excerpt from Alisal Vibrancy Plan

Figure 4.12 Opportunity Site 1: Alisal Marketplace Concept

