



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Manager

SUBJECT: Resolution to Authorize the City Manager to enter into a Rail Purchase Agreement with BNSF Railroad for BNSF property interests in the City of Commerce.

MEETING DATE: January 7, 2020

RECOMMENDATION:

The City Council will consider for adoption the proposed Resolution authorizing the Mayor to enter into a Purchase and Sale Agreement between the City of Commerce and BNSF Railroad for the acquisition of approximately eight railroad parcels with a combined area of approximately 103,857 square feet (2.38-acres).

BACKGROUND:

The Resolution would authorize the Mayor to execute the purchase and sale agreement (Attachment 1) for the acquisition of all of the ownership interests of BNSF right-of-way parcels shown in the image on the following page and more clearly in Exhibit A (Attachment 2) for the sum of **\$2,225,000.00** as determined by an appraisal (please see Attachment 3) obtained by the City in order to pursue economic development projects along Washington Boulevard and Eastern Avenue.

ANALYSIS:

The City Manager has been negotiating with BNSF regarding a purchase of APNs 6335-023-800, 6335-023-801, 6335-025-805 and 6335-025-807 (properties denoted by an asterisk in the table below) since March 5, 2019. On June 25, 2019 BNSF informed the City that it would consider the purchase if the City expanded the transaction to include all BNSF properties along the strip in question. Likely because they would now have even less value to BNSF after this transaction. Thus, an expanded appraisal was ordered and this is the comprehensive transaction that is before the City Council for consideration.

The proposed acquisition encompasses eight former railroad parcels located along Sheila Street, Washington Boulevard, Jillson Street and Eastern Avenue in the City of Commerce. The subject parcels do not have a street address associated with them and are identified by their Los Angeles County Assessor Parcel Numbers.

The parcels in question are zoned either commercial manufacturing (C/M1) or heavy industrial (M2) and range from 3,549 square feet (0.08-acres) to 36,822 square feet (0.85 acres) with a combined area of 103,857 square feet (2.38 acres). The following is a summary of the BNSF parcels with land area/zoning:

APN	SQUARE FEET	ACRES	ZONE	APPRAISED VALUE
1. 6335-022-800	5,887	0.14	C/M1	\$175,000
2. 6335-022-801	4,893	0.11	C/M1	\$145,000
3. 6335-023-800*	4,981	0.11	C/M1	\$150,000
4. 6335-023-801*	6,184	0.14	C/M1	\$185,000
5. 6335-025-805*	12,752	0.29	M2	\$255,000
6. 6335-025-807*	28,789	0.66	M2	\$575,000
7. 6335-014-805	3,549	0.08	M2	\$70,000
8. 6335-014-806	36,822	0.85	M2	\$735,000



The proposed acquisition would provide flexibility in allowing potential new future developments to maximize what is currently undeveloped blighted areas in the City. The parcels are all currently occupied by railroad right-of-way. The acquisition would provide the City with an opportunity to transform these parcels to developable areas that would serve to, among other things, deter undesirable activity and potentially activate commercial and/or residential uses. Therefore, staff recommends moving forward with negotiations to potentially acquire the above-referenced parcels from BNSF railroad.

It's important to note that properties marked with an (*) in the table above are adjacent to properties the City currently owns and a part of negotiations for the future City Ventures and "Benson" projects. Thus, it is highly likely that these parcels will be re-packaged and sold to private entities in the very near future. A key condition is that the City must also agree pursuant to federal law, that the use of railroad property acquired will not impair the

potential of any future restoration of rail service within property acquired. In the unlikely event this would occur, the City shall be reimbursed its investment.

ENVIRONMENTAL ANALYSIS:

The California Environmental Quality Act (CEQA, Section 21000, et seq. of the California Public Resources Code), requires that potential environmental effects of projects that will have a physical impact on the environment be analyzed prior to their construction. State CEQA Guidelines Sections 15060(c)(3), 15061(b)(3), and 15378 exempts projects that have no potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City Council action will not directly authorize the acquisition of the property or construction of any project. Therefore, this action will not have a direct effect on the environment. As such, the City Council action qualifies for this exemption and no further environmental review is required.

FISCAL IMPACT:

If the City Council approves the Purchase and Sale Agreement with BNSF for the properties highlighted above, a coinciding allocation of **\$2,225,000.00** (from the Measure AA Economic Development fund criteria pot) will need to be approved. As mentioned above, it is highly likely that the parcels marked with an (*) will be re-packaged and sold to the entities mentioned above. The sale of these parcels could almost immediately recoup approximately 50% of the **\$2,225,000.00**.

RELATIONSHIP TO STRATEGIC GOALS:

“Enhance Quality of Life Goal” and “Maintain and prioritize improvements to City facilities and infrastructures in accordance with adopted master planning documents including the Green Zone Action Plan to accommodate annual and long term goals.”

ALTERNATIVES:

1. Approve staff recommendation
2. Decline staff recommendation and provide further direction

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

ATTACHMENTS:

1. Purchase and Sale Agreement
2. Purchase and Sale Agreement (Exhibit A)
3. Appraisal Report (Dated July 6, 2019)
4. Resolution Authorizing Execution of the Purchase and Sale Agreement