



## Legislation Text

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**File #:** 15-00638, **Version:** 2

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A resolution authorizing the conveyance of surplus City real property for a public purpose to SRPC, LLC.; generally located east of Sierra Madre Street, between Vermijo Street and Cimarron Street. (Legislative Matter)

**From:**

Peter Wysocki, Planning and Development Director

**Summary:**

This item was introduced to the Council at the October 26, 2015 Council work session. Upon further consideration, one change to the terms and conditions of the transaction is recommended by staff. In lieu of a “reverter” clause originally suggested, staff recommends that the quit claim deed stipulate and authorize the City (the Grantor) judicial relief (with a 90-day right to cure notice) if the terms and conditions are not met by SRPC, LLC (the Grantee). This stipulation - along with the other terms and conditions included in the resolution - has been agreed to by SRPC, LLC. The reason for this alternative is that the reverter clause would place a title cloud on the property, and more significantly, obligate the City for costs associated with the mitigation of the environmental conditions and reassume the liability.

The proposed resolution, if adopted, authorizes the conveyance of a strip of City owned real property, approximately 42,766 square feet, generally located east of Sierra Madre Street, between Vermijo Street and Cimarron Street to SRPC, LLC. (Please see the attached vicinity map for location.) The strip of land is approximately 40 feet wide and 910 feet long. The conveyance is subject to the imposition of appropriate terms, conditions, and restrictions which a public purpose is served by the conveyance of the strip of land to SRPC, LLC in an “As Is” condition as the one logical potential purchaser/donee. The conveyance is at no cost to SRPC, LLC, which is a company primarily managed by Mr. Chris Jenkins of Nor’wood Development Group. The plan for the property is to be ultimately combined with other private properties for future redevelopment of the area. Approximately one-third of the land will become part of the United States Olympic Museum (USOM) site. The property has been found to be contaminated based on a phase 2 environmental site assessment. The conveyance would be subject to conditions, including environmental remediation and transfer of a portion of the property to the USOM organization within two years of City’s conveyance to SRPC, LLC.

The strip of land was deeded to the City in fee-simple as real property, not as right-of-way dedication via a plat. Therefore, conveyance is necessary rather than a right-of-way vacation. The subject strip of land has been historically used as an accessway and parking area for adjoining businesses. As the properties adjoining the subject strip of land has been purchased by related LLCs, the use of the strip of land for access and parking is no longer desired. The land will be replatted and combined with the abutting properties, similarly to a right-of-way vacation, which generally reverts the right-of-way to the abutting properties at no cost.

**Previous Council Action:**

No previous Council actions

**Background:**

The City's Real Estate Manual authorizes the disposal of property for less than fair market value upon a finding of a public purpose and for the transfer of property to a single, logical purchaser or donee. In this instance, the subject strip of land is "wedged" between properties under a single ownership group but held by separate LLCs. As a stand-alone property, the strip of land would not be conducive to development given its long and narrow shape and limited access. City staff believes that it is appropriate that the property be transferred to a single and logical owner without a public bid.

As stated above, the property is known to be contaminated and prior to any development, the contaminants and contaminated soil must be removed. In 2009, a phase 2 site investigation assessment report was prepared on behalf of the City by URS Corporation. The report tested the soil and groundwater and concluded that the site has several known contaminants.

Pursuant to the Real Estate Manual, the strip of land was appraised by Michael Joseph Tracy, Certified Appraiser on behalf SRPC, LLC. The appraisal report was reviewed by City staff. SRPC, LLC also provided an estimate from GE Johnson Construction Company for the remediation of the alley property and the surrounding properties. The appraisal determined the unit pricing for the strip of land to be \$1.80/SF. Below is the derived property value based upon the unit pricing and pro-rata cost to remediate the strip of land :

Property value:	\$1.80/SF x 42,766 SF	\$76,979
Less remediation cost		\$50,706
Less 3-foot over excavation cost		\$304,004
Net property value		(\$277,731)

The conveyance agreement requires SRCP, LLC to accept the property in an "As IS" condition, including the soil contamination conditions disclosed in the URS Corporation Site Assessment Report, and that SRPC, LLC indemnify the City from any environmental remediation, mitigation or any other liabilities.

In addition to indemnifying the City from environmental liabilities, the disposal of the strip of land at no cost helps to facilitate the development of the USOM and ultimately the redevelopment of the City's downtown. Having a thriving and vibrant downtown - with uses such as the USOM, retail, offices and residences - is a critical component of long-term job creation and economic resiliency of the City.

A Development Plan application for the USOM has been submitted to the City and is scheduled for the November 4, 2015 Downtown Review Board meeting for approval.

The Public Works Department determined that this strip of land is no longer needed for transportation purposes and deemed the property as surplus to their needs. City staff is currently working with surrounding property owners on other significant roadway, pedestrian and multimodal infrastructure improvements associated with the USOM and other private developments in the southwest downtown that will likely follow the successful completion and operation of the USOM. Access to the

USOM and other properties will be provided directly off Vermijo Street and Sierra Madre Street.

**Financial Implications:**

Given the market value, the large cost of remediation and the potential liabilities, the disposal of the strip of land at no cost has no negative financial impacts to the City. SRPC, LLC is required to pay all closing costs as a part of this transaction.

**Board/Commission Recommendation:**

Pursuant to the Real Estate Manual, no board or commission review is required or warranted.

**Stakeholder Process:**

All properties surrounding the subject alley are owned by related LLCs managed by the same individuals. In light of staff's recommendation to transfer the property to a single, logical purchaser, no public notification or stakeholder input was required or warranted prior to City Council consideration.

**Alternatives:**

1. Adopt the Resolution as proposed by staff;
2. Adopt the Resolution with modifications;
3. Deny the Resolution; or
4. Postpone action

**Proposed Motion:**

Move to adopt a resolution authorizing the conveyance of City real property for a public purpose to SRPC, LLC.

Not applicable.