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Title: Discussion on Consideration of the Sale of the Loyalton Ranch Property (Continued from April 20, 2021)

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Attachments: 1. Loyalton Property Map and Pictures, 2. Loyalton Fire Map and Pictures, 3. Loyalton Appraisal

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REPORT TO COUNCIL

SUBJECT

Discussion on Consideration of the Sale of the Loyalton Ranch Property (Continued from April 20, 2021)

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

The City of Santa Clara owns and maintains approximately 10,270 rural acres of undeveloped land in Lassen and Sierra Counties near the California-Nevada border. The Property is located in northeastern California, about 30 miles north of Truckee, CA northeast of Sacramento and about 20 miles northwest of Reno, NV. The land is referred to locally as the Trosi Ranch, and within the City, as the Loyalton Ranch Property. The City purchased the property with electric utility funds in 1977 for \$1,613,850 or \$157/acre. The City's Electrical Department, doing business as Silicon Valley Power, (SVP) is responsible for the care of the property.

The property consists of three parcels that are remote and in a generally native state (Attachment 1 Loyalton Map and Pictures). The property consisted of a two-story ranch house, detached garage, guest house, out building for livestock watering, out building for livestock feed, out building for well house, and a barn. In the past, the City had a caretaker on the property to manage the facility. However, over time it became difficult to hire a facility caretaker and the structures were under significant disrepair and slated for removal. The last time a caretaker was on the property was in 2014.

The property has historically been used as seasonal grazing land and continues to be used as grazing land since the City's purchase in 1977. Since the property was purchased, grazing leases

have been issued to various ranchers to graze cattle. Currently SVP leases the property for cattle grazing, the yearly revenue is \$21,750 per year with a 3% yearly escalator. No other use is planned for the site.

According to City records, the property was acquired with the intent to develop a geothermal power plant. After studies were performed in the early 1980's, it was discovered that the geothermal potential for the land was much lower than anticipated. The anticipated geothermal plant was never developed. Though the geothermal plant was not deemed feasible, many other uses for the land were investigated, such as quarrying, wind, and solar power. None of the proposed projects considered were productive enough to be economically viable to develop. Some non-traditional ventures that were reviewed included a ski resort and a pheasant farm. These were also rejected as being outside the City's scope of operations.

As part of more recent background the City Council considered a number of additional items regarding Loyalton:

- On July 15, 2014 the City Council passed a resolution to sell approximately 50 acres of the property to Sierra County for expansion of their adjacent landfill, Loyalton Landfill. This property was sold for \$74,500 (less closing costs).
- On July 11, 2017, the City Council considered a staff report recommending that the Council 1) declare the Loyalton Property as surplus to the City's needs and 2) approve an Agreement for Professional Services with Alex Gaston Gassiot dba FarWest R&C Sales and Management Company (FarWest) for real estate services. Far West was selected through a formal request for proposal process and proposed a listing price of ten million dollars. This item was continued and referred back for staff to provide more information.
- On August 29, 2017, the City Council received a staff report recommending that the Council 1) declare the Loyalton Property as surplus to the City's needs, and 2) direct the City Manager to send out the California Surplus Land Act notices, and return to Council with necessary agreements to list the property for sale. Council continued the item to a future date with no specific referral request to staff.
- On August 25, 2020, the City Council received the quarterly strategic plan update which included the report on the impacts of the Loyalton Wildfire. The Loyalton Wildfire burned about 47,029 acres in Lassen, Plumas and Sierra County, California and Washoe County, Nevada caused by lightning strikes. This fire burned approximately 90% of the City's 10,270 acres of the Loyalton Ranch property. All the structures on the main ranch property were burned and destroyed by the wildfire (Attachment 2 Loyalton Fire Map and Pictures).

DISCUSSION

At the January 26, 2021 City Council meeting, the Council took action to schedule a future agenda item to discuss the sale of the Loyalton Ranch Property and use the proceeds for potentially other uses. As part of the discussion the Council discussed the following information:

- Current appraised value
- Previous estimated value

- City Policies regarding Sale or Lease of Property

In addition, staff is providing additional information regarding proposed capital projects.

Current Appraised Value

The Loyaltan Ranch Property was appraised by Valbridge Property Advisors (VPA) on June 5, 2020 (Attachment 3), prior to the wildfire experienced in August 2020. The appraised value was \$4,110,000 or \$400 per acre. The 2019 property tax obligations to Sierra, Plumas and Lassen Counties is outlined in the VPA at \$15,915. In their appraisal, VPA's Conclusion of the Highest and Best Use as improved, is continuation of the existing agricultural and recreational use. VPA's Most Probable Buyer is an owner/user who intends to graze the acreage or use for recreational purposes. VPA estimated that the marketing and exposure time of four to six months as reasonable and appropriate for the subject property.

In the VPA appraisal concluded "In the near term, the outlook for 2020 is clouded by the unknowns associated with the new coronavirus. There are increasing impacts on many businesses as people curb their activity, and certain industries are already being severely affected. The outlook is for a market softening, but as is the case for other disasters, any extended marketing times or negative impacts on values will subsequently tend to wane and return to some degree of normalcy. The timeline remains unknown."

Previous Appraised Value and Real Estate Agent Estimate

In October 1999, the City engaged with Ralph F. Pavey, a California Certified General Real Estate Appraiser, to perform an appraisal report completed in April 2000 which concluded that the "As Is" market value of the free simple interest was \$2,600,000 with an estimated marketing time for the sale of the property in the range of one to two years.

In October 2016, Far West's submitted proposal included their assessment of the value of the land based on the range of \$500 to \$1,000 per acre and proposed listing the property at the higher end of the estimated range of \$10,000,000.

City Policies Regarding Sale or Lease of Properties

The City Council has historically taken a strong position of leasing City property in lieu of property sale, however staff was not able to identify an adopted City Council policy.

Upcoming Capital Projects

The property is located in a Tier 3 Extreme Wildfire area and experienced a major wild fire caused by lightning on August of 2020. Approximately 90% of the Loyaltan Ranch Property was burned, the existing structures were destroyed, and the corrals fencing used for the grazing lease were damaged. The structures on the property were originally constructed between 1920 and early 1950 and were unusable prior to the fire. Prior to the fire, staff was pursuing demolition of the structures on the property to reduce potential liability exposure to the City. Initial estimates for demolition prior to the fire were approximately \$200,000. The project plans will need to be updated to reflect the fire damage and complete demolition of structures. In addition, the livestock corrals were damaged during the fire and discussions with the grazing lessee will be required to determine the extent of replacement corrals to be provided by the City.

The Loyaltan Ranch Property has a perimeter of approximately 51 miles. The property has been posted as "No Trespassing" and being "City of Santa Clara Property". The majority of the fencing

was damaged during the August 2020 wildfire. SVP is currently in the process of retaining a consulting engineer to evaluate the required fencing to be replaced. The lack of viable fencing may increase trespassing and liability for the City due to the nature of the terrain.

ENVIRONMENTAL REVIEW

The discussion on the potential sale of Government Property is not a project within the meaning of the California Environmental Quality Act ("CEQA"). If the City Council directs further action to proceed toward a proposed sale of a surplus government property, the project review will include analysis in accordance to CEQA Guidelines section 15206(b)(4), 15312 and 15061(b)(3).

FISCAL IMPACT

Fiscal impact will vary based on Council direction. If City Council requests further action, staff will return with analysis to include the fiscal impact of any option.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

ALTERNATIVES

1. Direct staff regarding a strategy for the sale Loyalton Ranch Property.
2. Note and file this report and take no further action.
3. Any other alternative as approved by Council.

RECOMMENDATION

Staff has no recommendation and is seeking Council direction.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Loyalton Property Map and Pictures
2. Loyalton Fire Map and Pictures
3. Loyalton Appraisal