

TO: James L. App, City Manager
FROM: Meg Williamson, Assistant City Manager
SUBJECT: Salinas River Parkway Grant – Appraisal Services for Land Acquisition Alternatives
DATE: November 18, 2008

Needs: For the City Council to authorize engagement of professional appraisal services in accordance with the City's State Grant contract for land acquisition along the Salinas River corridor.

Facts:

1. The City was awarded a \$4 million Grant by the State Water Resources Board for the acquisition of up to 260 acres of land within the river corridor and for the restoration of portions of public property adjacent to the River and Larry Moore Park.
2. The overreaching goal of the Grant Project is to protect and improve the water quality of the Salinas River through river property acquisitions and storm water channel restoration efforts.
3. The Land Conservancy of San Luis Obispo County is under contract to the City to provide professional support service relative to the land acquisitions.
4. Grant monies were originally focused on a single property holding at the south end of the City (sometimes referred to as the "old Union Asphalt site"). However, the State has been supportive of the City's plan to work with multiple property owners along the river corridor to increase land acquisition potential under this clean water grant.
5. Two separate property owners (Triple P, LLC and Bunnell Development Corporation) have signed Letters of Interest (LOI) indicating their willingness to negotiate sale of all or some of their property within the river corridor. These property holdings total approximately 230 acres and are shown in the attached exhibits.
6. The next step in negotiations is to establish a fair market price for these properties. Then from there, individual Purchase and Sale Agreements would be negotiated. Deal points would include: sale price, funding sources and timing of sale. Acquisitions will only be completed if the sale is mutually agreeable to all parties.
7. The Grant Contract with the State has minimum requirements for establishing the purchase price of parcels acquired with grant funds. The State's process will require up to three (3) independent appraisals for each parcel purchased. However, the City is working with the State to minimize the number of appraisals necessary to adequately document the value of each site.

8. The Land Conservancy pursued proposals from certified appraisers, and obtained three (3) appraisal proposals (attached).
9. Each of the proposals come from qualified appraisers who have either relative experience in this type of valuation project, localized understanding of the project setting and its unique characteristics, and/or concurrence by the property owners.
10. The following firms submitted proposals:
 - Schenberger, Taylor, McCormick & Jecker, Inc. (Todd Murphy)
 - Market Dynamics (Dennis Greene)
 - Alliance Appraisal (Mike Ming)
11. The appraisal costs range between approximately \$15,000 and \$24,000. Additional alternative analysis options (related to an existing sand mining operation on the Triple P site) would add an additional \$8,000 to \$13,000 for appraisals of that site.
12. Completion windows for appraisals range from 60 to 120 days. The Grant time line requires appraisals to be complete by the end of January 2009. Therefore, time is of the essence in engaging appraisal services.

**Analysis &
Conclusion:**

The City and Land Conservancy have been involved in good faith acquisition dialogue with willing sellers along the River corridor for several months. The appraisal process is a necessary step to establish value of these properties and to continue the acquisition dialogue.

The State has been very supportive of the acquisition efforts, but also has stringent guidelines for documentation of land valuation and use of grant monies. Their process may require that three separate appraisers provide appraisals on each of the sites (two independent appraisals with a third "summary" appraisal). Discussions are underway with the State to reduce the redundancy of the appraisal process, but their response cannot be fully known at this time. Every effort will be made to use resources wisely.

There is a high likelihood that the "alternative analysis options" associated with the sand mining operation would not be included in the appraisals at this time, since it is anticipated that acquisition costs may be inherently prohibitive. This will be determined through further dialogue with the property owners. If eliminated, cumulative appraisal costs would be significantly reduced.

Because of the rigid timeframe to perform the appraisals, it is suggested that the Council authorize staff to engage any and/or all of the three proposing appraisers for appraisal services as may be deemed necessary. After confirmation from the State on their minimum standards, the City and Land Conservancy will further refine the scope of the appraisal services and engage the professional services necessary to meet the State standards.

The up front costs of the appraisals are necessary in to order to access the remaining \$3.7 million in State clean water funding for this project.

Policy

Reference:

General Plan and City Council Adopted Goals
 June 6, 2006 Council Authorization to file State Water Resources Grant
 March 6, 2007 Council appropriation of "Phase I" funds of \$420,000

Fiscal Impact:

The grant agreement is structured so that to receive the full \$4 million in allocation, the City's match obligation would be \$1,335,000. The full grant appropriation has not been made at this time, but rather, will be done in "phases."

The Phase I appropriation of \$420,000 was made by Council on March 6, 2007 to allow the restoration portion of the project (in Larry Moore Park) to proceed. The grant will reimburse \$300,000 of this budget appropriation when the restoration project is completed.

Approximately \$34,000 remains unallocated from the Phase I appropriation and can be applied to the cost of the land appraisals. The total range of appraisal costs are as follows:

	For Both Bunnell & Triple P	Optional Triple P Sand Mining Analysis
TM&J, Inc. (Todd Murphy) -	\$23,400	\$13,000
Market Dynamics (Dennis Greene)	\$24,000	\$ 8,000
Alliance Appraisal (Mike Ming)	<u>\$14,750</u>	<u>\$ -</u>
	\$62,150	\$21,000

If the States deems that the services of all three appraisers will be required for both the Bunnell and Triple P properties, a total budget of \$62,150 would be needed. The alternative sand mining site analysis would add an additional \$21,000. Therefore, to provide the necessary flexibility to evaluate the full range of acquisition alternatives available under the grant, it is necessary to appropriate an additional \$49,000 to the grant effort. This allocation would be utilized as judiciously as possible to minimize redundancy and maximize value to the project goals.

The City's General Fund in Fiscal Year 08/09 is projected to close with a \$797,000 shortfall. This grant allocation will add to that shortfall. However, this \$49,000 qualifies for and may be reimbursable under the Grant.

Options:

1. For the City Council to adopt the attached resolution 08-XXX:
 - a) Authorizing the allocation of \$49,000 from general fund reserves to supplement the Salinas River Parkway Grant funding; and
 - b) Authorizing the City Manager to engage professional appraisal services in accordance with the City's State Grant contract for land acquisition along the Salinas River corridor.

2. Amend, modify, or reject the forgoing option.

Attachments:

1. Resolution 08-XXX authorizing the budget allocation and engagement of appraisal services
2. Triple P LLC Property location exhibit
3. Bunnell Development Property location exhibit
4. Appraisal Proposals

RESOLUTION NO. 07-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
TO APPROPRIATE SUPPLEMENTAL FUNDS TO THE SALINAS RIVER PARKWAY
GRANT WORKING BUDGET – AND AUTHORIZE THE CITY MANAGER TO
ENGAGE APPRAISAL SERVICES ASSOCIATED WITH MULTIPLE
LAND ACQUISITIONS CONSISTENT WITH THE GRANT

WHEREAS, the City was awarded a \$4 million Grant by the State Water Resources Board for the acquisition of up to 260 acres of land within the river corridor and for the restoration of portions of public property adjacent to the River and Larry Moore Park; and

WHEREAS, the overarching goal of the Grant Project is to protect and improve the water quality of the Salinas River; and

WHEREAS, the restoration and acquisition components of the Grant are structured as follows:

- a) Restoration – The total project scope of work will cost \$420,000, of which \$300,000 is reimbursable from the grant;
- b) Acquisition – The total project scope is set at \$4,600,000, of which \$3,700,000 would be reimbursable from the grant; and

WHEREAS, on March 6, 2007, the City Council appropriated \$420,000 to budget account # 110-910-5452-542 to accomplish the first phase of Grant Project work; and

WHEREAS, the phase one grant budget has funded \$375,000 in restoration efforts over two years, and the professional services of the Land Conservancy of San Luis Obispo County for up to \$10,000 to assist in land acquisition services associated with the grant; and

WHEREAS, the City and Land Conservancy are in good faith discussions with two separate land owners with holdings along the river corridor totaling approximately 230 acres; and

WHEREAS, the Grant Contract between the City of Paso Robles and the State Water Resources Agency requires that specific appraisal services be conducted in order to establish the land valuation of any lands to be acquired under the grant; and

WHEREAS, the State process may require up to three (3) separate appraisals on each parcel; and

WHEREAS, such professional appraisal services are specialized and to accomplish this work, the City will need to seek contract service assistance; and

WHEREAS, three appraisal proposals have been obtained from qualified real estates appraisers to evaluate and establish the valuation of the subject river corridor properties; and

WHEREAS, the appraisals range in cost and include several alternative analysis options of an existing sand mining operation which place total professional service costs between approximately \$61,000 and \$83,000; and

WHEREAS, every effort will be made to work with the State to eliminate redundancy of work and minimize expenditures on appraisal costs; and

WHEREAS, there is approximately \$34,000 of the original March 6, 2007 phase one appropriation that can be allocated to appraisal services, leaving approximately \$49,000 of the potentially necessary services unfunded; and

WHEREAS, the up front costs of the appraisals are necessary in order to leverage the remaining \$3.7 million in State clean water grant money should the negotiations be successful; and

WHEREAS, the grant represents a significant and generous “return on the dollar” for a project that promotes multiple community and state wide goals.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the City Manager is authorized to engage the professional services of one or more of the following appraisers to conduct land valuation analysis as may be required by the State in conjunction with negotiating acquisition agreements with property owners along the river corridor:

- Schenberger, Taylor, McCormick & Jecker, Inc.
- Market Dynamics
- Alliance Appraisal

BE IT FURTHER RESOLVED by the City Council of the City of El Paso de Robles, to appropriate from the General Emergency & Contingency Fund reserves \$49,000 to budget account # 110-910-5452-542 to supplement the phase one working budget.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 18th day of November 2008 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk

SCHENBERGER, TAYLOR, McCORMICK & JECKER

I N C O R P O R A T E D

Real Estate Appraisers, Consultants and Investment Analysts
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Richard L. Schenberger, ARA

Principals of the Firm

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Rollie A. McCormick, MAI

Jerald W. Jecker, SRA

Todd O. Murphy, MAI, ARA

Associates

Jenna R. Moran

JoAnn C. Wall

October 20, 2008

VIA E-MAIL

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Ms. Meg Williamson
Assistant City Manager
City of Paso Robles
1000 Spring Street
Paso Robles, California 93446

Mr. Bob Hill
The Land Conservancy of San Luis
Obispo County
PO Box 12206
743 Pacific Street
San Luis Obispo, California 93406

*Re: Proposal for Appraisal Services
Triple P and Bunnell Properties
Salinas River Corridor Area, Paso Robles*

Dear Ms. Williamson and Mr. Hill:

As discussed with Mr. Hill, I am forwarding this proposal for appraisal services.

Our firm will complete appraisals of these properties in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and State of California General Services appraisal standards. We will provide you with four original copies of each report.

As I understand it, The Land Conservancy of San Luis Obispo County is working with the City of Paso Robles on this matter, and the City of Paso Robles will be our client. Our primary point of contact on this project will be Mr. Hill.

Each of the subject properties is reviewed as follows:

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*Proposal for Appraisal Services
Triple P and Bunnell Properties
Salinas River Corridor Area, Paso Robles*

Triple P Property

This is a very complicated property, also known as the former Union Asphalt site. The property includes active Salinas River channel, as well as an upland area with possible future industrial development. These factors will be analyzed and considered in the valuation analysis.

Sand and Gravel Mining Component

An additional aspect of this property is the ongoing sand and gravel mining operation. If requested, we will include an analysis and valuation of the sand and gravel mining component of this property.

If the sand and gravel operation is to be considered, then we will subcontract with a sand and gravel mining specialist to assist in the valuation of this aspect of the property.

Our scope of work also considers the valuation of the individual parcels based on a proposed lot-line adjustment and reconfiguration.

Bunnell Property

This 4.78-acre property appears to comprise mostly land within the Salinas River corridor, with a small amount of possibly developable land.

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*Proposal for Appraisal Services
 Triple P and Bunnell Properties
 Salinas River Corridor Area, Paso Robles*

Budget

Our appraisal budget includes an allowance regarding the sand and gravel mining component. Our projected budget for completing this appraisal is shown as follows:

	Excluding Sand Mining Component	Including Sand Mining Component
<u>Triple P Property</u>		
STM&J	7 to 9 job days @ \$1,800/day \$12,600 to \$16,200	8 to 10 job days @ \$1,800/day \$14,400 to \$18,000
Mineral Valuation Support	n/a	4,500 to \$11,500
<i>Subtotal Triple P Property</i>	<i>\$12,600 to \$16,200</i>	<i>\$18,900 to \$29,500</i>
<u>Bunnell Property</u>		
STM&J	3 to 4 job days @ \$1,800/day \$5,400 to \$7,200	3 to 4 job days @ \$1,800/day \$5,400 to \$7,200
Total Triple P and Bunnell Properties	\$18,000 to \$23,400	\$24,300 to \$36,700

Therefore, our total fee range will be \$18,000 to \$23,400 without considering the sand mining component and \$24,300 to \$36,700 including the sand mining component.

Completion Schedule

Our completion schedule is roughly 14 to 16 weeks from your authorization to proceed.

Items Needed

If you would like us to proceed, please provide the following items:

- * Authorization-to-proceed letter
- * Title report on the Bunnell property
- * Title report on Triple P property (already received)
- * Irrevocable License Agreement (sand) (already received unsigned document)

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*Proposal for Appraisal Services
Triple P and Bunnell Properties
Salinas River Corridor Area, Paso Robles*

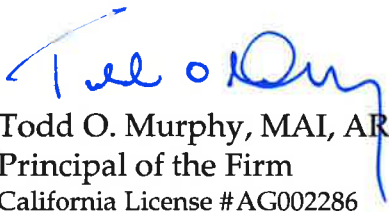
- ★ Documents shown as Exhibits B, C, and D to Irrevocable License Agreement, including all permits and reclamation plans for sand mining operation
- ★ Annual sand production history over past 10 years
- ★ Annual sand production revenue and expenses over past 5 years
- ★ Any technical reports available on the parcels (environmental assessment, biologic reports, development plans, etc.)
- ★ Contact name(s) and number(s) for site inspections

Third-Party Review

In response to your request, our firm would consider providing third-party peer review in accordance with State of California grant contract conditions. I would be happy to discuss this with your further.

Thank you for requesting this proposal. Please contact me with any questions at (805) 544-2472, Extension 15.

Respectfully submitted,



Todd O. Murphy, MAI, ARA
Principal of the Firm
California License #AG002286

TOM:jsi

