



## Legislation Text

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**File #:** 17-398, **Version:** 1

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*Report Prepared by: Frank Quintero, Director of Economic Development*

**SUBJECT:** Purchase and Sale Agreement and Lease Agreement Between the McClatchy Newspaper, Inc., and the City of Merced for the Property at 3033 North G Street

### REPORT IN BRIEF

Agreement to purchase the Merced Sun-Star property from McClatchy Newspaper, Inc. for \$1.62 million for use as a future Police Headquarters, and rent the facility back to McClatchy for one-year.

### RECOMMENDATION

**City Council** - Adopt a Motion:

- A. Approving transfers from Public Facilities Financing Fees-Police in the amount of \$816,000 from Fund 47 and \$816,000 from Fund 57 to Fund 449; and,
- B. Appropriating the same to Project #116040 New Police Headquarters; and,
- C. Approving the Purchase and Sales Agreement and associated Lease Agreement between the City of Merced and McClatchy Newspapers, Inc.; and,
- D. Authorizing payment to the current owner, McClatchy Newspapers, Inc.; and,
- E. Authorizing payment of all fees associated with the property acquisition, i.e., document recording, escrow fees, deposit, parcel reconveyance; and,
- F. Authorizing the City Manager or Assistant City Manager to execute all necessary documents.

### ALTERNATIVES

1. Approve as recommended by staff; or,
2. Approve subject to amended conditions to be addressed in the City Council motion; or,
3. Deny; or,
4. Refer back to staff for reconsideration of specific items as requested by Council; or,
5. Continue item to a future City Council meeting (date and time to be specified in City Council motion.)

### AUTHORITY

Charter of the City of Merced, Section 200

## CITY COUNCIL PRIORITIES

Fiscal Year 2017-2018 Budget, Section 10, Public Safety - Police, Goals, "Police Headquarters - Finish negotiations with property owner to obtain the selected site for a new Police facility."

## DISCUSSION

The Merced City Council directed staff to pursue buying the Merced Sun Star facility with the intention of building the City's future Police Headquarters on the site. The City of Merced and McClatchy Newspaper, Inc., completed negotiations for the acquisition of the Merced Sun Star facility located at 3033 North G Street (Attachment 1). The agreed upon sales price is \$1.62 million as contained in the Purchase and Sales Agreement (Attachment 2). The Merced Sun-Star operates from the subject facility, and McClatchy Newspaper, Inc. requested a one-year lease from the City of Merced upon escrow closing (See Exhibit B of Attachment 2.)

### Background:

Mansionette Drive/Yosemite Ave Site: The current Merced Police Department Headquarters building, located at 611 W. 22<sup>nd</sup> Street, was constructed in 1959, and remodeled with a second story in 1981. The building no longer meets the space, operational, security or technological needs of the Police Department.

In 2008, the City Council approved funding for staff to conduct an in-house site needs assessment for a new Police Headquarters (Police HQ.) Ultimately, the site located on the northwest corner of Yosemite Avenue and Mansionette Drive (Attachment 3) was selected as the future site for the Police HQ. On March 1, 2010, the City Council approved the purchase of the 4.55-acre site from the Estate of Spalding Wathen (Attachment 4).

The Recession of 2007 caused revenues to decline including Public Facility Impact Fees that were to be used for the next steps of making the new Police HQ project a reality. The Police HQ project remained dormant for several years.

New Direction - New Site: In July 2015, the City Council directed staff to re-evaluate sites for the new Police HQ. An internal staff committee was formed whom rated 11 sites. The committee recommended further investigation of the Merced Sun-Star. Council appropriated funding to conduct the following studies: building, civil, structural, mechanical and electrical, roof, environmental, and appraisal. The re-evaluation process and Merced Sun-Star studies were completed within 15 months. Satisfied with the results of the studies, the City Council directed staff to open negotiations with McClatchy Newspapers, Inc.

Once the new location for the future Police HQ was selected, staff was then directed to prepare the Mansionette Drive/Yosemite Avenue site for disposition that included changing the land use designation from Low Medium Density Residential (LMD) to Neighborhood Commercial (CN).

In order to prepare the Mansionette Drive site for disposition and surplus, the following actions were required:

- 60-day notice to particular agencies (schools, parks and recreation, low and moderate income

housing providers, enterprise zones, and infill opportunity providers) of the City's intent to declare the property surplus as required by California Government Code Section 54222.

- Change the land use of the property from Low Medium Density Residential to Neighborhood Commercial (CN) and prepare an Addendum to the 2030 General Plan EIR (Planning Commission recommendation followed by City Council consideration.)
- Declare the Mansionette Drive property as surplus property (Planning Commission recommendation followed by City Council consideration.)

The Merced City Council approved the land use changes from Low Medium Density Residential (LMD) to Neighborhood Commercial (CN), the Addendum to the 2030 General Plan EIR, and declared the property surplus at their meeting of May 15, 2017.

Before the City can issue a Request for Proposal for sale and development of the Mansionette Drive and Yosemite Avenue site, the City is required to be in escrow for an alternative Police HQ site, the Merced Sun-Star facility.

TERMS:

Key Purchase and Sale Agreement terms include the following:

Property: 3033 N. G Street, APN: 007-350-009, 5.5-acres, 32,128 square-foot Building.

Purchase Price: \$1,620,000.00

Deposit: \$50,000, non-refundable after Review Period

Title Company: First American Title Company

Escrow Period: 45-days, after the Effective Period

Closing Cost: Buyer and Seller to each pay 50% of escrow, recording, and other fees.

Key Lease Agreement terms:

Term: One-year, up to two, one-month extensions

Rent: \$2,500.00 per month (minus up to \$1,250 per month if the lessee pays property or possessory interest taxes)

Utilities: Tenant pays all utilities

Insurance: Tenant pays all public liability and property damage insurance

Liability: Tenant shall indemnify, defend, and hold landlord harmless

Holdover: \$500 per day

Next Steps:

To keep the Police HQ project moving forward, staff will bring to the City Council a request allocate funds to hire consultants for the following tasks: poll the public regarding support for sales tax increase to fund the Police HQ and other city facilities, architect to perform a facility needs assessment, and financial advisor to evaluate alternative means of funding.

Staff will also be working on a Request for Proposal to issue for the sale and development of the site at Mansionette Drive and Yosemite Avenue.

**IMPACT ON CITY RESOURCES**

Funding for this purchase is available from the Public Facilities Financing Fees - Police in Fund 047 and Fund 057. This report recommends transfers in the amount of \$816,000 from Fund 47 and \$816,000 from Fund 57 to Fund 449, Public Safety Capital Improvement Projects, and appropriating the same to Project #116040 - New Police HQ for the purchase and fees associated with the property acquisition.

**ATTACHMENTS**

1. Merced-Sun Star Site
2. Purchase and Sale Agreement/Lease Agreement
3. Mansionette Drive/Yosemite Avenue Site
4. Administrative Report of March 1, 2010