



Agenda Report

18-866

Agenda Date: 7/17/2018

REPORT TO COUNCIL

SUBJECT

Action on Authorizing the City Manager to Enter Into Two Option Agreements with Park Central Apartments L.P. (Prometheus) for the Franklin and Washington Street Right-of-Way Easement Acquisition

BACKGROUND

On June 12, 2017 staff presented to the City Council (18-468) on the key terms of a proposed Option Agreement for the purchase of an easement for the future Franklin and Washington Streets. The staff report discussed the following elements:

- The current vision for the downtown and reconstruction of the street grid system
- The complexity of reinstating the grid and the multiple property owners affected
- The options for the future street sections of Franklin and Washington Streets
- The existing constraints within the Prometheus property and how different street sections affect the property
- The land value negotiation and appraisal process
- And the key terms of the agreement

The key terms of the agreement for Council consideration were the following:

- The option is for acquisition of a Right-of-Way (ROW) Easement in perpetuity
- The City has a 10 year-option and requires a \$90,000 non-refundable deposit
- If the City exercises the option in the first 4 years, the City is required to pay:
 - \$1.8 million for the easement
 - \$800,000 for parking and rent loss (prior to construction)
- If the City exercises the option between years 5 and 10
 - A new appraisal will be required for the easement
 - The value of the Consumer Price Index (CPI) will be added to the parking and rent
- The City can purchase the easement before they are ready to proceed with construction of the roadway. Prometheus can continue to use the property until roadway construction begins.
- The City does not have to pay for rent and parking loss until construction begins
- The City will provide 39 replacement parking spaces adjacent to the Prometheus site until the Prometheus site redevelops
- The City is responsible for all construction costs, including any Prometheus facilities

The council acknowledged the key elements of the option agreement and authorized staff to finalize negotiations and bring forward a final agreement for Council consideration.

DISCUSSION

The City and Prometheus have completed the Draft Agreements, and they include all the key terms as previously discussed with Council. The only modification is that originally staff anticipated having one agreement for both properties and now has two separate agreements, one for Franklin Street and the other for Washington Street. This was per City staff request as it gives the City more flexibility related to schedule, funding, construction phasing, and parking replacement. As an example, if Washington Street proceeds in advance of Franklin Street, the City would not have to provide the 39 replacement parking spaces, but only the six that are required to mitigate for the construction of the Washington Street portion. The Draft Agreement for Franklin Street is attached to this report. The Washington Street agreement would mirror image this agreement but would include the funding and legal descriptions for the Washington Street portion of the property.

ENVIRONMENTAL REVIEW

Entering into the Option Agreement does not require CEQA. However, prior to executing the Option the City will be required to obtain CEQA for acquisition of the easement.

FISCAL IMPACT

The Adopted Biennial CIP Budget for Fiscal Years 2018/19 and 2019/20 includes an appropriation of \$400,000 to fund the development of a Precise Plan and Franklin Street (CIP 539-6559). The \$90,000 non-refundable deposit will be funded from this CIP project.

The City had not assembled funds for implementing this effort and there is no established budget for future purchase of the easement. If the City moves forward with the acquisition, a future Council Action will be required to fund the balance of the \$2.6 million (\$1.8 million for the easement and \$800,000 for parking and rent loss - if exercised in the first four years). The budget action is expected to be considered as part of the City's future budget development process. Future funding consideration would likely be from the Land Sale Reserve, and the amount will be expected to be reimbursed by the future lease/sale of the Downtown properties owned by the City.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

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>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Authorize the City Manager to enter into two Option Agreements with Park Central Apartments L.P. for the Franklin and Washington Street Right-of-Way Easement Acquisition
2. Do Not Authorize the City Manager to enter into two Option Agreements with Park Central Apartments L.P. for the Franklin and Washington Street Right-of-Way Easement Acquisition

RECOMMENDATION

Alternative 1: Authorize the City Manager to enter into two Option Agreements with Park Central Apartments L.P. for the Franklin and Washington Street Right-of-Way Easement Acquisition

Reviewed by: Manuel Pineda, Assistant City Manager
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Draft Franklin Street Option Agreement