



Legislation Details (With Text)

File #: ID18-0532 **Version:** 1 **Name:**
Type: Action Item **Status:** Passed
File created: 4/19/2018 **In control:** City Council
On agenda: 5/10/2018 **Final action:** 5/10/2018
Title: Actions pertaining to the purchase of a building located at 911 H Street:

1. ***RESOLUTION - 66th Amendment to the Annual Appropriation Resolution No. 2017-165 to appropriate \$3,100,000 to establish sufficient funding for the purchase of the Fire Department's Headquarters building located at 911 H Street, Fresno, CA 93721 (Requires 5 affirmative votes) (Subject to Mayor's veto)
2. Approve Loan Agreement for an interfund loan from the Wastewater Operation Fund and Sewer Stabilization Fund to the General Fund
3. Authorize the City Manager or designee to execute an agreement for purchase and sale of property and any necessary documents for APN 467-040-24, 911 H Street, Fresno, California 93721 for \$4,400,000 from Sellers, EIE Alpha, LLC., a California Limited Liability Company, Legacy DG Properties, LLC, and the Jason and Kymberly Family Geil Trust (Council District 3)

Sponsors: Office of Mayor & City Manager

Indexes:

Code sections:

Attachments: 1. Purchase & Sale Agreement 911 H Street.pdf, 2. Interfund Loan Agreement.pdf, 3. 18 66th Fire HQ HJF.pdf

Date	Ver.	Action By	Action	Result
5/10/2018	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

May 10, 2018

FROM: WILMA QUAN-SCHECTER, City Manager
Mayor & City Manager's Office

BY: LAURA GLORIA, Deputy City Manager
Mayor & City Manager's Office

SUBJECT

Actions pertaining to the purchase of a building located at 911 H Street:

1. ***RESOLUTION - 66th Amendment to the Annual Appropriation Resolution No. 2017-165 to appropriate \$3,100,000 to establish sufficient funding for the purchase of the Fire Department's Headquarters building located at 911 H Street, Fresno, CA 93721 (Requires 5

affirmative votes) (Subject to Mayor's veto)

2. Approve Loan Agreement for an interfund loan from the Wastewater Operation Fund and Sewer Stabilization Fund to the General Fund
3. Authorize the City Manager or designee to execute an agreement for purchase and sale of property and any necessary documents for APN 467-040-24, 911 H Street, Fresno, California 93721 for \$4,400,000 from Sellers, EIE Alpha, LLC., a California Limited Liability Company, Legacy DG Properties, LLC, and the Jason and Kymberly Family Geil Trust (Council District 3)

RECOMMENDATION

Staff recommends Council approve the Agreement for Purchase and Sale of Property and any necessary documents for APN 467-040-24, 911 H Street, Fresno, California 93721 for a purchase price of \$4,400,000 from EIE Alpha, LLC., a California Limited Liability Company, Legacy DG Properties, LLC, and the Jason and Kymberly Geil Family Trust.

EXECUTIVE SUMMARY

The City currently leases 911 H Street Fresno (Property) for use as the Fire Department Headquarters and has been at this location since 2007. At that time, the City worked with the property owner to amortize the tenant improvements for the renovation of the 100 year old building over the length of the lease term. As such, the monthly lease payment began at \$1.97 per sq. ft. and increased over time to its current level of \$2.18 per sq. ft. At the current sq. ft. rate, the City is making a monthly payment of \$50,140, or \$601,680 annually. The lease expired in March of 2015. Since then, the City has been researching options for relocation, ultimately deciding that the purchase of the current location would best fit the need of the department. The Property will be paid with a \$1,300,000 down-payment from the General Fund and a \$3,100,000 loan from the Wastewater Operation Fund and Sewer Stabilization Fund to the General Fund, which will be repaid over the next five years.

BACKGROUND

In April of 2007, the City entered into a multi-year lease for the Fire Department Headquarters at 911 H Street which subsequently expired in March of 2015. While the owner presented options to renew the lease at a reduced rate, the City wanted to explore other locations as well as options to purchase the current location. The City engaged the City's Asset Manager, Cushman & Wakefield, to scout for potential locations while concurrently beginning sale negotiations with the current owner of the Property. The City toured numerous locations in various parts of Fresno in the search for a comparable location, in proximity to freeways for easy access, and ample parking for the various fire apparatuses. As a result of that survey, it was determined that the current location at 911 H Street would best fit the needs of department and would be the most fiscally prudent decision. Per the Asset Management Act, the City is required to obtain an appraisal for any real estate transactions that exceed \$1 million; the value of the building was determined between \$4,220,000 and \$4,600,000. The proposed purchase price of \$4,400,000 was negotiated over several months, taking into consideration the cost to relocate, including the purchase of new furniture, installation of necessary network infrastructure, and the cost of tenant improvements.

The funding mechanism to pay for the building consists of a \$1,300,000 down payment (approved by Council on March 1, 2018) and \$3,100,000 of loan proceeds borrowed from the Wastewater

Operation Fund and Sewer Stabilization Fund. Per the City's Reserve Management Act, the loan between the Wastewater Operation Fund and Sewer Stabilization Fund and the General Fund will be repaid over a five year period. It is anticipated that the current rent appropriation of \$601,800 will be sufficient to make a loan payment to the Sewer Fund. The Staff recommends Council approve the Agreement for Purchase and Sale of Property and any necessary documents for APN 467-040-24, 911 H Street, Fresno, California 93721 for a purchase price of \$4,400,000.

ENVIRONMENTAL FINDINGS

Pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(5), this acquisition agreement is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment, and is therefore not a "project" as defined in CEQA.

LOCAL PREFERENCE

Local preference was not considered because the acquisition of this property does not include a bid or award of construction or services contract.

FISCAL IMPACT

The purchase of the property will be made using appropriations designated for a down payment of \$1,300,000 previously approved by Council on March 1, 2018, as well as \$3,100,000 of monies being borrowed from the Wastewater Operating Fund and the Sewer Rate Stabilization Fund that will be appropriated through the 66th Amendment to the Annual Appropriations Resolution, which is included in this item. The loan will be repaid over a five-year period, and will be budgeted in subsequent fiscal years. It is anticipated that the annual loan payments will be approximately equivalent to the \$601,680 in rent payments that have been budgeted in previous fiscal years.

Attachments:

Purchase and Sale Agreement
Interfund Loan
66th Amendment to the AAR