



REPORT TO CITY COUNCIL

Approved by:



City Manager

Council Meeting of: April 1, 2020

Agenda Number: D-5

SUBJECT:

Consideration of Adopting a Resolution Amending the sales price listed in the purchase agreement for Parcel 16 within Freedom Industrial Park located on the northwest intersection of West Pecan Avenue and South Pine Street to Span Development, LLC. The amendment is being requested to reflect the net acreage rather than gross acreage at the appraised value of \$2.02 per square foot (APN: 009-331-018). The purchase agreement was originally considered and approved by the City Council (Council) on September 7, 2017 per Resolution No. 17-126.

RECOMMENDATION:

Staff recommends that the Council adopt a resolution approving an amendment to the sale price for the 3.38 net acre parcel at \$2.02 per square foot, rather than the gross parcel size of 3.64 acres as approved by the Council on September 6, 2017.

SUMMARY:

The Council agreed to sell Parcel 16 of Freedom Industrial Park (FIP) to Span Development, LLC (Span) on September 6, 2017. At the time, the appraiser retained by the City based their appraisal on a parcel map that identified the lot size as 3.64 acres given that the map measured the parcel to the centerline of Independence Drive. After subtracting the road, the parcel is reduced to 3.38 acres. Span is requesting that the City amend the agreement to reflect the reduced parcel size.

DISCUSSION:

FIP was developed in partnership by the City and Span in an effort to spur economic development following the Great Recession (c. 2010). Span owned the over 90-acre parcel. The City partnered with Span and agreed to install off-site improvements along West Pecan Avenue and South Pine Street in return for 6 parcels totaling approximately 32.9 acres of real property. Span funded the construction of the internal streets and infrastructure within the industrial park. The costs to the City of off-site improvements totaled approximately \$4.55 million.

At the time, the City gained ownership of six parcels. In an attempt to attract large industrial users, Span offered to purchase Parcel 16 at the then appraised value, which also allowed them to assemble other parcels for potentially larger tenants. In 2017, the City commissioned an appraisal which determined that the fair market value for the site was \$320,000 based on a value of \$2.02 per square foot. The City agreed to sell Span the parcel; however, the agreement allowed Span to defer land cost until 50 percent of the building was occupied. Span has met the occupancy threshold and requested to remit payment.

More recently, upon conducting additional research, staff and Span acknowledged that the 2017 appraisal was based on lot lines that measured the parcel to the centerline of the street, rather than the back of the right-of-way. As a result, Span is requesting that the City amend the agreement to reflect the reduced parcel size. Table 1 provides an overview of the request.

Table 1: Net vs. Gross Acreage and Value				
<i>Parcel</i>	<i>Acreage</i>	<i>Source</i>	<i>Price per sf</i>	<i>Value</i>
16	3.64 gross	Parcel Map; refer to Attachment 2	\$2.02	\$320,000.00
16	3.38 net	Parcel Map; refer to Attachment 3	\$2.02	\$297,410.26
<i>Difference (reduction in sales price)</i>				<i>\$22,589.74</i>

Worth noting is that the subject site, Parcel 16, was the first of several land sales either being considered or executed by the City for development with industrial uses. In all of the subsequent land sales, the parcels were sold at market rate per net acreage. Table 2 provides a summary of the six parcels that the City acquired as part of the partnership, their value, and status.

Table 2: Status of City-acquired Parcels in FIP				
<i>Parcel</i>	<i>Acreage</i>	<i>Status</i>	<i>Price per sf^{1,2}</i>	<i>Value</i>
11	18.9	Future City Corporation yard	\$2.30	\$1,923,609
12	2.15	Offer from Span; being considered (Feb. 2020)	\$2.30	\$421,792
13	2.06			
14	2.9	Sold to TranPak, Inc. (July 2019)	\$2.10	\$521,154
15	3.1			
16	3.4	Sold to Span (Sept. 2017)	\$2.02	\$297,410
<i>Total Value of City-acquired Parcels</i>				<i>\$3,163,965</i>

¹ Values reflect appraised value at the time of sale.

² An appraisal was not completed for the City's Future Corporation Yard. For value purposes, a square foot value of \$2.30 was assumed based on the most recent appraisal in the industrial park.

CITY INVESTMENT

Worth noting is that the City expended roughly \$4.55 million and gained control of 32.9 acres, of which Parcel 16 is included. The City previously sold 3 parcels for a total of \$818,564 (assumes the amended sales price for Parcel 16) and has an offer for 2 more parcels for \$421,792. While the City has partially developed its future Corporation Yard, if one were to place a value of \$1,923,609 on the Corporation Yard based on the most recent appraisal of \$2.30 per sf, the City would receive nearly \$3.2 million in land value for its total \$4.55 million investment.

It is important to keep in mind that while the City did not recoup \$4.55 million in land value, if a private developer had constructed the off-site improvements similar to the City, they would have been eligible for approximately \$1.13 million in Development Impact Fees (DIF) reimbursements for the installation of some of the improvements along the two major roadways, S. Pine St. and W. Pecan Ave.

As summarized in Table 3, the City invested \$3,421,025 or only about \$257,060 more than the value of the real property that the City acquired.

<i>Item</i>	<i>Funding Amount</i>
City contribution	\$4,549,557
- Property value received (see Table 2 for details)	\$3,163,965
- DIF reimbursement	\$1,128,532
Approximate City investment	\$257,060

FINANCIAL IMPACT:

The fair market value was determined by a professional appraiser. The appraisal for the parcel totaled \$320,000 based on a market value of \$2.02 per square foot. Upon further examination, it has been determined that the parcel is 3.38 acres rather than 3.64 as noted in the appraisal, resulting in a reduction in the sales price of roughly \$22,590.

ALTERNATIVES:

As an alternative to staff's recommendation, the Council may:

1. Not approve the resolution.
2. Request that staff clarify or provide additional information.

ATTACHMENTS:

1. Resolution amending the sales price
2. Resolution No. 17-126 approved by the Council on September 6, 2017
3. Parcel Map of Freedom Industrial Park identifying a land area of 3.64 acres for Parcel 16
4. Parcel Map of Freedom Industrial Park identifying a land area of 3.38 acres for Parcel 16
5. Recent photos of the recent development in the industrial park

1. Resolution amending the sales price

Resolution No. 20-_____

A RESOLUTION OF THE COUNCIL OF THE CITY OF MADERA, CALIFORNIA, AMENDING RESOLUTION NO. 17-126 RELATING TO A STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS (AGREEMENT) FOR SALE OF REAL ESTATE FOR PARCEL 16 WITHIN THE FREEDOM INDUSTRIAL PARK TO SPAN DEVELOPMENT, LLC, A WYOMING LIMITED LIABILITY COMPANY (APN: 009-331-018) AND AUTHORIZING ADDENDUM TO AGREEMENT

WHEREAS, the City owns real property within the Freedom Industrial Park that is for sale to buyers intending to build industrial buildings capable of housing employment-generating businesses; and

WHEREAS, the City Council previously authorized staff to work with potential buyers of City-owned lots within the Freedom Industrial Park on developing public private partnerships to kick start construction on its lots; and

WHEREAS, the City intends to maintain ownership of one of the parcels for its use within Freedom Industrial Park; and

WHEREAS, Span Development, LLC (Span) offered to purchase Parcel 16 at the appraised fair market value amount; and

WHEREAS, in 2017 the City caused an appraisal to be completed by a licensed appraiser to establish the fair market value of Parcel 16; and

WHEREAS, the appraisal identified a parcel area of 3.64 net acres given that the Parcel Map measured the lot to the centerline of the roadway and depicted the street as a road easement; and

WHEREAS, the appraisal determined that the property had a value of \$320,000 based on an appraised value of \$2.02 per square foot; and

WHEREAS, the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate for Parcel 16 within the Freedom Industrial Park ("Agreement") was prepared for the sale of the parcel to Span Development, LLC at the appraised fair market value; and

WHEREAS, the City Council approved the sale of Parcel 16 to Span at its regularly scheduled meeting on September 6, 2017 in the amount of \$320,000 per Resolution No. 17-126; and

WHEREAS, the Agreement deferred payment of the land cost until 50 percent of the proposed building on the property was occupied; and

WHEREAS, Span has met the occupancy threshold and requested to remit payment; and

WHEREAS, upon additional research Span and the City determined that the net parcel size is 3.38 acres; and

WHEREAS, Span requested that the City adjust the purchase price to reflect the net parcel size as opposed to the gross; and

WHEREAS, no other amendments to the Agreement as approved by the City Council at its meeting on September 6, 2017 are requested by either Span or the City; and

WHEREAS, the executed Agreement is on file in the office of the City Clerk.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MADERA hereby resolves, finds, determines and orders as follows:

1. The above recitals are true and correct.
2. Resolution No. 17-126 is amended to reflect approval of the adjusted purchase price of \$297,410.26.
3. The Mayor is authorized to execute an Addendum to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate for Parcel 16 within the Freedom Industrial Park to reflect a sales price of \$297,410.26, rather than the original sales price of \$320,000 with approval of City Attorney and is directed to file a copy in the Office of the City Clerk.
4. The City Manager is authorized to take all actions and execute documents as necessary pursuant to the Escrow Instructions included in the Agreement.
5. This resolution is effective immediately upon adoption.

* * * * *

2. Resolution No. 17-126 approved by the Council on September 6, 2017

RESOLUTION NO. 17-126

A RESOLUTION OF THE COUNCIL OF THE CITY OF MADERA, CALIFORNIA, APPROVING A STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE FOR PARCEL 16 WITHIN THE FREEDOM INDUSTRIAL PARK

WHEREAS, the City currently owns five parcels within the Freedom Industrial Park that are for sale to buyers intending to build industrial buildings capable of housing employment-generating businesses; and

WHEREAS, the City Council previously authorized staff to work with potential buyers of City-owned lots within the Freedom Industrial Park on developing public private partnerships to kick start construction on its lots, including the possibility of deferring land costs and fees until new building(s) are occupied; and

WHEREAS, Span Development has proposed to purchase Parcel 16 within the Freedom Industrial Park for the purpose of constructing a 37,620 square foot building and wishes to take advantage of the public private partnership features previously described by the City Council; and

WHEREAS, the City caused an appraisal to be completed by a licensed appraiser to establish the fair market value of Parcel 16; and

WHEREAS, the a Standard Offer, Agreement and Escrow Instructions For Purchase of Real Estate For Parcel 16 within the Freedom Industrial Park (the Agreement”) has been prepared which includes the sale of the property to Span Development at the appraised fair market value and the deferral of the purchase price and City development impact fees for 18 months or until the proposed 37,620 square foot building is at least 50% occupied; and

WHEREAS, the City and Sellers have agreed upon the terms of the Agreement.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MADERA hereby resolves, finds, determines and orders as follows:

1. The above recitals are true and correct.
2. The City Council of the City of Madera approves the Standard Offer, Agreement and Escrow Instructions For Purchase of Real Estate For Parcel 16 within the Freedom Industrial Park (“the Agreement”), a copy of which is on file in the Office of the City Clerk and referred to for particulars.
3. The Mayor is authorized to execute the Agreement.
4. The City Administrator is authorized to take all actions necessary to allow the transfer of title pursuant to the Escrow Instructions included in the Agreement
5. This resolution is effective immediately upon adoption.

* * * * *

PASSED AND ADOPTED by the City Council of the City of Madera this 6th day of September, 2017 by the following vote:

AYES: Council Members Foley Gallegos, Rodriguez, Holley, Robinson, Oliver, Rigby.

NOES: None.

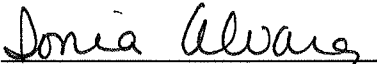
ABSTENTIONS: None.

ABSENT: Mayor Medellin.

APPROVED:


CECELIA FOLEY GALLEGOS, Mayor Pro Tem

ATTEST:


SONIA ALVAREZ, City Clerk

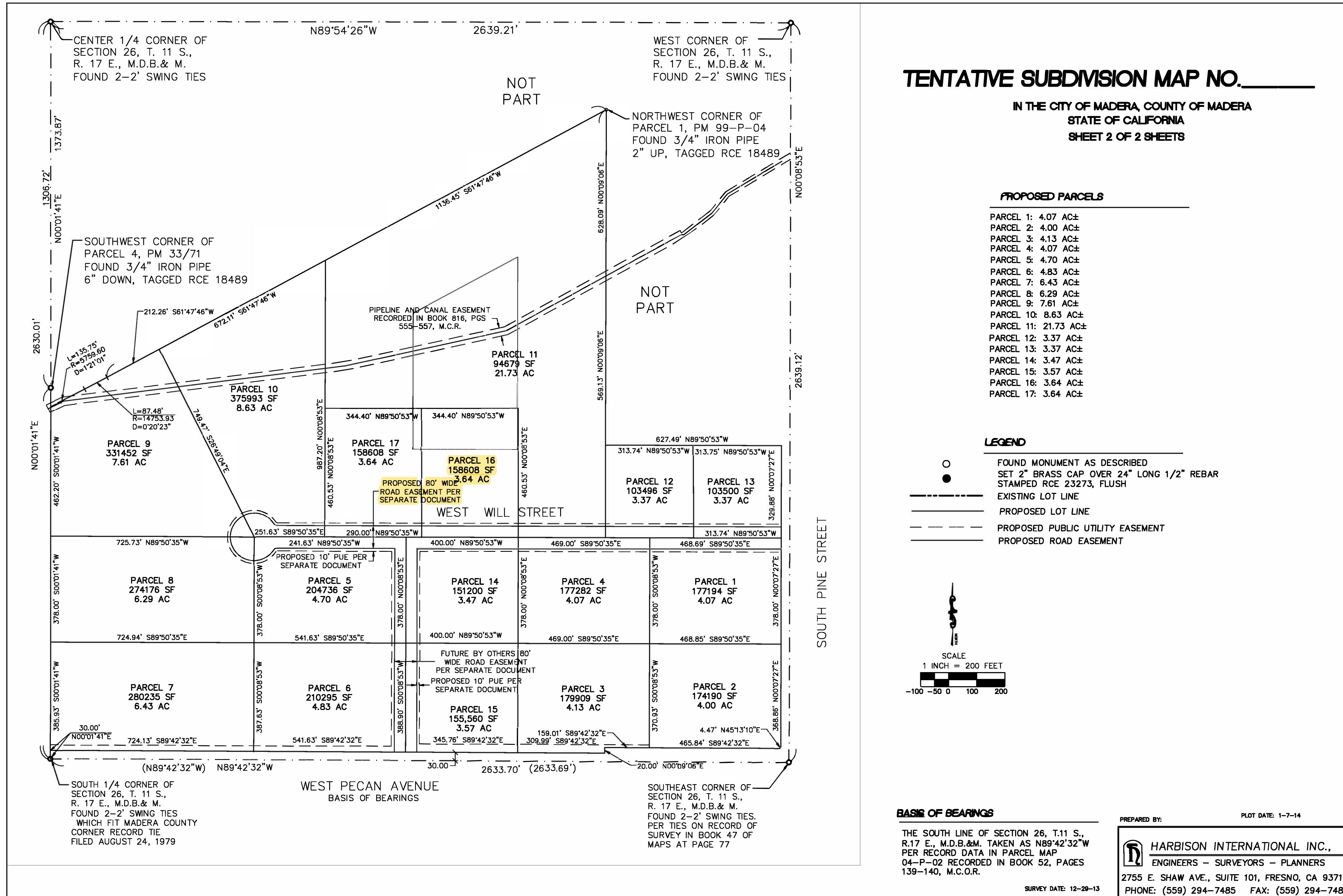
APPROVED AS TO LEGAL FORM:


BRENT RICHARDSON, City Attorney



3. Parcel Map of Freedom Industrial Park identifying a land area of 3.64 acres
for Parcel 16

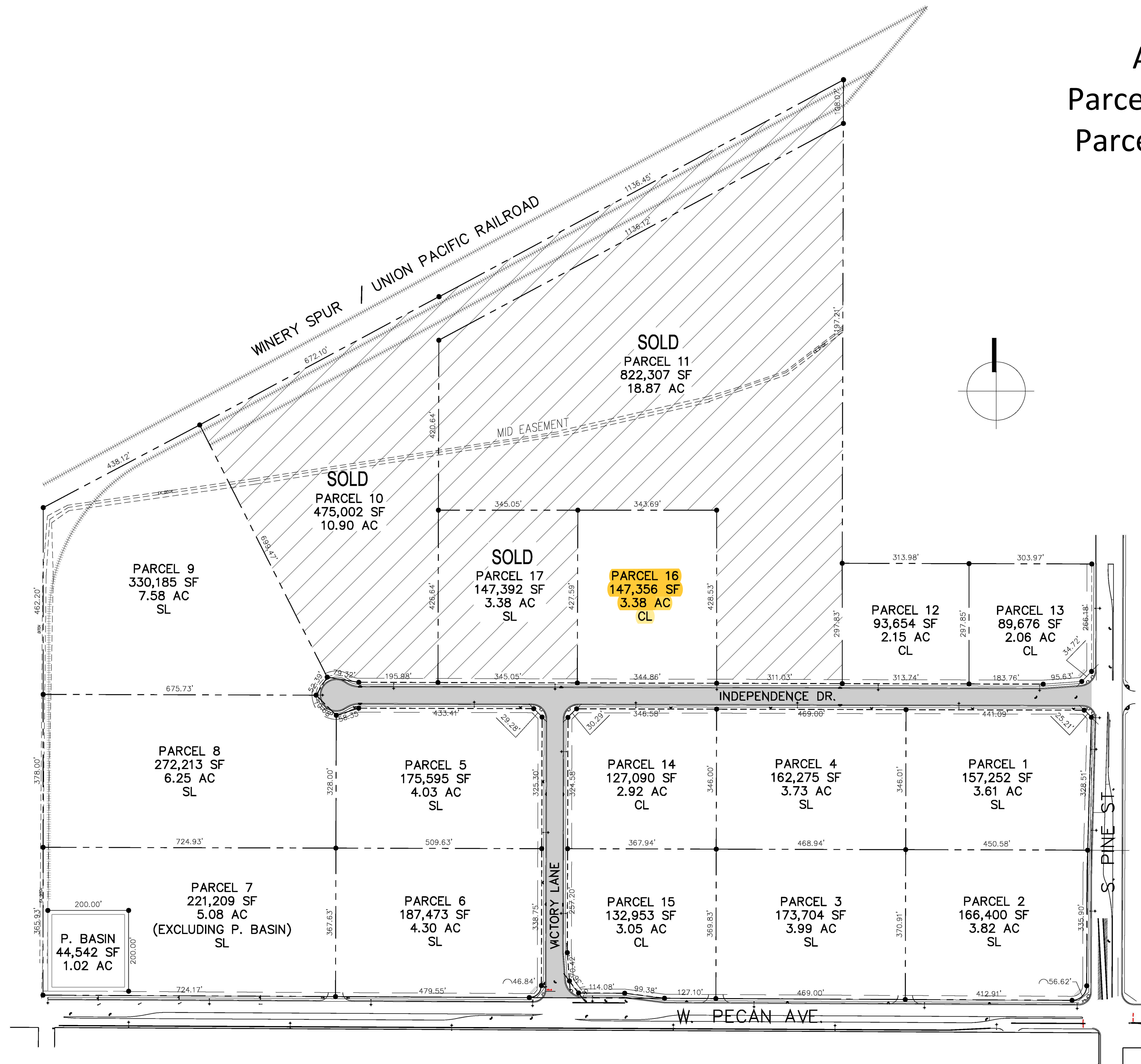
Attachment 3: Map identifying Parcel 16 as 3.64 acres in area



4. Parcel Map of Freedom Industrial Park identifying a land area of 3.38 acres
for Parcel 16

NOTE:
 PARCEL AREAS SHOWN ARE
 NET. THEY DO NOT INCLUDE
 SITE STREETS OR STREET
 ROW'S.

Attachment 4:
 Parcel Map that depicts
 Parcel 16 as 3.38 acres



rev	date	description
1	2015-10-14	UPDATED PARCEL INFORMATION
2	2015-10-28	UPDATED PARCEL INFORMATION
3	2015-11-24	ADJUSTED PARCEL 10 TO MATCH EXISTING
4	2016-02-12	CHANGED PARCEL 16 TO 16
5	2016-08-09	CORRECTED PARCEL SIZE INFORMATION FOR PARCELS 5, 10 AND 11

PROJECT	DATE	BY
FREEDOM INDUSTRIAL PARK PARCEL MAP	2015-10-14	MM
S. PINE & PECAN AVE MADERA, CA 95327 559-461-1111		

ENGINEER'S SEAL



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date	SHEET
2015-09-15	1.0
scale NTS	
drawn MM	JOB NUMBER
checked FF	

5. Recent photos of the recent development in the industrial park



Deerpoint

Subject site

Tranpak



Deerpoint

Subject site

Tranpak