



City of Santa Clara

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Agenda Report

21-14001

Agenda Date: 10/26/2021

REPORT TO COUNCIL

SUBJECT

Discussion and Possible Direction on Consideration of the Sale of the Loyalton Ranch Property

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.

On August 17, 2021, the Council discussed a potential sale of the Loyalton Property and did not take any action on the agenda item: instead, Council continued the discussion to this meeting for additional input from the City Attorney. The staff report for the August 17 meeting (RTC 21-715) provides a comprehensive background of the property including location and size, purchase price, history, and many other details. Staff would like to reiterate the following information already included in the August 17, 2021 staff report to facilitate the discussion today:

Current Appraised Value

The Loyalton Ranch Property was appraised by Valbridge Property Advisors (VPA) dated April 2, 2021 (Attachment 2), prior to the wildfire experienced in August 2020. The appraised value was \$4,110,000 or \$400 per acre on effective date of value May 20, 2020. The 2019 property tax obligations to Sierra and Lassen Counties are outlined in the VPA appraisal 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.

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.

Capital Projects

The property is located in a Tier 3 Extreme Wildfire area and experienced a major wildfire caused by lighting on August of 2020. Approximately 90% of the Loyalton 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 Loyalton Ranch Property has a perimeter of approximately 51 miles, though the entire property does not have a full perimeter fence. The property has been posted as "No Trespassing" and being "City of Santa Clara Property" at roadway entrances and gates. The majority of the fencing was damaged during the August 2020 wildfire. On September 7, 2021, staff presented a proposed amendment to the design contract with Bellecci & Associates, Inc. (RTC 21-530) to proceed with plans and specification to demolish the fire damaged buildings, aerial survey of the property fencing and design of new fencing and associated repairs. Council did not move forward with the contract pending decisions on the sale of the property.

DISCUSSION

City staff is returning to complete the policy discussion directed by Council to continue the August 17, 2021 discussion and the matters raised by the City Attorney are further addressed in this section of the report. At that meeting, staff presented the following three alternatives for Council consideration:

1. Direct staff to develop a strategy for the sale of the Loyalton Ranch Property and present it to the City Council at a future meeting;
2. Note and file this report and take no further action; and
3. Any other alternative as approved by Council.

Staff would like to provide additional context for Alternative 1 based on a recent correspondence received from the California Department of Fish and Wildlife (CDFW) and Councilmembers' questions from the August 17, 2021 discussion.

Correspondence from California Department of Fish and Wildlife

On September 27, 2021, the City received an email from CDFW expressing an interest in purchasing the Loyalton property for conservation and open for public recreation. A copy of that email is attached to this report. Staff replied to CDFW staff to inform them of tonight's discussion.

Surplus Land Act Requirements

The former City Attorney raised concerns about the recent amendments to the Surplus Land Act that require the City to follow certain procedures before disposing of City-owned real property. These amendments are intended to advance the State's interest in increasing the inventory of land available primarily for affordable housing, but also for parks and recreation and open-space purposes. The California Department of Housing and Community Development (HCD) is responsible for enforcing the Surplus Land Act (includes possible monetary penalties). In addition, certain private entities may file a lawsuit to enforce the Surplus Land Act.

In general terms, before the City may begin negotiating the disposition of City-owned real property, it must adopt a resolution declaring the property as either "surplus" or "exempt surplus". Disposition includes both sales and long-term lease agreements. The City's determination on whether a property is surplus or exempt surplus is subject to review by HCD.

For land declared "surplus," the City must provide a notice of availability to certain entities, generally affordable housing developers and public agencies. If an eligible entity (or entities) sends the City a notice of interest, then the parties have a period of 90-days to negotiate the disposition of the surplus property. If no entity sends a notice of interest, or the negotiations are not fruitful, then the City may negotiate with any other interested party. Prior to any agreement on the proposed disposition of surplus land, the City must submit a report to HCD describing its actions taken in compliance with the Surplus Land Act.

For "exempt surplus" land, these procedures do not apply. However, the Surplus Land Act defines "exempt surplus" in terms of ten technical and somewhat complicated categories. For example, one category is for "local agency surplus land transfers to another local, state, or federal agency for that agency's use." As noted in the Report to Council, the City received an email from the California Department of Fish and Wildlife indicating interest in purchasing the property for conservation and public recreation purposes. It is unclear whether a "transfer" includes a sale of the property to the Department of Fish and Wildfire. In short, staff will need to undertake further research on whether the Loyalton Ranch property would be surplus or exempt surplus.

If the Council decides to pursue a sale (or long-term lease) of the Loyalton Ranch property, then staff from SVP and the City Attorney's Office will research and prepare a resolution with the appropriate determination under the Surplus Land Act for the Council's consideration, as well as an overview of the additional steps required (if any) prior to finalizing any transaction.

Alternative 1 - Strategy for the Sale

If the Council decides to proceed with the sale, staff will need consultant and realtor support for the process. Some of the steps required will include:

1. An RFP to select and recommend a realtor/broker;
2. Consultant support for the Surplus Land Act process including legal support;

3. Updated property appraisal;
4. Council consultant/realtor contract(s) award; and
5. Future Council discussion on sale strategy and next steps.

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 to develop a strategy for the sale of the Loyalton Ranch Property and present it to the City Council at a future meeting;
2. Note and file this report and take no further action; and
3. Any other alternative as approved by Council.

RECOMMENDATION

Staff has no recommendation and is seeking Council direction on whether additional steps toward the sale of the Loyalton Ranch Property should be implemented.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Loyalton Property Map and Pictures
2. Loyalton Appraisal
3. Councilmember Jain Presentation from August 17, 2021
4. Email from California Department of Fish and Wildlife (CDFW)