



City of Morgan Hill

Legislation Text

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CITY COUNCIL STAFF REPORT MEETING DATE: JUNE 1, 2016

PREPARED BY: Chris Ghione, Community Services Director,
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APPROVED BY: City Manager

LEASE WITH OPTION TO PURCHASE OF LAND FOR FUTURE PARKING AND RECREATION FACILITIES

RECOMMENDATION(S)

Adopt resolution authorizing the City Manager to execute all documents, agreements and payments necessary to enter into a lease with option to purchase for ten acres of land for future sports and recreation facilities and related purposes.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Supporting Youth

2016 Focus Areas

Developing Our Community

REPORT NARRATIVE:

The Morgan Hill Outdoor Sports Center (OSC) and Morgan Hill Aquatics Centers (AC) are located adjacent to each other on Condit Road. Both facilities are utilized for local and regional sports and recreation events. Large events at both sites support both local economic development and cost recovery at the facilities. However, these large events require significant parking and as both facilities have increased in use, an increased need for parking has been identified. The FY 2105/16 Capital Improvement Plan included \$2 million in funding to purchase land for the purpose of parking and future parks and recreation uses.

In early 2015, City staff was approached by the owners of 10 acres of land adjacent to both the AC and OSC at 1250 Barrett Avenue, who expressed an interest in selling their property to the City. The property would provide more than enough space to meet current and future parking needs for both the AC and OSC with remaining space available for future park and recreation uses. City staff has worked to negotiate the terms of the agreement that is now being presented to the City Council for its review and approval.

The terms of the Ground Lease with Option to Purchase are as follows:

1. 5 year term.
2. Lease amount is \$100,000 per year with the City receiving a credit of \$50,000 (50%) of the lease amount toward the purchase price.
3. Purchase price is \$2,000,000. This is the fair market value and supported by an appraisal.
4. The City may purchase the property upon the death of the current owner, who will continue to live on the property in the interim.
5. The City will not enter into the lease until the property has been completely cleaned of minor contamination of diesel fuel and pesticides in a few locations.

In the course of conducting due diligence for the purchase of the property, a Phase I and Phase II environmental analysis were conducted on the property. These studies determined that there were a few locations that contained diesel fuel or pesticides. Prior to entering into the Ground Lease with Option to Purchase, the contamination will be removed from the property. The City will be lending the property owner funds for the cleanup. These funds will be deducted from the first lease payment. Should the City not enter into the lease, this advance will be refundable to the City.

COMMUNITY ENGAGEMENT: Inform

Community engagement was not sought directly in relation to the purchase of this specific property. The ongoing need for additional parking has been expressed regularly by both visitors to the OSC and AC as well as Morgan Hill residents living near the area. Development of future parks and recreation amenities on the land would be determined and prioritized through the Bikeways, Trails, Parks and Recreation Master Plan, which is currently being updated. The update of this plan is providing for a significant amount of community engagement.

ALTERNATIVE ACTIONS:

The City Council could choose not to move forward to enter into the proposed Ground Lease with Option to Purchase.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council previously approved funding for the purchase of property for this purpose within the Fiscal Year 2015/16 Capital Improvement Program.

FISCAL AND RESOURCE IMPACT:

The City Council allocated \$2,000,000 for the purchase of this property in the Fiscal Year 2015/16 Capital Improvement Budget from the Park Impact Fund (301). Since the proposed agreement is a lease with option to purchase the final costs for purchasing this property will be \$2,000,000 to \$2,250,000 dependent on the time of passing of the current owner. The proposed lease payments and purchase funding are included in the City's proposed six year Capital Improvement Budget.

CEQA (California Environmental Quality Act):

Not a Project

Entering into the Ground Lease with Option to Purchase is not a project. Future CEQA analysis will be required for use of the property for parking or development of a portion of the property as a recreational facility.

LINKS/ATTACHMENTS:

1. Resolution
2. Ground Lease with Option to Purchase
3. Agreement re: Cleanup of Property