



Legislation Text

File #: 18-0903, **Version:** 1

WITHDRAWN

~~Recommendation to authorize City Manager, or designee, to execute any and all documents necessary, including a Standard Offer, Agreement, and Escrow Instructions for Purchase of Real Estate (Agreement) and Standard Industrial/Commercial Single Tenant Lease (Lease) with Paul M. Stone, as Trustee of the Paul M. Stone Living Trust under declaration of Trust dated January 30, 2016 (Seller), for the lease and purchase and other related costs of certain real property located at 1718-1722 Hayes Avenue, Assessor Parcel Number 7429-028-034, in the amount of \$1,897,000; and~~

~~Accept the Categorical Exemption CE 18-219. (District 1)~~

On September 11, 2018, the City Council adopted a Resolution declaring a shelter crisis pursuant to SB 850 (Chapter 48, Statutes of 2018 and Government Code § 8698.2) and suspending applicable provisions of local law, including those contained in the City's zoning ordinances and regulations, allowing the City to apply for Homeless Emergency Aid Program (HEAP) funds. HEAP funding, offered through the State's Fiscal Year 2019 (FY 19) budget, provides \$500 million in one-time funds to enable local jurisdictions to provide immediate emergency assistance to individuals experiencing homelessness. The City is scheduled to participate in the early application process during Round 1 and submitted its application on September 19, 2018. It is anticipated that the City will receive an award and distribution of funds will be completed within 60 days.

The City has identified a property located at 1718-1722 Hayes Avenue, Assessor Parcel Number 7429-028-034 (Subject Property) (Exhibit A), as a potential site for Homeless Services Property Storage. The Subject Property is approximately 6,520 square feet and is improved with a 5,400-square-foot industrial building. The Subject Property has been listed on the market for a purchase price of \$1,755,000. The City has submitted an offer and the property owner has agreed to sell the Subject Property to the City at the listing price. To access the Subject Property immediately upon opening escrow, the Seller has agreed to lease the Subject Property for an amount of \$5,500 per month, for approximately four months (total of \$22,000). An additional amount up to \$120,000 will be expended for acquisition costs, appraisal, environmental investigation, escrow and closing fees, and tenant improvements.

There are no significant start-up costs expected other than tenant improvements, which are expected to be relatively small as the facility will be used as a storage location. The Seller has agreed to a contract, which stipulates that the purchase of the Subject Property is contingent on the City receiving HEAP funding within 90 days from the opening of escrow. In

the event that funding is not received, the City can cancel escrow and only lease payments would be retained by the Seller. If the grant is awarded but funding is delayed past the agreed upon end of escrow, then the City will need to do internal borrowing until the grant funds are received. The City does not anticipate that the State grant requirements will preclude the reimbursement of funds for an agreement entered into prior to the award of the funds. Acquisition of the Subject Property would provide a location for clients of the Multi-Service Center (MSC) to store personal items while either utilizing services at the MSC or attending work.

The acquisition of the Subject Property has been reviewed under the California Environmental Quality Act and Categorical Exemption CE 18-219 was issued for this action.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 18, 2018 and by Budget Analysis Officer Julissa José-Murray on September 27, 2018.

City Council action is requested on October 9, 2018, to ensure the acquisition of the Subject Property can occur in a timely manner.

The Economic Development and Health and Human Services Departments anticipate HEAP funding to pay for the acquisition of the Subject Property and associated one-time costs, or to reimburse the City for those costs, will be received by the end of November 2018. If the property is purchased prior to receiving the funds, a short-term cash flow issue will result, but is expected to be resolved by internal borrowing. The total costs including acquisition costs, leasing while the property is in escrow, and tenant improvements is \$1,897,000, offset by an anticipated HEAP grant. The Economic Development and Health and Human Services Departments will return to the City Council once the grant is awarded to approve and appropriate the award of funds. Since the purchase agreement is contingent on the City receiving grant funding within 90 days from the opening of escrow, should grant funding not be realized, the City can cancel escrow and costs incurred would equal lease payments to date and any other related costs for due diligence.

Additional operating costs, including staffing, security, utilities and other costs are expected beginning as soon as November 2018. The amount of these operating costs are currently unknown and are expected to need General Fund support in the Health and Human Services Department. The budget for ongoing operating and maintenance costs of this new facility will be incorporated into the FY 20 budget. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

KELLY COLOPY

DIRECTOR OF HEALTH AND HUMAN SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER