REPORT TO COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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STAFF REPORT
April 11, 2006

Honorable Mayor and
Members of the City Council

Subject: Agreement: Acquisition of Real Property in Fee, 725 14th Street

Location/Council District: Northeast corner of 14th and H Streets, District 1

Recommendation:

Adopt a Resolution: 1) approving the business points for purchase of real property located at 725 14th Street (Assessor Parcel Number: 002-0166-013), 2) authorize the City Manager to execute an Agreement for Purchase and Sale of Real Property which will include the business points approved and to take such additional actions as necessary to implement the agreement; 3) establish a capital improvement project (MB01) for acquisition and demolition with an appropriation of $2.9 million funded with a release from the community projects reserve.

Contacts: Rhonda R. Lake, Program Manager, 808-7902
Cynthia Kranc, Facilities Manager, 808-2258

Presenter: Rhonda R. Lake

Department: General Services

Division: Facilities and Real Property Management

Organization No: 3285

Summary:

Subject to Council approval, agreement has been reached with Robert and Grace Clippinger on the primary business points to be included in an Agreement for Sale and Purchase of Real Property to acquire fee title to real property located at 725 14th Street. The subject parcel consists of 12,800 square feet and is improved with a 2-story building constructed of a combination of concrete tilt-up and wood frame construction which is 14,128 square feet in size.

To keep the property off the market following expiration of the City's lease on April 15, 2006, the Seller has requested Council approval of the primary business points.

Committee/Commission Action: None.

Background Information:

The former Midtown Athletic Club is located at 725 14th Street, on the northeast corner of 14th and H Streets, adjacent to the Wells Fargo Pavilion and across from a City parking garage and retail establishments. The building, which sits on a land parcel of approximately 12,800 square feet, was constructed in 1975 and renovated in 1991. Midtown Athletic Club ceased operation in 2004. Given its proximity to other City-owned property, acquiring the site will provide additional opportunities for future public use.

The purchase price for the subject property is $2.8 million. Based on comparable sales, staff has determined that the purchase price falls within market parameters for a site of similar size with similar improvements.

The primary business points are as follows:

1. **Purchase Price**: $2.8 million

2. **Condition of Title**: Fee title will be conveyed free and clear of all liens and encumbrances, excepting easements, rights-of-way or other matters of record, subject to approval by the City of an updated Preliminary Report to be provided by the Seller.

3. **Demolition of Improvements**: Seller will demolish the existing improvements and deliver the site to the City in a ready to build condition within sixty (60) days of the close of escrow. City will reimburse Seller the actual cost of demolition in an amount not to exceed $98,896 based on an estimate of $7.00 per square foot of building area.

4. **Due Diligence**: Seller will obtain a Phase II Environmental Site Assessment, which cost will be reimbursed by City. City shall have fifteen (15) days following execution of the Agreement to complete any remaining or additional due diligence activities related to the property.

5. **Costs and Expenses of Escrow**: Seller shall provide and pay for title insurance and the policy of title. All other escrow fees and costs will be split equally between the parties.

6. **Pro-rations**: As of the close of escrow, taxes, assessments and other fees will be prorated between the parties.

7. **Close of Escrow**: Escrow will close within thirty (30) days of execution of the Agreement, unless extended by mutual agreement of the parties.

Financial Considerations:

The Mayor and City Council's Community Reinvestment Capital Improvement Program (CRCIP) identified the purchase of this property as a Tier I project. Funds for

acquisition and related expenses are available from the community projects reserve. These funds will be reimbursed from the Community Reinvestment Capital Improvement proceeds upon issuance of the bond.

Environmental Considerations:

As part of due diligence, Environmental Planning Services reviewed a Phase I Environmental Site Assessment prepared by Krazan & Associates in May 2005. Based on the review, staff determined that a Phase II is recommended for the northwest corner where a former radiator repair shop was housed. The property owner is proceeding with the Phase II. The purchase will be contingent upon an acceptable outcome of the Phase II Environmental Site Assessment.

Acquisition of the subject property is exempt from the California Environmental Quality Act (CEQA) under section 15301 wherein the project involves the purchase of an existing facility. Any future plans for modification to the site and improvements would be subject to additional environmental review at such time as a project is identified for the property.

Policy Considerations:

This acquisition supports the City Council's Strategic Plan goal to achieve sustainability and livability.

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: Reina Schwartz for Cynthia Kranc
Facilities Manager

Approved by: Reina Schwartz
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:

Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

April 11, 2006

APPROVING THE BUSINESS POINTS FOR PURCHASE OF REAL PROPERTY LOCATED AT 725 14TH STREET (ASSESSOR'S PARCEL NUMBER [APN]: 002-0166-013-0000), AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT FOR PURCHASE AND SALE AND APPROVE THE FUNDING PLAN FOR THE ACQUISITION AND RELATED EXPENSES

BACKGROUND

A. The former Midtown Athletic Club is located at 725 14th Street, on the northeast corner of 14th and H Streets, adjacent to the Wells Fargo Pavilion and across from a City parking garage and retail establishments. The building, which sits on a land parcel of approximately 12,800 square feet, was constructed in 1975 and renovated in 1991. Midtown Athletic Club ceased operation in 2004.

B. Given its proximity to other City-owned property, acquiring the site will provide additional opportunities for future public use.

C. The purchase price for the subject property is $2.8 million plus the cost of demolition for the existing building. Based on comparable sales, staff has determined that the purchase price falls within market parameters for a site of similar size with similar improvements.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The following primary business points to acquire fee title to real property located at 725 14th Street (APN: 002-0166-013) are hereby approved:

a. **Purchase Price**: $2.8 million

b. **Condition of Title**: Fee title will be conveyed free and clear of all liens and encumbrances, excepting easements, rights-of-way or other matters of record, subject to approval by the City of an updated Preliminary Report to be provided by the Seller.

c. **Demolition of Improvements**: Seller will demolish the existing improvements and deliver the site to the City in a ready to build condition within sixty (60) days of the close of escrow. City will reimburse Seller the actual cost of demolition in an amount not to exceed $98,896 based on an estimate of $7.00 per square foot of building area.

d. **Due Diligence**: Seller will obtain a Phase II Environmental Site Assessment, which cost will be reimbursed by City. City shall have fifteen (15) days following execution of the Agreement to complete any remaining or additional due diligence activities related to the property.

e. **Costs and Expenses of Escrow**: Seller shall provide and pay for title insurance and the policy of title. All other escrow fees and costs will be split equally between the parties.

f. **Pro-rations**: As of the close of escrow, taxes, assessments and other fees will be prorated between the parties.

g. **Close of Escrow**: Escrow will close within thirty (30) days of execution of the Agreement, unless extended by mutual agreement of the parties.

Section 2. The City Manager is hereby authorized and directed to execute an Agreement for Purchase and Sale of Real Property with Robert W. Clippinger and Grace Y. Clippinger, which will include the approved business points.

Section 3. A capital improvement project (MB01) for acquisition and demolition shall be established with an appropriation of $2.9 million from the community projects reserve. These funds shall be reimbursed from the Community Reinvestment Capital Improvement proceeds upon issuance of the bond.