City of Culver City, California

Agenda Item Report

Meeting Date: 06/09/2014	Item Number: C-8
CITY COUNCIL AGENDA ITEM: Approval of a Purchase and Sale Agreement in the Amount of $1,345,790 with Thomas James Capital Regarding the Sale of City-Owned Property Located at 11304 Segrell Way (Former Fire Station #3).	
Contact Person / Department: Joe Susca/CDD Todd Tipton/ CDD	Phone Number: (310) 253-5763 (310) 253-5783
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification (E-Mail) Meetings and Agendas – City Council (06/04/14); The Culver City Chamber of Commerce (06/03/14); Keller Williams Realty (05/29/14); Thomas James Capital Inc. (05/29/14); Via U.S. Post: A total of 730 businesses, residents, and property owners within 500 feet of the property to the end of block (05/29/14)	
Department Approval: Sol Blumenfeld (06/04/14) Charles Herbertson (06/03/14)	City Attorney Approval: Carol Schwab (by H. Baker) (06/04/14)
Chief Financial Officer Approval: Jeff Muir (06/04/14)	City Manager Approval: John M. Nachbar (06/04/14)

RECOMMENDATION:

Staff recommends the City Council approve a Purchase and Sale Agreement in the amount of $1,345,790 with Thomas James Capital Inc. for the purchase of the City-owned property located at 11304 Segrell Way.

BACKGROUND:

On September 14, 2010, Fire Station No. 3 located at 11304 Segrell Way (Property) was decommissioned due to construction of a replacement station at 6030 Bristol Parkway. The Property is comprised of a 4,880 square feet building, which resides on three, 5,000 square feet single family; residentially zoned parcels.

During the City Council's Regular Meeting of March 26, 2013, the City Council authorized the release of a Request for Qualifications to secure a real estate agent to market and sell the Property. On August 12, 2013 the City Council selected Keller Williams Realty to represent the City in this transaction. Keller Williams was selected based on their extensive experience selling property to developers for redevelopment, including those properties that require demolition of existing improvements.

Following selection of Keller Williams, staff prepared agreements, guidelines and disclosure statements that outline the history of the Property, including prior ground water and soil remediation activities. Staff prepared the necessary contracts and buyer disclosure statements in preparation of placing the Property on the market.

On October 24, 2013, the City executed a contract with Keller Williams, and on October 25, 2013, the Property was listed for sale in an amount of $1.25 million with a November 22, 2013 deadline to submit offers. Four initial offers were received and counter offers were submitted to all four respondents. The City Council reviewed the counter offers and responded to Thomas James Capital Inc., (TJC); the highest bidder, with a conditional acceptance of their offer provided TJC agrees to 1) a right-of-reverter clause if they fail to commence construction within two years of closing escrow, 2) install solar panels on the roof of each of the three houses they construct and 3) the neighborhood embraces their proposed conceptual plans. TJC accepted the City Council's counter offer.

On February 5, 2014, TJC held a meeting at the Property to present their conceptual plans to the Segrell neighborhood. Twelve residents attended, provided comments, and ultimately found the plans to be a good fit for the neighborhood. The residents' comments are included in the terms and conditions below.

Thomas has built or remodeled approximately 200 homes in Southern California over the past five years. Staff contacted TJC's references and found them to be positive. Once construction permits are issued, TJC anticipates it will take four to five months to complete demolition of the existing improvements and construction of the three houses.

DISCUSSION:

The proposed Purchase and Sale Agreement (PSA) includes the following terms and conditions:

1. A selling price of $1,345,790 with a 60 calendar-day escrow.
2. A $40,500 deposit will be placed into escrow by TJC.
3. TJC agrees that the deposit will be forfeited as liquidated damages if they do not complete the purchase.
4. Payment is to be made in cash only, (traditional financing will be unnecessary).
5. TJC shall engage Pest Control Services at the Property prior to demolition of the existing building.
6. Preparation of a construction management plan that includes clearing construction debris around the site and regulation of construction hours, truck routes, and off-site contractor parking.
7. New parkway design standards for landscaping.
8. Buyer option to plant drought-tolerant landscaping in their front yard.
9. New concrete block wall replacement, if required.
10. Pave or slurry seal the immediately adjacent alley and/or street that is excavated to hook-up utilities.

11. TJC understands that acceptance of the offer is no guarantee that unusual construction methods will be approved by the City.
12. Solar panels on the roof of the houses.
13. TJC agrees to commence construction within one year and to build a project in substantial conformance with their conceptual plans (see attached). Failure to do so will result in a $5,000 per month penalty up to a $25,000 maximum over five months. If TJC submits evidence that the cause of the delay is no fault of their own, however, they may apply for an extension.
14. If TJC fails to commence construction within two years, a right of reverter clause will allow the City the option to file a quiet title action to regain title to the Property. If the Property reverts back to the City, TJC will receive the original purchase price amount minus escrow fees, real estate agent commissions and related fees incurred by the City during the original land sale transaction, in addition to subtracting fees incurred by the City to exercise its rights under the right of reverter.

FISCAL ANALYSIS:

Should the City Council approve this item, the sales price would be $1,345,790. Five percent of the sales price ($67,290) will be split between Keller Williams and TJC's broker as their commission, which is payable upon the close of escrow. The remaining $1,278,500 in sales proceeds (less escrow fees and related costs) will be deposited into the City's General Fund. .

ATTACHMENT:

- Thomas James Capital Conceptual Plans

MOTIONS:

That the City Council:

1. Approve a Purchase and Sale Agreement for the sale of City-owned property located at 11304 Segrell Way to Thomas James Capital Inc. in the amount of $1,345,790; and,

2. Authorize the City Attorney to review/prepare the necessary documents; and,

3. Authorize the City Manager to execute such documents on behalf of the City.