



CITY COUNCIL AGENDA REPORT

MEETING DATE: FEBRUARY 20, 2007

NUMBER:

SUBJECT: POTENTIAL ACQUISITION OF 261 MONTE VISTA AVENUE

DATE: FEBRUARY 14, 2007

FROM: CITY MANAGER'S OFFICE/PUBLIC SERVICES DEPT.

PRESENTATION BY: THOMAS R. HATCH, ASSISTANT CITY MANAGER

FOR FURTHER INFORMATION CONTACT: THOMAS R. HATCH (714) 754-5288

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the Resolution in Attachment 5 approving the terms for the acquisition of 261 Monte Vista Avenue in Costa Mesa and authorizing the execution of an Agreement For Acquisition of Real Property with a sales price of \$3,542,500;
2. Adopt the Resolution in Attachment 7 approving the terms for the loan from the General Fund to the Park Development Fees Fund of up to \$3,571,045;
3. Adopt Budget Adjustment No. 07-060 appropriating \$3,571,045 to effectuate the purchase of 261 Monte Vista Avenue in Costa Mesa;
4. Direct staff to take the steps necessary to complete the purchase of the property at 261 Monte Vista Avenue as provided for in the Resolutions;
5. Direct the Parks and Recreation Commission to coordinate a public outreach process and develop a conceptual design for the new park space; and
6. Direct staff to bring back a report with the estimated costs and timelines for demolition of the existing site and to take the steps necessary to effectuate rezoning of the property.

BACKGROUND:

The City's current Open Space Master Plan of Parks and Recreation (Master Plan) was approved by City Council on January 21, 2003. This recently updated Master Plan includes a Needs Assessment collected from community workshops, surveys and interviews. Based on the data collected, the consultant presented the Facility and Program Recommendations. Some of the currently un-met needs are additional parkland acreage and community centers in east Costa Mesa. For background information, Attachment 1 of this report is the Executive Summary of the Master Plan.

Staff became aware to the availability of a parcel of land adjacent to Brentwood Park in July 2006. The property, a rectangular parcel of land of approximately 1.19 acres, is located at 261

Monte Vista Avenue and is adjacent to Brentwood Park on two sides of the property (see map Attachment 2). The property at one time was a preschool facility with existing structures still present. The structures are in below average condition and would need significant renovation if they were to serve as public facilities (i.e. ADA requirements, disrepair, mold, asbestos, and lead remediation, etc.).

The Costa Mesa 2000 General Plan designates the property as Public/Institutional, and it is zoned R1, Single-Family Residential. Therefore, continued use of the property for private and/or public institutional uses is consistent with the General Plan. If the City were to acquire the site for public park and recreational purposes, staff will initiate a rezone to designate the site to the corresponding zone of I&R, Institutional and Recreational.

If Council does not wish to purchase the property and it is later sold to a buyer who wishes to develop the property with single-family homes, the developer will need to apply to the City for a General Plan amendment to Low Density Residential (8 dwelling units or less per acre) to match the surrounding area.

A memorandum was provided to the City Council on August 16, 2006 as general information concerning the fact that the property owner was interested in selling the property. At the City Council meeting of September, 5, 2006, the City Council expressed interest in the property and directed staff to further pursue its acquisition. After discussions with Mr. Ken Thurman, the designated representative of the property owner (Ms. Jean L. Park), a Non-binding Letter of Interest and Intent was requested and received by the City on October 10, 2006 and signed by staff on October 16, 2006 which opened non-binding, exclusive negotiations for the purpose of exploring the possibility of purchasing the property for parkland use. Subsequent to these preliminary negotiations, staff retained the services of Boznanski & Company, a State of California licensed real property appraiser with experience in governmental land transactions, to prepare an appraisal report for the property. The appraisal report was completed on November 17, 2006 and concludes that the current market value of the property is \$3,609,000. A full copy of the appraisal report is available for public review in the City Clerk's Office. A summary of the appraisal is included as Attachment 3.

On January 2, 2007, the City Council in Closed Session reviewed the appraisal report and authorized staff to negotiate a tentative agreement within defined terms. This tentative agreement was negotiated and the terms were reviewed by the City Council in Closed Session on February 6, 2007. The City Council also reviewed a professional inspection report that detailed the condition of the property and all structures on the property. A copy of the Property Inspection Report is available for public review in the City Clerk's Office.

ANALYSIS:

Staff has reviewed the appraisal report prepared by Boznanski and Associates and finds that it is representative of current market values for this type of property and that this would be a highly desirable property for residential development. Along these lines, a number of private developers have expressed their interest in purchasing this property and are waiting for a decision from the City.

Staff has consulted the Master Plan in terms of this specific property. The combination of the proposed property and the existing Brentwood Park are ideal to merge into one larger City park. If

acquired, staff recommends that a community input process be conducted to determine the best use and design for this particular location.

While the Master Plan finds needs for both park open space and community centers on the east side of Costa Mesa, the existing structures are in below average condition and would need significant modification to comply with public standards including the Americans with Disabilities Act. The property inspection report lists numerous deficiencies that would be expensive to correct and still might not fit any end-use desired by the community. The deficiencies are located in all aspects of the structures including foundation/under floor areas, roof system, plumbing system, electrical system, heating and cooling system, fireplace and chimney areas and building interior and exterior. The extent of the concerns would need further evaluations by experts in each of these trade areas if the City Council decided to reuse these existing structures. In addition, a separate inspection report identifies the presence of mold, lead-based paint and asbestos, all of which are common for this age of structures but that would need abatement. A full copy of the Asbestos, Lead-based Paint and Visual Mold Survey Report is available for public review in the City Clerk's Office and a summary of this Report is included as Attachment 4.

Given the need for public input on the reuse of this site, it is recommended that the City Council direct the Parks and Recreation Commission to conduct public meetings to seek input on the reuse and conceptual design for the site. Given the concerns identified above, it is recommended that the existing structures be demolished. If, after review by the community and the Parks and Recreation Commission, a recommendation is made to place a structure(s) at this location, staff would recommend that the structure(s) be new construction designed to best fit the desired use.

The completed Level 1 soils investigation includes a summary of the historical uses of property including the operation of a preschool for children at the site as early as 1923. All indications are that the more significant Level 2 soils investigation with borings will not be required and therefore staff will not proceed with Level 2 testing. This is a slight risk because it is unknown exactly what may be in the soil, but the historical use of the property is always a very good indicator and it is used to help make the determination for further testing.

Four private schools have contacted the City concerning their interest in using the property for their private operations either on a short-term or longer-term basis. Staff has expressed to all four that the City Council's initial interest was in providing additional park space for the general public and not in generating any lease revenue from the newly acquired site. The existing facilities in their current condition would create significant liability for the City if they were leased to a private party.

Terms of the Sale

The attached Resolution with the Agreement For Acquisition Of Real Property (Attachment 5) includes all of the terms of the acquisition of the property. A summary of the key terms includes:

- Sales price of \$3,542,500 – This includes the original negotiated price of \$3,585,000 less \$7,500 due to the deficiencies of the structures for safety concerns as well as \$35,000 less for the costs related to the abatement of asbestos, lead-based paint, and mold;
- A \$200,000 refundable deposit – The deposit has been made and will be reduced from the final sales price;
- City to pay for escrow fees of \$6,957 plus up to \$1,000 in contingency costs to close escrow.

As part of the process to safeguard public funds and as required by law, the City Council has also authorized the following expenditures related to the acquisition of the property: appraisal report \$3,125; commercial inspection report \$2,380; asbestos, lead and mold report \$6,121; Level 1 Site Assessment (property history and soils investigation) \$1,325 and a title insurance policy of \$7,637.

Funding the Acquisition

In terms of funding the acquisition of the property, the recommendation is for the City Council to authorize a loan from General Fund Reserves to the Park Development Fees Fund. This would allow for the purchase of this land opportunity now and as future Park Development Fees are generated, then the General Fund will be reimbursed for these costs. Attachment 6 is a copy of a memo to the City Council discussing the potential for future Park Development Fees.

To avoid vandalism after the site is acquired, it is likely that the site will need demolition prior to the completion of a conceptual design and construction of a new park. Staff can bring back a report to the City Council at an upcoming meeting that provides a plan and an estimated budget for this work and seeking City Council approval to solicit bids for the demolition. Depending on the level of priority that the City Council places on this project in comparison to the many other existing projects, bids for the conceptual design work can either be solicited at the same time as the demolition bids or in the next fiscal year.

Finally, staff has notified the properties within 500 feet of 261 Monte Vista Avenue that this item is going to be on the City Council Agenda for February 20, 2007. In addition, this site and Brentwood Park were posted on February 9, 2007 with notices of this meeting.

ALTERNATIVES CONSIDERED:

1. City Council may decline to purchase this property.
2. The City Council could decide to purchase the property from General Fund Reserves instead of using a loan to the Park Development Fees Fund.

PLANNING COMMISSION REVIEW

As required by law, the Planning Commission reviewed this item at its meeting of February 12, 2007 and found that the acquisition of 261 Monte Vista Avenue for parkland use was in conformance to the General Plan. Other steps that would need to be taken at a later date would be the rezone from single family residential to institutional and recreational as well as a modification to the Open Space Master Plan for Parks and Recreation to account for this increase in park acreage.

FISCAL IMPACT:

It is recommended that General Fund Reserves be used to loan the Park Development Fees Fund the necessary funding to pay for all costs related to the acquisition (loan will be up to \$3,571,045). Depending on the priority that the City Council places on the reuse/development of the new park space, the General Fund may also need to loan the Park Development Fees Fund the costs for demolition, design and construction of the new park space. The City Attorney has provided an

opinion that based on several considerations including the proximity of 261 Monte Vista to the proposed new development in north Costa Mesa, a nexus can be made to justify the use of future Park Development Fee revenues to assist the City in the acquisition and development of this property.

After public input and the completion of a conceptual design, staff will be better prepared to estimate the costs related to development or reuse of the property. The following are immediate costs related to the acquisition of the property and future estimated costs:

- Sales price - \$3,542,500;
- Costs for necessary appraisal/inspection reports and escrow fees - \$28,545;
- Demolition, abatement of hazardous materials, temporary drainage system and rough grading - estimated at between \$250,000 and \$275,000 but not included in this report for approval at this time;
- Conceptual Design – estimated at between \$20,000 and \$50,000 depending on amenities but not included in this report for approval at this time; and
- Construction – unknown at this time.

LEGAL REVIEW:

The City Attorney has been involved in every step in the process of this acquisition including the review of this report and writing and approving the Purchase and Sales Agreement.

CONCLUSION:

Staff recommends that the City Council approve the recommendations and proceed with the acquisition of 261 Monte Vista Avenue for future park purposes.

THOMAS R. HATCH
Assistant City Manager

KIMBERLY HALL BARLOW
City Attorney

MARC R. PUCKETT
Director of Finance

WILLIAM J. MORRIS
Director of Public Services

Attachments: [1 – Executive Summary of Master Plan](#)
[2 – Location Map](#)
[3 – Summary of Appraisal Report](#)
[4 – Summary of Asbestos, Lead-based Paint and Visual Mold Survey Report](#)
[5 – Resolution including terms for Agreement For Acquisition Of Real Property](#)
[6 – Memo on potential new Park Development Fee Revenue](#)
[7 – Resolution including terms for General Fund Loan](#)
[8 – Budget Adjustment No. 07-060 appropriating the loan funding for the purchase](#)