

Agenda Report

THROUGH: BUSINESS ENTERPRISE COMMITTEE, FEBRUARY 2, 2000

DATE: FEBRUARY 7, 2000

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ, CITY MANAGER

**SUBJECT: REQUEST FOR AUTHORIZATION TO PURCHASE THAT CERTAIN
ABANDONED RAILROAD RIGHT-OF-WAY BEHIND 1625 TO 1727
EAST WALNUT STREET, AND THE APPROVAL OF THE SALE
THEREOF TO THE ADJACENT LAND OWNERS TO THE SOUTH**

RECOMMENDATION:

It is recommended that the City Council:

- A. Find and determine that the certain abandoned railroad right-of-way segment behind 1625 to 1727 East Walnut Street falls under Class 12 of categorically Exempt Projects and thus, exempt from the requirements of the California Environmental Quality Act "CEQA", and direct the City Clerk to file a Notice of Exemption with the Los Angeles County Recorder; and
- B. Declare that this certain abandoned railroad right-of-way segment is exempt from the competitive sale requirements of Chapter 4.02 of the Pasadena Municipal Code; and
- C. Authorize the City Manager to negotiate with the Metropolitan Transportation Authority and the land owners adjacent to and south of the abandoned railroad right-of-way segment, and to enter into and execute on behalf of the City of Pasadena the contracts, deeds and/or other documents required to acquire and convey the City's interests therein.

BACKGROUND:

On July 24, 1998 the City received notification from the Metropolitan Transportation Authority (MTA) of its intention to sell former railroad right-of-way segments located in three noncontiguous areas of east Pasadena, north of Walnut Street. Under Government Code Sections 54220 through 54227, MTA is required to offer this land to the City and certain other governmental institutions before it can be sold at public auction.

A preliminary analysis disclosed that the properties adjoining the right-of-way segments lack adequate off-street parking and that overall conditions are congested. Therefore, the feasibility of purchasing the property on behalf of the adjacent property owners was undertaken. On August 27,

MEETING OF 02/07/00

AGENDA ITEM NO. 5.A.(1)

1998 a survey of adjacent property owners was conducted. Those owners responding favorably were provided with preliminary land cost estimates and an additional survey was conducted resulting in an estimate of overall participation.

On November 23, 1998, based on the results of the second survey, the City asserted itself under the rights provided by the Government Code relative to the sale of surplus real property. MTA complied, withdrew the land from public auction and entered into exclusive negotiations with the City. Under the Government Code and MTA's Board authorization, the land must be sold directly to the City for its appraised value.

Negotiations between MTA, the adjacent property owners and City were suspended when the Joint Powers Authority (JPA) issued a "cease and desist," letter demanding MTA hold the right-of-way in trust for them. Subsequent negotiations resulted in an agreement, wherein title to the former right-of-way strips became vested with JPA, with the exception of the proceeds from the sale of two unique parcels. While negotiations have been completed relative to one of these parcels, the following findings have been reached on the purchase/sale of the other parcel, as discussed below.

The "Sierra Bonita Block" (see Exhibit A) is located at 1625 to 1727 East Walnut Street, between Sierra Bonita and Meredith Avenues (west of Allen Avenue). This abandoned right of way segment is situated between (behind, south of) lower density residential dwellings fronting Locust Street and a variety of business' fronting Walnut Street. There are a total of 12 possible benefiting ownerships, of which all but two have responded favorably to purchasing the right of way segment behind their properties. Several potential Participants have expressed interest in purchasing more than one segment (or the land behind another adjacent ownership). Some segments have up to three suitors.

The ROW segment has a split zone, with the north 30 feet in the RM-16 (Multiple-Family Residential) and the south 30 feet in the CG (Commercial General) zone. Under PMC Section 17.64.160, a lot that is divided by a zoning boundary may have the less restrictive development standards applied to the whole lot, if the area in the more restrictive portion does not exceed 30 feet. Therefore, the Participants could utilize the ROW segment for expansion of "CG" permitted uses, without seeking a zone change. Under the RM-16 zone, the development density is one unit per 2,750 square feet of land area. Due to the size of the lots and the requirements of the zone, the allowable density of the residential parcels north would not increase with the addition of the ROW. It is recommended that the City negotiate to sell this land only to the owners south of the right-of-way in order to promote orderly development and avoid a "saw tooth" land use situation.

Under one scenario, Purchase/Sale Agreements would involve double escrows between MTA, the City, and the Participants. The City would facilitate the transactions, arrange for necessary legal descriptions and coordinate environmental assessments at no cost to the Participants. Under this scenario, the City would operate only as a conduit, have no fiduciary responsibility and/or receive any transaction proceeds, but would gain added leverage to guide the land's use. Alternately, the City could withdraw its intensive involvement and allow MTA to auction the entire abandoned Sierra Bonita right-of-way segment to the highest bidder for development as permitted by the zone.

The Purchase/Sale Agreements would be subject to the following conditions:

1. The Participants to agree by covenant to maintain the benefiting property consistent with the "CG" zone and provisions of the Pasadena Municipal Code.

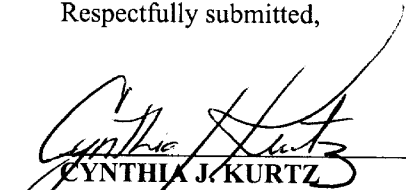
2. The Participants install an eight-foot high concrete block wall along the north proposed property boundary, separating the ROW from residential uses to the north, within six-months of acquisition. The Participants shall provide a bond to assure timely completion of the wall.
3. The corresponding right-of-way segment(s) will be absorbed by the adjacent parcel(s), as part of a "lot line adjustment" process.
4. Payment of a good faith deposit equaling ten percent (10.0%) of the purchase price before the opening of escrow.

A Phase I Environmental Report relative to the abandoned railroad right of way has been reviewed by the City's hazardous materials specialist. According to this review, there is no unusual risk associated with the "Sierra Bonita segment". To further restrict the City's exposure, the Participants will be required to expressly assume liability for the environmental condition of the subject property and to indemnify the City from any liability arising from its environmental condition, regardless of when the environmental hazards are identified. The Contract of Sale and Escrow Instructions between the City and the Participant will contain specific language to that effect.

FISCAL IMPACT:

Under the Purchase/Sale Agreement (double escrow), Participant funds would be used to buy the right-of-way segment and no City funds would be necessary. The City's obligation to purchase this land would be subject to the Participant's obligation to purchase. Accordingly, other than the cost of staff time, there is no fiscal impact due to the subject project.

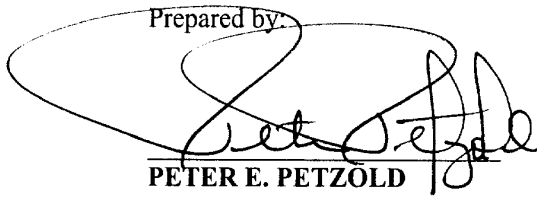
Respectfully submitted,


 CYNTHIA J. KURTZ
 City Manager


Concurrence:


 MANUEL NEGRETE JR.
 Real Property Manager

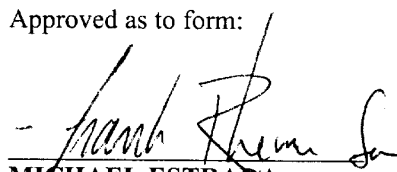
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