



## Legislation Text

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**File #:** 14-492, **Version:** 1

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Staff Report for a Resolution Authorizing the City Manager, by Order of the City Council Pursuant to San Leandro Municipal Code section 1-6-105, to Purchase 777 Alvarado Street (APN 075 0155 009 00) and to Appropriate \$300,000 from General Fund Reserves for the Purchase

### **SUMMARY AND RECOMMENDATIONS**

Staff recommends that the City Council adopt the Resolution that, by its own order, authorizes the City Manager to purchase the property located at 777 Alvarado Street from the Oliver Partnership and to appropriate \$300,000 from General Fund Reserves for said purchase.

### **BACKGROUND**

In July 2000, the City of San Leandro's Redevelopment Agency (Agency) entered into a Disposition and Development Agreement with Creekside Association for the Agency owned properties at San Leandro Boulevard and Davis Street, now home of Creekside Office Plaza. The original project envisioned an environmental education center on one of the parcels to be operated by Friends of San Leandro Creek. During the negotiation process, the office park development expanded to include all available parcels. The Developer was required as part of the Disposition and Development Agreement to construct and maintain a creekwalk as part of the project. An alternative site, 777 Alvarado Street was identified for the environmental education center.

On May 1, 2001, Friends of San Leandro Creek entered into a Lease Agreement with the Oliver Partnership for 777 Alvarado Street. The lease included in the recitals section a guarantee from the City of San Leandro and the Redevelopment Agency for performance of the tenant. The terms of the agreement follow:

- 20-year lease (May 1, 2003 - April 30, 2023)
- \$2,000/month lease payment, adjusted annually by the CPI, plus property taxes
- Option to purchase on May 1, 2013 at fair market value
- The lease does not provide terms for early termination

On March 5, 2001, the Redevelopment Agency adopted a resolution whereby the City guaranteed the Friends of San Leandro Creek lease. Funding for the lease was provided by the Creekside Plaza developer who placed \$250,000 in a fund to pay the lease. It was originally envisioned that when this funding was depleted in 2013, either Alameda County or the Agency would purchase the property for Friends of San Leandro Creek.

In 2008-09 Friends of San Leandro Creek, working in conjunction with Alameda County Flood Control, were in serious negotiations with the Oliver Partnership for purchase of the site for \$550,000 to be paid by Alameda County. The purchase, however, was not finalized and the vision for the site as an environmental education center did not materialize.

When the dissolution of the Redevelopment Agency began in February 2012, the Lease Guarantee for Friends of San Leandro Creek was placed on the semi-annual Recognized Obligations Payment Schedule (ROPS).

### **Analysis**

In May 2012, with the knowledge that the \$250,000 set aside to pay the lease was approaching depletion, Friends of San Leandro Creek's Chairperson and City staff met with Mr. Steve Oliver to discuss the possibility of terminating the lease or having the Oliver Partnership donate the land to Friends of San Leandro Creek.

On May 17, 2013 the State Department of Finance objected to the lease guarantee on the Recognized Obligations Payment Schedule based on a determination that the Redevelopment Agency was not the sole Guarantor because the City was also a guarantor. Combined with Friends of San Leandro Creek's inability to make lease payments, this determination made the lease a responsibility of the City. The City has been paying the lease out of the General Fund since early 2014. As of March 2014, the projected remaining cost of the lease over the next nine years is approximately \$300,000.

777 Alvarado Street is envisioned in the Downtown Transit Oriented Development Strategy as part of a future residential development on the former World Savings parcels on Alvarado currently owned by Wells Fargo. Density of 65 - 100 units per acre is envisioned and 777 Alvarado Street, along with the fire training facility, could provide a linear park along the creek, similar to the Cherrywood linear park. Based on the cost of the remaining lease and the future value of the property, staff pursued the process of property acquisition.

The Lease Agreement provides a process whereby three qualified brokers (one selected by the City, one selected by the Oliver Partnership and one selected by both parties) would provide written opinions of the value of the property. The purchase price would be the median of the brokers' opinions of value. The brokers' opinions of the value of the property ranged from \$242,535 to \$375,500 with a median price of \$275,400.

The current projected cost breakdown for the acquisition of 777 Alvarado Street is as follows (all costs are approximate):

Purchase Price    \$275,400

*Anticipated Administrative Costs*

*(not to exceed \$24,600):*

Closing Costs        \$4,000

Broker's Commission \$5,000

Phase I Report        \$5,000

Staff Time            \$6,000

TOTAL:                \$300,000

### **Applicable General Plan Policies**

Pursuant to Government Code section 65402, the proposed purchase of the subject property by the

City is in conformance with the General Plan.

### **Environmental Review**

This action is exempt from the California Environmental Quality Act (CEQA). A Phase I Environmental review will be conducted before the purchase is finalized.

### **Legal Analysis**

This action and the process by which the property will be purchased has been reviewed and approved by the City Attorney.

### **Fiscal Impacts**

This purchase will not exceed \$300,000, which will be funded by an appropriation from the General Fund Economic Uncertainty Reserve to account 210-38-363. The cost of the purchase is equivalent to the value of the lease over the next ten years. The purchase of the property will enable the City to sell it in the future when development of the vacant properties on Alvarado Street occurs.

### **Budget Authority**

This project will be funded by General Fund Economic Uncertainty Reserve of \$300,000 in account 210-38-363, for which the appropriation is requested.

### **ATTACHMENT**

- Purchase and Sale Agreement

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