

Agenda Report

THROUGH: BUSINESS ENTERPRISE COMMITTEE

DATE: OCTOBER 18, 1999

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: REQUEST FOR AUTHORIZATION TO PURCHASE THAT CERTAIN ABANDONED RAILROAD RIGHT-OF-WAY ON THE NORTHEAST CORNER OF SIERRA MADRE BOULEVARD AND WALNUT STREET AND THE APPROVAL OF THE SALE THEREOF TO THE ADJACENT LAND OWNER

RECOMMENDATION:

It is recommended that the City Council adopt a resolution:

- A. Finding and determining that the certain abandoned railroad right-of-way segment located on the northeast corner of Sierra Madre Boulevard and 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. Declaring 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. Authorizing the City Manager to negotiate with the Metropolitan Transportation Authority and the land owner adjacent to 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, 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 a relatively firm 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.

Subsequent negotiations between MTA, the adjacent property owners and City, occurred. These negotiations 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 are continuing relative to one of these parcels, agreements have been reached on the sale of the other, as discussed below.

The Trans Ocean Motors Parcel (see Exhibit A) is located on the northeast corner of Walnut Street and Sierra Madre Boulevard. The property owner (Participant), who is also the owner of an automobile dealership at the site's location, has initiated formal vacation proceedings on a little used section of North Walnut Street and desires to incorporate the adjacent right-of-way segment into this expansion program. Staff believes that this concept has considerable merit because neighborhood blight would be alleviated. Other important benefits include safer streets, expansion of a local business, increased sales tax revenues and increased employment.

An understanding between the City, MTA and the Participant has been reached. Accordingly, Staff believes that the right-of-way segment adjacent to the Trans Ocean Motors Parcel should be transferred on an expedited basis, as specified in the Purchase/Sale Agreement scenario discussed below. This transfer would require the City to issue a Certificate of Compliance in conformance with the Subdivision Map Act.

The proposed Purchase/Sale Agreement would involve a double escrow between MTA, the City, and the Participant. The land would be sold in its "as is" condition. Accordingly, the Participant will be required to install certain improvements in Walnut Street as a condition to future building permit approval. Preliminary estimates indicate that sidewalks and additional streetlights and/or street trees may be necessary. Other Participant costs include demolition, grading, and drainage. In addition, the Participant has been advised to budget supplemental funds for title, escrow fees and other closing costs. The Participant has agreed to develop the land within six-months of acquisition and maintain it as part of the automobile dealership for a period of not less than ten-years.

The City's role in this program would be to facilitate the transaction, arrange for necessary legal descriptions and coordinate environmental assessments at no cost to the Participant. The City would operate only as a conduit, have no fiduciary responsibility, would not recover its costs and/or receive any transaction proceeds. Initial discussions with the Department of Public Works

and Transportation disclose that up to a seven-foot wide street dedication on Walnut Street could be required.

A Phase I Environmental Report relative to the abandoned rail road 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 "Trans Ocean Motors segment". In addition, the Participant 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 this effect.

The survey of interest in acquisition of right-of-way parcels by adjoining owners revealed several others who wished to purchase segments of the right-of way. In the future, staff will present a plan for working with JPA in the acquisition and disposition of these properties.

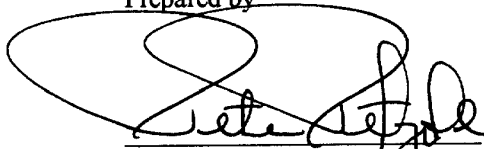
FISCAL IMPACT:

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,


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