



City Council Report

City Council Meeting: August 14, 2012

Agenda Item: 8-B

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Subject: Purchase and Sale Agreement for Fire Station Land Exchange

Recommended Action

Staff recommends the City Council:

1. adopt the attached resolution waiving advertising requirements related to an exchange of property; and
2. authorize the City Manager to negotiate and execute a Purchase and Sale Agreement ("Agreement") to exchange City-owned property located at 1338-42 and 1321 5th Street, for property located at 1337-45 7th Street, owned by 1337 7th Street LLC, subject to the condition that closing of escrow and the undertaking of any obligations or commitments under the Agreement shall not occur until the City complies with the applicable requirements of the California Environmental Quality Act ("CEQA"), including any requirement that the City Council make findings and approvals in accordance with CEQA.

Executive Summary

The City issued a Request for Proposals to exchange real property in Downtown Santa Monica for a new site suitable to build a replacement facility for Fire Station No. 1. The City received one response from NMS Properties Inc. ("Seller"), offering to exchange an equivalent-sized property at 1337-47 7th Street ("Seller's Property") for City-owned properties at 1338-42 and 1321 5th Street (collectively, "City's Property"). The approval of the Resolution and authorization of the exchange provides an opportunity for the City to secure a site that meets the City's current and long-term requirements for a new fire station that will serve Downtown and the northwestern portion of Santa Monica.

The Seller has requested certain assurances as a condition to sale of the Seller's Property, including the right to purchase monthly parking passes at the Main Library and a good faith effort on the part of the City to process the developer's entitlements for the subject properties to be acquired by the Seller within a specified timeframe. Presuming certain parking easement encumbrances can be removed from the Seller's Property,

the exchange would require the Seller to pay the City the difference in value of the exchanged properties in the amount of \$175,000.

Background

On January 10, 2012, Council authorized staff to issue a Request for Proposals (RFP) to exchange real property in Downtown Santa Monica at 1338-42 and 1321 5th Street ("City's Property," see Attachment B) for a new site to build a replacement facility for Fire Station No. 1. The solicitation was posted on the City's website, and sent to local property owners and brokers in the Downtown. The City received one response from NMS Properties Inc.

Discussion

The Seller's Property is a 22,500-square foot paved parking lot at 1337-45 7th Street that is subject to a third-party parking easement agreement which will need to be removed from the title before the City can acquire the property. The City's Property consists of a 15,000-square foot parcel and a 7,500-square foot parcel at 1338-42 and 1321 5th Street consisting of surface parking lots and a single-story retail building.

Removal of the parking easement will be a condition to closing. Assuming the parking easement is removed from the title of the Seller's property, the City's independent appraiser has determined that the market value of the Seller's property is \$7,875,000 (\$350 per square foot) and the combined market value of the City's properties is \$8,050,000 (averaging \$358 per square foot) resulting in a difference of \$175,000 which will be paid by the Seller to the City.

The Seller has requested that the following additional considerations be incorporated into the Purchase and Sale Agreement:

- City makes a reasonable good faith effort to process entitlements for the City's Property after acquisition by the Seller within 12 months, subject to the submittal of completed applications for LUCE and Downtown Specific Plan-compliant developments, and without any commitment as to outcome of entitlements or CEQA determinations.
- City issues the developer a parking license to purchase up to 100 monthly parking passes for the Main Library at publicly available market rates. The

license term will be 10 years with two 5-year renewal options. There are a total of 525 spaces in the Main Library Parking Structure. During peak occupancy periods, there are currently 157-210 parking spaces available at any given time.

In preparing the Agreement, staff would ensure that all terms comply with federal, state, and local law. The CEQA process must be completed before the City can close escrow on the Seller's Property, should the City Council approve staff's recommendation.

Staff recommends that the Council adopt the attached resolution which waives advertisement requirements for the sale of the City's Property and authorize the Agreement. The City's Property is no longer needed for the purpose acquired, nor needed for any public purpose.

Environmental Analysis

Under CEQA guideline 15004(b), the City may enter into a purchase and sale agreement with the Seller as long as the agreement provides that CEQA compliance shall be completed prior to the close of escrow and before the City's acquisition and proposed use of the Seller's Property as a fire station. This is consistent with the California Supreme Court's recent decision in *Save Tara v. City of West Hollywood*, in which the Court emphasized that a lead agency must not take any action that commits itself to a project in a manner that forecloses alternatives or mitigation measures that would ordinarily be part of CEQA review of a public project. The CEQA documentation and findings may need to return to Council for consideration and action before the City enters into a purchase and sale agreement.

Financial Impacts & Budget Actions

The recommended transaction involves an exchange of properties of comparable value with the difference in price of \$175,000 to be paid by the Seller to the City. Revenues should be deposited into account 01224.404170.

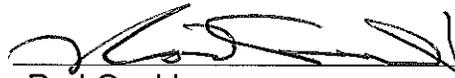
Prepared by: Elana Buegoff, Sr. Development Analyst

Approved:

Forwarded to Council:



Andy Agle, Director
Housing and Economic Development



Rod Gould
City Manager

Attachments:

- A. Resolution of the City of Santa Monica Waiving Advertisement Requirements and Authorizing the Negotiation of the Property Exchange
- B. Site Map Identifying Subject Properties



RESOLUTION NUMBER _____ (CCS)
(CITY COUNCIL SERIES)

RESOLUTION OF THE CITY OF SANTA MONICA WAIVING ADVERTISEMENT REQUIREMENTS AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE THE TERMS OF EXCHANGE OF CITY-OWNED PROPERTIES AT 1338-42 AND 1321 5TH STREET FOR A PROPERTY LOCATED AT 1337-45 7TH STREET, WHICH IS OWNED BY 1337 7TH STREET, LLC.

WHEREAS, the City of Santa Monica ("City") is the owner in fee of two properties located at 1338-1342 5th Street and 1323 5th Street, in the City of Santa Monica (collectively, "City Property"); and

WHEREAS, the City Property was acquired for the construction of additional parking resources as identified in the Downtown Parking Strategy and Environmental Impact Report, certified by the Council on May 9, 2006 ; and

WHEREAS, the City Property is no longer needed for such purpose or any other public use; and

WHEREAS, the City has identified the property located at 1337-1345 7th Street ("Seller's Property"), which is owned by 1337 7th Street, LLC ("Seller"), as a preferred site for relocation of Fire Station #1; and

WHEREAS, the City must complete environmental review of the City's proposed use of the Seller's Property as a fire station in accordance with the California

Environmental Quality Act ("CEQA") before entering into an agreement with the Seller for exchange of the City Property for the Seller Property; and

WHEREAS, pursuant to Santa Monica Municipal Code Section 2.24.110, real property may be sold without advertising for bids if the City Council, by resolution adopted by at least five affirmative votes, determines that to advertise for bids would be to no avail and would cause unnecessary expense and delay or would not be in the best interest of the City; and

WHEREAS, property being held for the purpose of exchange is exempt from the Government Code Section 54222 requirement that written offers to sell or lease the Property be sent to State and local recreation and housing agencies.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SANTA MONICA DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council finds and determines that the City Property is no longer needed for the purpose acquired and said property or the title thereto is not needed for any public purpose.

SECTION 2. The requirements pertaining to public advertising for bids on the exchange of the City Property are hereby waived because the City desires to exchange the City Property for a preferred site to relocate Fire Station # 1 and to advertise would cause unnecessary expense and delay, would be unlikely to bring a greater benefit to the City, and would not be in the best interest of the City.

SECTION 3. The City Manager is hereby authorized to negotiate the terms and conditions of a Purchase and Sale Agreement for exchange of the City Property with the Seller's Property, subject to the condition that close of escrow and the undertaking of any obligations or commitments under the Agreement shall not occur until completion of environmental review of the proposed use of the Seller's Property as a fire station, in accordance with CEQA.

SECTION 4. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

APPROVED AS TO FORM:



MARSHA JONES MOUTRIE
City Attorney



Exhibit B. Site Map

