

Agenda Report

DATE: DECEMBER 11, 2000

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: PURCHASE OF THE PROPERTY LOCATED AT 965 N. FAIR OAKS AVENUE BY THE CITY OF PASADENA

RECOMMENDATION:

It is recommended that the City Council:

1. Find and determine that the purchase of the property at 965 N. Fair Oaks Avenue is categorically exempt under the requirements of the California Environmental Quality Act (CEQA).
2. Approve and direct that the Property be purchased for \$3,948,750 and authorize the City Manager to take all actions necessary to effectuate the purchase.
3. Approve a Resolution of the City Council approving and authorizing the acquisition of property and the lease financing of such acquisition, approving the form of and authorizing the execution and delivery of a lease purchase agreement and an assignment of lease, and authorizing the execution and delivery of and approving other related documents and action in connection therewith.

BACKGROUND:

The property is a 2.5-acre parcel of land improved with a 60,000 square foot concrete tilt up industrial/manufacturing building (Highland Plastics facility). Highland Plastics, the long-time tenant, has outgrown this facility and will be moving at the end of November. The site is situated south of and adjacent to Robinson Park and is considered by staff to be a candidate parcel for City or other public purpose use.

At such time that the use of the site is determined, an initial study will be undertaken to determine the appropriate action to be taken pursuant to CEQA.

One potential use of the property is for a new school. This will be evaluated as part of the process to determine the site of a school servicing northwest Pasadena. This process is anticipated to be completed in March.

Another of the possible uses of the property would be for park expansion. This is a rare opportunity to acquire land immediately next to an existing park and recreation center, offering potential expansion of positive park and recreation center activities in Northwest Pasadena. The location next to Robinson Park is adjacent to a residential community with many densely populated multi-family units offering limited or no recreation space for occupants.

The Robinson Park Master Plan process is presently underway, and could be expanded to study potential use of the adjacent Highland Plastics site. The process for the Master Plan has included a review of the current Master Plan, interaction with neighborhood associations and the community at meetings, and soliciting a request for proposals from architects for the proposed improvements. An architect has been chosen and the drawing of the proposed improvements when completed will be shared with the community for comment. The current participants in the Robinson Master Plan are representatives of the Recreation and Parks Commission, the neighboring schools and churches, staff of Robinson Park and of the Human Services Department, as well as neighborhood associations. For a complete list of participants, please see Attachment No. 1. The Plan will go to the Recreation and Parks Commission, as well as the Planning and Northwest Commissions for review before it is presented to Council in June 2001. Current Master Plan recommendations include potential demolition of the major portion of the current Recreation Center (excluding the gym and pool) and construction of a new recreation facility. Acquisition of the Highland Plastics facility may offer the opportunity to relocate and continue services during such demolition and reconstruction, and may offer a long-term opportunity for a multi-use community service, education and recreational complex.

As per City Council's request, staff has investigated preliminary costs for improving the site. If the site is purchased and it is decided that the existing improvements are to be demolished, estimated unit costs are as follows:

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| 1. Demolition of 60,000 s.f. bldg. @ \$3.00 to \$3.50/sq.ft. = \$180,000 to | \$210,000 |
| 2. Demo. of 50, 000 s.f. asphalt parking lot & yard area @ \$1.00/sq.ft. = | <u>\$50,000</u> |
| Demolition total - - | \$260,000 |

If it is decided that the site is to be utilized for park expansion, after demolition, the estimated unit cost for improving the 2.5acre site as a park is \$125,000/acre, reflecting \$312,500 for the entire site. If sports fields, bleachers and lighting were to be included in the park area, the cost could increase to \$250,000 per acre, reflecting \$625,000 for the entire site.

If a new building were to be constructed for park use, its cost would be dependent on its size and type of buildout. For budgetary purposes a unit value ranging from \$75 to \$125 per square foot could be used. If it were decided to renovate a portion of the existing building, a budgetary unit value of \$50 to \$100 per square foot could be used. It should be noted that the existing 60,000 square foot building is comprised of the original 24,000 square foot building constructed in 1955 and the two attached warehouse buildings constructed in 1975 having areas of approximately 19,000 and 17,000 square feet respectively.

The Recreation and Parks Commission recommended the site for possible park expansion at its November 7th meeting. At their meetings of November 15th, the Fair Oaks PAC and the Northwest Commission gave their recommendation for purchase of this site. The Northwest Commission voiced their concern that no funds allocated to Northwest Pasadena be diverted to this acquisition. Furthermore, they asked that the site be land banked for the future benefit of Northwest Pasadena.

On September 11, 2000 City Council authorized the City Manager to execute an agreement with Flam Properties, LTD, the owner, for the exclusive right to negotiate for the lease or purchase of the property. After execution of that agreement, staff negotiated for the purchase of the property and an agreement has been reached subject to Council approval. Staff, in negotiating the price relied on an analysis of listings and recent sales of other competing industrial properties as well as a review and consideration of an MAI appraisal of the subject property. The market value of the property according to the appraisal dated June 29, 2000 is \$4,050,000.

Following are the major terms and conditions of the proposed purchase:

- 1) The purchase price will be \$3,948,750.
- 2) The owner will provide phase I and phase II environmental reports.
- 3) The owner will be responsible for reasonable environmental mitigation on the site. Based on the results of the environmental reports and the cost of the mitigation required, the owner may choose to withdraw from the sale.

FISCAL IMPACT

The cost of this purchase is \$3,948,750. The total amount to be borrowed will be \$4 million. The additional funds will be used to cover related expenses. Community Bank has agreed to a 20 year loan at a fixed rate of 4.95% for the first five years. The interest rate will be reset for another five year period at the end of this time period. The annual debt service of approximately \$320,000 will be an expense of the General Fund.

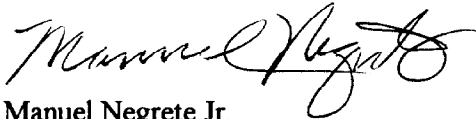
If it is ultimately decided to improve all or part of the existing building or remove the buildings for sports fields, the costs could range from \$300,000 to \$900,000. Funding may be available from Proposition 12 funds. Most Proposition 12 funds are distributed through competitive grants.

Respectfully Submitted,



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City Manager

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