

Agenda Report

Date: October 19, 1998

To: City Council
Through Deregulation Committee

From: Cynthia J. Kurtz
City Manager

Subject: Public Hearing: Exemption from Competitive Bidding under the Surplus Property Ordinance for the Disposition of 43.55 Acres of Unimproved City-Owned Real Property in the City of Azusa; Agreement of Purchase and Sale for the Conveyance of Said Real Property to the San Gabriel Canyon Ranch Corporation for \$86,000

Recommendation

It is recommended that the City Council take the following actions:

1. Hold a public hearing pursuant to the Surplus Property Ordinance (Chapter 4.02 of the Pasadena Municipal Code) and after the public hearing adopt a resolution:
 - (a) finding and determining that the conveyance of approximately 43.55 acres of City-owned real property (the "Property") in the City of Azusa to the San Gabriel Canyon Ranch Corporation ("Buyer") without competitive bidding will achieve an extraordinary and overriding public benefit; and
 - (b) approving the terms and provisions of an Agreement of Purchase and Sale and Joint Escrow Instructions ("Agreement") between the City and the Buyer and authorizing the City Manager to execute the Agreement and to do any and all things necessary to consummate the disposition of the Property to Buyer in accordance therewith, but no less than 60 days after the date of this hearing.
2. Recognize the net proceeds from the sale of the Property in the sum of \$86,000 (less escrow and closing costs) and deposit that amount into Power Fund Account Number 173405151.

Background

The Property is located north of and adjacent to San Gabriel Canyon Road (California State Highway 39) in the City of Azusa and, as can be seen on the map attached hereto as Exhibit "A", consists of three contiguous parcels (identified on the map as Parcels 2, 3 and 4 and more particularly described as portions of Assessor's Parcels Number ("APN") 8684-025-271, 8684-025-273 and 8684-027-270) and one stand-alone parcel (identified on the map as Parcel 1 and more particularly described as a portion of APN 8684-025-270), which in the aggregate contain approximately 43.55 acres. The Buyer desires to acquire the Property from the City for its appraised fair market value of \$86,000 in accordance with the terms and provisions of the Agreement. The exact legal description of the Property to be conveyed is dependent upon a survey that is presently being conducted by a consultant retained by the City for that purpose. A survey is needed to identify the boundary of the Property as it abuts San Gabriel Canyon Road.

After the sale of the Property, the City will retain ownership of other property located to the south and across San Gabriel Canyon Road from the Property. Traversing this remainder parcel is the Department's Azusa conduit, which feeds into the Water and Power Department's Azusa Hydroelectric Plant. The Property to be sold is not needed to support the conduit and is, therefore, surplus to the City's needs, determined by the City Council on November 20, 1995, when it declared the four parcels comprising the Property to be surplus and authorized the sale of Parcel 2 (a portion of APN 8684-025-271) to Mr. Ralph M. Covell and the sale of Parcel 1 (a portion of APN 8684-025-270) to Chicago Title Company. In addition, the City Council then directed that Parcels 3 (a portion of APN 8684-025-273) and 4 (a portion of APN 8684-027-270) be disposed of through competitive bidding.

The authorized sale of Parcel 1 to Chicago Title Company was for the purpose of aiding Chicago Title Company to settle a title insurance dispute with Mr. Covell involving other property owned by Mr. Covell. Chicago Title Company was to acquire Parcel 1 from the City, and in turn, convey it to Mr. Covell. We have been advised by Mr. Covell that he subsequently settled his dispute with Chicago Title Company without the need for Chicago Title Company to acquire Parcel 1. However, Mr. Covell now wishes to acquire Parcel 1 on his own, together with the other three parcels comprising the Property. It is recommended that Parcel 1 be sold to the Buyer along with the other three parcels comprising the Property for the reasons set forth below.

The Property was acquired by the City in 1933 from Southern California Edison Company ("SCE") as part of a much larger land acquisition required to build Morris Dam. SCE stipulated that all of their holdings in that area were to be purchased by the City as a package, although not all of the land was of immediate use to the City. In 1941, the City sold Morris Dam and adjacent property to the Metropolitan Water District of Southern California ("MWD"). This Property was not sold to MWD because MWD wanted only to acquire land upstream of Morris Dam.

The Property has no current use, being vacant land which is traversed by the San Gabriel River. During the winter months, the river provides rushing water and seasonal flooding on most of the Property. As such, no permanent building improvements are permitted on most of the Property. As communicated to the City Council in November of 1995, the Property has no past, present or anticipated future usage by the City's Water and Power Department.

The City has previously granted an easement for ingress and egress and a bridle easement over a portion of the Property to Mr. Covell, who is the owner of the land abutting the Property to the north, to provide access from San Gabriel Canyon Road to his properties. On this easement, which appears to be over Parcel 2 (APN 8684-025-271), Mr. Covell received a permit and has built a bridge over the San Gabriel River that is passable by motor vehicle.

The City obtained an appraisal of the Property in February 1998, and based on the conclusion that its highest and best use would be to allow the existing conditions to continue, and to further require nominal improvements that could withstand flooding (e.g., bike trails, equestrian trails, hiking trails, park improvements, water wells, bridges or other open space uses). It was thus concluded that the value of the Property is \$86,000, which is the amount that the Buyer is willing to pay to the City therefore.

The Surplus Property Ordinance (Chapter 4.02 of the Pasadena Municipal Code) permits the City Council to authorize non-competitive sale of surplus real property to, among others, adjoining property owners; provided that the City Council finds, after conducting a public hearing, that an extraordinary and overriding public benefit will be achieved by a non-competitive sale. It is recommended that the City Council authorize a sale of the Property to the Buyer in no less than 60 days from the date of the public hearing at which this matter was heard pursuant and according to the terms of the Agreement without competitive bidding on the basis of the following information.

Since the City Council found in its previous action on November 20, 1995 that an extraordinary and overriding public benefit would be obtained by the sale, without competitive bidding, to Mr. Covell of Parcel 2, the following information relates to a justification for the non-competitive sale of Parcels 1, 3, and 4.

In 1995, Mr. Covell owned property located adjacent to Parcels 1 and 2 and a portion of Parcel 3. Since that time, Mr. Covell has acquired additional property which, together with his previous landholdings, means that he owns all of the real property located adjacent to Parcels 1 through 4. Because of the limited use to which the Property could be put by itself, it is not anticipated that persons other than adjacent landowners would bid for the acquisition of the Property through a competitive bid process. From this standpoint, the Buyer is the logical purchaser of the Property.

The City's continued ownership of the Property means continued exposure to contingent liability for injuries that might be suffered by members of the public while on the Property. We understand that an accidental death occurred on property located adjacent to property owned by the City. Traffic on the bridge constructed by Mr. Covell across Parcel 2 increases the risk to the City for liability. In 1994, Mr. Covell obtained a conditional use permit from the City of Azusa to operate a paint ball facility on his property located just north of Parcel 2. The City of Azusa issued the conditional use permit, in part, on the statement from the City's Water and Power Department that it would resolve Mr. Covell's rights to use the easement over the City's Parcel 2. Water and Power Department staff believed then that sale of Parcel 2 to Mr. Covell would be the best solution for mitigating any issues involving the right of Mr. Covell to maintain a long-term easement for bridge purposes over Parcel 2 and would have the attendant benefit of eliminating a contingent liability for the City by removing it from ownership.

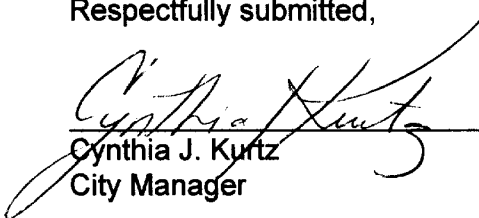
Previously, the Water and Power Department submitted a list of 164 Department-owned properties to the City Council's Deregulation Committee to review for possible sale. The list was then narrowed down to 14 properties with potential sale values of \$100,000 or more. The Azusa Canyon Property is one of those 14 properties. Department staff is recommending the sale of the Property ahead of the other properties because the City Council acted to sell the Property back in 1995; there is a ready buyer for the Property; and the proposed buyer is willing to pay the full appraised value for the Property.

One final justification for the sale of the Property to the Buyer is the elimination of the City's obligation to pay real property taxes thereon. It is estimated that the City's current obligation for real property taxes is approximately \$1,700 for this current fiscal year.


Fiscal Impact

Revenue received from the sale of the Property in the amount of \$86,000 (less escrow and closing costs) will be deposited into the Power Fund Account 173405151. In addition to the elimination of administrative costs associated with asset management and the discontinuation of the obligation to pay real property taxes, the sale of the Property will eliminate a contingent and incalculable liability that could inure to the City from continued ownership.


Respectfully submitted,


Cynthia J. Kurtz
City Manager

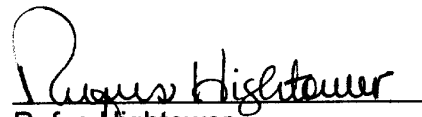
Prepared by:


Shan Kwan
Director, Water Delivery
Water and Power Department

Concurrence:


Manuel A. Robledo
Director, Power Supply
Water and Power Department

Approved by:


Rufus Hightower
General Manager
Water and Power Department


Jay Goldstone
Director of Finance

Exhibit "A"

SUBDIVISION NO. 2
AZUSA LAND AND WATER CO.
M.R. 43-94



15 14
22 23

AZUSA POWER HOUSE
70±A4

SHADED AREA IS PROPOSED
LAND SALE TO RALPH M.
COVELL

TUNNEL AZUSA
POWER HOUSE
CONDUIT LINE

GABRIEL

TRACT NO. 6572
M.B. 102-39

C.T.R. SEC. 23
T. 1N ~ R. 10W
SAN BERNARDINO
BASE MERIDIAN.

SCALE 1" = 1000'

- 1. PROPOSED LAND SALE TO RALPH M. COVELL
- 2. (1) S.C.E. DEED PARCEL NO. 5, (PORTION).
- (2) " " " " 4, "
- (3) " " " " 6, "
- (4) " " " " 7, "

3. FOR LEGAL RECORDED DOCUMENT, REFER TO O.R. 12286-28,
CLERK FILE NO. 2568, DATED 6-20-33, WATER AND POWER DEPT.,
CITY OF PASADENA.

REVISED			
BY			
DATE			
REVISED			
BY			
DATE			
REVISED			
BY			
DATE			
REVISED			
BY			
DATE			
REVISED			
BY			
DATE			

DRAWN	S.D.K.	8-22-33
CHECKED	M.C.H.	8-22-33
APPROVED		

WATER & POWER DEPT., CITY OF PASADENA

SALEABLE AREA

AZUSA POWER PLANT PROPERTY

DRAWING NO.	G-1193
REVISION NO.	