



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Manager

SUBJECT: Resolution Approving the Purchase and Sale Agreement and Escrow Instructions between the Commerce Refuse to Energy Authority (CREA), and the City of Commerce, for property located at 5926 South Sheila Street, in the City of Commerce, California

MEETING DATE: October 15, 2019

RECOMMENDATION:

The City Council will consider for adoption the proposed Resolution approving the Agreement to Purchase and Escrow Instructions between the Commerce Refuse to Energy Authority (CREA), and the City of Commerce, for property located at 5926 South Sheila Street, in the City of Commerce, California, and authorize the City Manager to sign the agreement on behalf of the City.

BACKGROUND:

The Commerce Refuse to Energy Authority ("CREA") is a joint powers agency established on November 23, 1983, pursuant to Government Code Section 6500 *et. seq.*, by the City of Commerce and the Los Angeles County Sanitation District No. 2. CREA was established for the purpose of incinerating commercial refuse primarily from Commerce and converting it to electricity for sale to Southern California Edison.

The subject property was previously owned by the City of Commerce and is currently owned by CREA and is located at 5926 South Sheila Street, in the City of Commerce. The property consists of 6.5 acres of land that includes a driveway, CNG station area, Edison substation, and the main facility. The City of Commerce leased the CNG station portion of the subject property for purpose of operating a liquefied natural gas facility and/ or compressed natural gas facility for use in fueling the City's vehicle fleet. The CNG station also sells fuel to external customer vehicles.

For several years the City considered purchasing the subject property and the facility contained thereon, if and when available for sale. In 2016 City staff discussed with CREA the City's desire to obtain a right of first offer and right of first refusal to purchase the subject property in the event of a sale. CREA staff agreed to support the grant to the City of a right of first refusal. The CREA Board of Directors also expressed its interest to work with the City first before other alternatives are considered. On January 5, 2016, the City Attorney prepared an agreement that

set forth the terms and conditions for the City's right of first refusal to purchase the subject property.

ANALYSIS:

After negotiations between the City of Commerce and CREA staff, both parties have come to an agreement to sell the subject property to the City of Commerce, at current market value and verified with an appraisal, for the lump sum of \$5,000,000. The price is below the independently appraised value and has been tentatively agreed to by CREA and the Sanitation District.

The purchase of the subject property will enable the City to relocate its Transportation Department to a new Transit Maintenance Facility (TMF) at the proposed CREA site that will meet the department's needs. The new facility will include maintenance service bays, vehicle storage, washing and fueling facilities, including electric vehicle charging stations for City vehicles in preparation of state fleet electrification mandates and administrative offices.

As the demand for public transportation has grown in the past 20 years, the City has increased its fleet size, and has exceeded the vehicle parking capacity at the existing Transit Maintenance Facility located at 5555 Jillson Street, in the City of Commerce. The City's fixed route service has grown more than 50% in the past 10 years in terms of revenue hours, revenue miles, and fleet size. As a result, the City's existing TMF is currently not meeting operational needs; and has exceeded its onsite parking capacity. Based on current and future growth demands; plus, the Federal Transit Administration's required 20% spare bus ratio, the City must be prepared to expand its fleet operations from 40 buses, cars and vans to 75 by the year 2030.

A new Transit Maintenance Facility at the proposed CREA site will enable the City to better serve its customers, residents, employees, visitors, and future transit riders. This real estate purchase and the subsequent creation of housing on the current transportation site would also work towards enhancing the City's vision for the Housing Opportunity overlay area which includes the transformation of existing commercial/industrial sites into residential housing within the Rosewood Neighborhood Planning Area.

ENVIRONMENTAL ANALYSIS:

An appropriate environmental review of the proposed developments and analysis will be required pursuant to the requirements of the California Environmental Quality Act ("CEQA") to analyze the potential environmental impacts of the proposed projects before they are considered by the City's Planning Commission and City Council.

ALTERNATIVES:

1. Approve staff recommendation
2. Decline staff recommendation
3. Provide further direction

FISCAL IMPACT:

If the City Council approves the Purchase and Sale Agreement with the Commerce Refuse to Energy Authority for subject property, funding of \$5,000,000 plus approximately \$650,000 for the CREA credit for a total of \$5,650,000 will be needed. Funds for this purchase will come from the following sources:

- 1) The General Fund's portion of the former RDA loan repayment for 2019-20 (approximately \$3,145,000).
- 2) The balance remaining will come from Measure AA Economic Development Funds (approximately \$2,505,000).

The CREA credit represents the amount owed by the City to the Sanitation District for certain remediation obligations with respect to the Property and will be recalculated at the closing of this transaction. The CREA credit is \$613,938 per the agreement as of March 31st 2019. Per Sanitation District Staff the CREA credit is expected to be around \$650,000 by the time this transaction closes.

Fiscal Impact Reviewed by: Josh Brooks, Acting Director of Finance
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Edgar P. Cisneros, City Manager

ATTACHMENTS:

1. Resolution
2. Agreements of Purchase and Sale and Escrow Instructions for the Property
3. Appraisal