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**Oversight Board
for the
Successor Agency**

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Staff Report

ITEM NO. 8

To: Oversight Board for the Successor Agency
From: Jeff Britz, City Manager
Date: July 24, 2012
Subject: Resolution No. 2012-08 approving Property Disposition to Gary & Maxine Bennett Trust – APN 024-051-032 and APN 024-051-033

Discussion

As you know, the City of Lemoore, acting on behalf of the Successor Agency, received the attached Letter of Intent (Exhibit A), dated May 15, 2012, from Grubb & Ellis on behalf of their client, Gary & Maxine Bennett Trust (Bennett). Bennett proposed to purchase of 3.06+/- acres of vacant land owned by the former Lemoore Redevelopment Agency – APN 024-051-032 (2.0 acres) and APN 024-051-033 (1.06) – in the Lemoore Industrial Park to relocate and expand its irrigation systems operation. As shown on the attached map (Exhibit B), the two parcels are adjacent to each other and are located between McCann and Sons – farm equipment sales and repair (former site of Bob Williams Chevrolet) and Lemoore Auto Mall – sale and repair of motorcycles, ATVs, and trailers (former site of Valley Cycle & Marine).

Additionally on May 15, 2012, during a regularly scheduled City Council Meeting, Council, acting as the Successor Agency, met in closed session to discuss the proposed project. Council determined that the development would be appropriate for the surrounding uses and that the offer was acceptable to the community of Lemoore. It was then that Council referred the item to the Oversight Board for consideration.

During your May 24, 2012 Oversight Board Meeting, this same Letter of Intent was presented to you in Closed Session. After reviewing the details of the project, the Board Members determined that a project of this nature would benefit both the community and the taxing agencies (e.g. additional sales tax revenue would be generated for the City of Lemoore and proceeds from the sale of the property would increase the property tax revenue for the taxing agencies). Staff noted that the proposed offer was comparable to the sales price of other vacant parcels in the area and in fact, prior to the downturn in the economy, the Redevelopment Agency had sold the same 2.0-acre parcel for \$45,000 per acre to Bill and Nancy Royer for the expansion of Valley Cycle & Marine.

However, after the economy began to spiral downward, the Royer's sold the property back to the Redevelopment Agency for the same amount. When the economy was booming, other vacant parcels in the area sold for \$25,000 and \$50,000 per acre.

Knowing that one of the requirements of an Oversight Board Member is to direct the Successor Agency to dispose of assets expeditiously and in a manner aimed at maximizing value (Section 34181(a)), the Oversight Board directed the Successor Agency staff to execute the Letter of Intent and to negotiate and accept an offer of not less than \$125,000 for the sale of said parcels. The Letter of Intent was executed the same day the Board met and it was forwarded to the Broker, as shown in the attached email (Exhibit C).

Since that date, staff has worked with the Broker to negotiate an agreement consistent with the Oversight Board's recommendation. Staff informed the Broker that consistent with other property sales, a \$5,000 deposit would be required to open escrow and it will become non-refundable after the proposed 60-day due diligence period. Additionally, escrow fees will be split fifty-fifty at the close of escrow.

On June 11, 2012, the Broker submitted the first draft Real Estate Purchase Contract and Receipt for Deposit. The Successor Agency Attorney and staff reviewed the document and revised it to reflect the terms of the executed May 24, 2012 Letter of Intent and negotiated terms. Draft versions of the Contract went back and forth between the parties and the negotiated Contract is attached for your consideration (Exhibit D).

Please note that since such time that the Oversight Board directed the Successor Agency to negotiate the sale of these two parcels, AB 1484 was signed into law. The new law suspends Section 34181(a) until after successor agencies receive a Finding of Completion (FOC) from the Department of Finance (DOF). In order to obtain a FOC there are several items that must first be performed including Due Diligence Review audits of all housing and non-housing assets to determine the amount of unencumbered funds that successor agencies must transfer to their respective counties. This process must be complete by April 10, 2013. Successor agencies must also submit a Long-Range Property Management Plan to the DOF within six-months after issuance of the FOC. After the Property Management Plan is approved by the Oversight Board and the DOF, then successor agencies can dispose of properties by resolution following at least a 10-day notice to the public of the specific proposed actions. Such actions are subject to review by the DOF pursuant to Section 34179 and the DOF may extend its review period by up to 60 days.

Staff discussed this property transaction with our Successor Agency Attorney with regard to the new law. It is believed that since the Oversight Board authorized the Successor Agency staff to execute the Letter of Intent and to negotiate the offer to purchase the property prior to the passage of AB 1484; and that the Letter of Intent **was** executed prior to the passage of AB 1484, that we can make a case to the DOF to sell said parcels to Bennett for development of the site as is described in the Letter of Intent. The required 10-day notice was posted on July 17, 2012.

If the Oversight Board still finds that the sale of said properties to Bennett for the proposed development is in the best interest of the taxing agencies, then the Oversight Board should adopt Resolution No. 2012-08 approving the Real Estate Purchase Contract and Receipt for Deposit and authorize the City Manager to execute said Contract. Following your approval, staff will submit the Contract and supporting materials to the DOF requesting its approval of the transaction due to the circumstances stated above.

Budget Impact

The Successor Agency's reserve fund will increase by approximately \$125,000.

Pursuant to Health & Safety Code Section 34177(e), proceeds from asset sales and related funds that are no longer needed for approved development projects or to otherwise wind down the affairs of the agency, each as determined by the Oversight Board, shall be transferred to the County Auditor-Controller for distribution as property tax proceeds under Section 34188.

Recommendation

That the Oversight Board adopt Resolution No. 2012-08 approving the Real Estate Purchase Contract and Receipt for Deposit for the sale of APN 024-051-032 and APN 024-051-033 to Gary and Maxine Bennett Trust for an amount not less than \$125,000 (minus one-half escrow fees) and authorize the City Manager to execute said Contract.