

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **APRIL 6, 2010**

From:  **JAMES DURFEE / MARY DIETRICH**

Subject: **CUSTOMS HOUSE PROPERTY ACQUISITION**

ACTION REQUESTED / RECOMMENDATION: It is recommended that your Board take the following actions associated with acquisition of the 0.61+/- acre parcel referred to as APN 094-110-021-000 including the 11,400+/- square foot commercial building at 775 North Lake Boulevard in Tahoe City (Property):

- 1) Adopt a Resolution delegating authority to the Director of Facility Services, or his designee, upon satisfaction of the provisions contained in the Option Agreement, to execute all documents and take all actions necessary to complete the Property acquisition between the County of Placer and Nevada Security Bank in the amount of \$3,400,000.00, to disburse funds associated with this transaction, and to accept and record the deeds for said Property; and,
- 2) Approve the attached Budget Revision associated with this transaction; and,
- 3) Authorize the Property to be added to the Master Fixed Asset list following the close of escrow.

BACKGROUND: In connection with the ongoing Tahoe Government Center project (TGC), on March 16, 2010, your Board approved an Agreement to Negotiate between the County of Placer and B.B. LLC. This Agreement memorializes the parties' intent to negotiate a lease purchase transaction for the proposed 24,000 sq. ft. building located within B.B. LLC's Kings Beach Town Center project. This action follows your Board's July 2009 confirmation of B.B. LLC Option 1 as the top ranked TGC site. Based on additional direction from your Board, staff discontinued negotiations with John and Leslie Hyche, owners of the Tahoe Tree Company, following attempts to secure option/negotiation agreements. This determination was made in recognition that neither an option nor an agreement to negotiate would meet the County's objective to secure an alternative location, which could serve as the TGC site if B.B. LLC's project proved infeasible.

While your Board remains committed to ultimate development of the TGC in the Kings Beach Town Center project, the County has near-term space needs in the Tahoe Basin that predate that project's estimated completion date in FY 2014/2015. At this time the Assessor's office lease is scheduled to expire in June 2010. The Assessor has requested that the Property Management Division locate a smaller facility for their occupancy. Additionally, the leased facility at the West Shore Tahoe Administration Building housing the Community Development Resource Agency and Environmental Health Division will expire in June 2012. Staff had hoped that the Kings Beach Town Center project schedule would allow for a direct move but that will not be possible.

During the search for space for the Assessor's office, staff learned of an opportunity to acquire a bank-owned property in Tahoe City. This property, commonly referred to as the Customs House, is located on North Lake Boulevard and is improved with an approximately 11,400 sq. ft. commercial building constructed in 2005. This property was recently offered for sale for \$5.20 million (\$456/sq. ft.); however the price has a current listing of \$3.72 million (\$326/sq. ft.). Because of the three year search for a TGC site, staff is very familiar with the Lake Tahoe real estate market and recognized this price as an excellent value.

Property Management has evaluated this purchase opportunity, and believes the acquisition of the Property would serve the County as a valuable capital asset, at a price well below fair market. The Customs House would provide significant flexibility for a variety of County occupancies in the Tahoe Area. As noted above, this includes the Tahoe Assessor's Office following its lease expiration in summer 2010, and the West Shore Tahoe Administration Building in the period between its lease expiration in 2012 until completion of the Kings Beach Town Center project projected for FY 2014/15. Following these near-term occupancies, the building may be used by the Burton Creek Public Safety departments, while that facility undergoes reconstruction. To utilize this Property, the Property Management Division must secure a County minor use permit and parking variance and associated TRPA approvals to allow Government Office use. These activities would be pursued through the due diligence/contingency removal period, and securing permits would be included as a condition to close. Two of the eight suites in this building are currently occupied by professional businesses, who would become tenants of Placer County. The remaining suites are in a warm-shell condition (including heat, lighting and suspended ceilings), and would require tenant improvements to prepare them for County occupancy. If your Board provides authorization to proceed with this acquisition, following close of escrow staff would return to your Board for any necessary approvals to pursue construction for County occupancies.

Staff has prepared an Option to Purchase Agreement and the Agreement of Purchase and Sale which has been accepted by the building's owner, Nevada Security Bank. The terms of the Option to Purchase Agreement (Option) are summarized as follows:

- Purchase Price: Three Million Four Hundred Thousand Dollars (\$3,400,000) (\$298/sq.ft.).
- Option Consideration: One Hundred Thousand Dollars (\$100,000) applicable to the Purchase Price upon close of escrow.
- Escrow Period: 100 days total, including a 90-day due diligence/contingency removal period, and a 10-day escrow period.
- Due Diligence: During the 90-day due diligence period, the County will investigate the environmental, physical and title condition of the property and process necessary County and Tahoe Regional Planning Agency approvals and entitlements for governmental use of the building.
- Conditions to Close Escrow: County's acceptance of the condition of the property and title, and receipt of entitlements for its use of the building.

- Execute Agreement of Purchase and Sale: After determining that all conditions to close have been met, the County would execute the Agreement of Purchase and Sale which specifies that the parties shall close escrow within 10 days.
- Closing Costs: The County shall contribute 50% of the costs for escrow fees, title insurance, document preparation and other closing costs.

As specified in the Option, the Agreement of Purchase and Sale would only be signed by the County following the completion of due diligence, and the determination that all conditions to close have been met. To proceed with this acquisition, your Board's approval of staff's recommendations and the attached Resolution is required. This acquisition has been publicly noticed per Government Code section 6063. The Option Agreement with the attached Agreement of Purchase and Sale is available for review at the Clerk of the Board's Office.

ENVIRONMENTAL CLEARANCE: Staff has determined that the acquisition of this property is exempt from CEQA pursuant Section 15301, which provides for activities, including occupancy of existing facilities, when there is no expansion of use beyond that previously existing.

FISCAL IMPACT: The total acquisition cost of the Property is estimated not to exceed \$3,552,000, which includes the \$3,400,000 Purchase Price, escrow and title costs, County staff expense, consultant fees, and estimated permit fees. Funding for this acquisition is available in the Capital Projects Fund. It should be noted that the Nevada Security Bank requires a cash purchase and there is a relatively short timeframe required for this transaction. These factors along with the relatively small amount, limit opportunities for debt financing. Relocation from the Tahoe Assessor office and West Shore Tahoe Administration Building will avoid ongoing rental expense that is currently \$137,455 annually. Rental income until the two private tenant leases expire by 2013 will total approximately \$125,000. A Budget Revision is required to appropriate funding for a new capital project Account No. 04849.

JD:MD:MR:LM

ATTACHMENTS: RESOLUTION
EXHIBIT A
BUDGET REVISION

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE: AGREEMENT OF PURCHASE AND SALE

cc: COUNTY EXECUTIVE OFFICE
AUDITOR - CONTROLLER

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Before the Board of Supervisors County of Placer, State of California

In the matter of: A Resolution delegating authority to the Director of Facility Services, or his designee, to execute all necessary documents and take all actions necessary to complete the acquisition between Nevada Security Bank and the County of Placer for property located at 775 North Lake Boulevard in Tahoe City, California.

Resol. No: _____

RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2010 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairman, Board of Supervisors

Attest: Clerk of said Board

WHEREAS, Nevada Security Bank (NSB) is the owner of approximately 0.61 acres of real property improved with a 11,400 square foot building, located in Tahoe City, California, identified as Placer County Assessors Parcel Number 094-110-021-000 (Purchase Property) as shown on Exhibit A; and

WHEREAS, NSB desires to sell the Purchase Property to the County of Placer for the purchase price of Three Million Four Hundred Thousand and No/100 Dollars (\$3,400,000.00) (Purchase Price); and,

WHEREAS, this Purchase Property allows for the relocation of various County departments serving both short and long-term needs; and,

WHEREAS, the County desires to acquire the Purchase Property from NSB for the Purchase Price.

NOW THEREFORE, BE IT RESOLVED, that the Placer County Board of Supervisors does hereby authorize the Director of Facility Services, or his designee, upon satisfaction of the provisions contained in the Option Agreement, to execute on behalf of the County all documentation, including the Agreement of Purchase and Sale, and to take all other actions, necessary to acquire the property; does hereby authorize the disbursement of County funds necessary to complete the transaction; and does hereby consent to the acceptance and recordation of the deeds for said property.

Attachment: Exhibit A: Purchase Property

PURCHASE PROPERTY



