

MINUTES

SPECIAL MEETING OF THE CITY COUNCIL MONDAY, MARCH 29, 2010

COUNCIL CHAMBERS, 215 EAST BRANCH STREET ARROYO GRANDE, CALIFORNIA

1. CALL TO ORDER:

Mayor Ferrara called the Special City Council meeting to order at 6:02 p.m.

2. ROLL CALL:

City Council: Council Member Chuck Fellows, Council Member Ed Arnold, Council Member Joe Costello, Mayor Pro Tem Jim Guthrie, and Mayor Tony Ferrara were present.

City Staff Present: City Manager Steven Adams, City Attorney Tim Carmel, Director of Legislative and Information Services/City Clerk Kelly Wetmore, Director of Administrative Services Angela Kraetsch, Director of Recreation and Maintenance Services Doug Perrin, Chief of Police Steve Annibali, and Community Development Director Teresa McClish.

3. FLAG SALUTE:

Mayor Ferrara led the Flag Salute.

4. CONSIDERATION OF CONTINGENCIES REGARDING REDESIGN OF SHORT STREET AND PURCHASE AND SALE AND IMPROVEMENT AGREEMENT WITH NKT COMMERCIAL FOR ACQUISITION OF PROPERTY AT 300 EAST BRANCH STREET AND SALE AND DEVELOPMENT OF CITY PROPERTY AT 200 AND 208 EAST BRANCH STREET AND THE ADJACENT PARKING AREA:

City Manager Adams presented the staff report and City Council subgroup recommendation to: 1) approve relocation of all City Hall complex staff to the 300 East Branch Street (former Farm Credit) building; 2) direct staff to solicit proposals to lease the existing City Hall building; 3) authorize the City Manager to execute documents to obtain debt financing of up to \$1.2 million for costs associated with acquisition of the 300 East Branch Street property through the United States Department of Agriculture (USDA) Rural Development Community Facilities low-interest loan program and fund debt service from Local Sales Tax funds; 4) approve funding for proposed improvements to the 300 East Branch Street building from Local Sales Tax funds; and further recommended the Council appoint two Council Members to work with the City Manager on the architectural design.

Mayor Pro Tem Guthrie expressed concern as to whether a five year lease for the City Hall building was realistic due to the costly ADA and tenant improvements that would be required and suggested a longer lease term be considered.

Mayor Ferrara invited comments from those in the audience who wished to be heard on the matter.

Nick Tompkins, representing NKT Commercial, spoke in support of staff recommendations; provided a history of discussions with the City concerning purchase of the property and the original appraisal of \$2.4 million; commented on the City's request for a new appraisal; stated that the new appraisal reduced the value of the building by \$380,000 which reflected the overall decline in commercial property values; explained that he accepted the second appraisal with a reduction in value as part of the transaction; however, he stated he could not accept a lower valuation of the current appraisal as the alternatives for the building greatly outweigh the benefits of such a decision; acknowledged the Council's role and how it includes difficult and challenging decisions in light of the deteriorating economy; referred to recent criticism about the value of the building that was set by the appraiser; stated he has never had any intention to harm the Village or the City; offered the City a unilateral right to re-purchase the Farm Credit building at the same price plus \$80,000 or \$2.1 million and that this right to re-purchase would start in two years and run through the end of year six; stated it was difficult to predict the future and that in the event the future does not work out as planned, if space needs are greater or less, there will be a pre-agreed upon contract to ensure the investment of the City's money would be returned; urged the Council to carefully consider staff's recommendations as supported by the subcommittees and various outside consultants; and noted that NKT's financial information was provided to the City Attorney for review.

Jolie Lucas, resident of the Five Cities, spoke regarding Oceano Airport Celebration Day on May 8th.

Frances Askins, Launa Lane, spoke in opposition of the closure of Short Street, purchase of the building, and demolition the "malt shop".

Dana Billing, East Branch Street, spoke in opposition of the closure of Short Street and demolition of the "malt shop".

Gordon Bennett, Allen Street, spoke in opposition to the Centennial Park project, including the closure of Short Street; thanked the hundreds of local citizens in support of the continued use of Short Street, and especially the many business owners who recognize the importance of keeping Short Street open for their tenants and customers.

Shirley Gibson, Town of Halcyon, spoke regarding the many moving parts of the project which were not considered individually on their own merit; voiced concerns regarding the new debt incurred by the purchase of the Farm Credit building; trading away of capital assets (200 East Branch Street, 208 East Branch Street and the 15 parking spaces); the potential closure of Short Street; and the creation of commercial buildings that represent fake history.

Manetta Bennett, Allen Street, stated that Short Street is the gateway to a historical area of the community and it should be kept open; and she did not believe that sales tax should be used to purchase the Farm Credit building.

Shirley Gibson, Town of Halcyon, referred to the list of people that had concerns about the potential closure of Short Street; and stated in addition to Short Street, many people are concerned about preserving the historical character of the Village. She displayed the list of 272 names of persons who are concerned about the potential closure of Short Street and the preservation of the historical character of the Village; and provided a few quotes from people on the list.

Kristen Barneich, Canyon Way, provided a history of the Silva family, who owned the malt shop at 200 E. Branch Street; stated that the building can still be kept and adaptively reused even though it is not historic, simply for the fact that it contributes to the Village's sense of place.

Gail Lightfoot, Mesa Drive, referred to a recent newspaper headline concerning City budget cuts; commented on information in the article concerning the project; stated it was not the time for governments to borrow more money, and that it is time to pay off debts and become solvent.

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Karen Williams, Village business owner, spoke in opposition to the closure of Short Street and commented that it would negatively affect her business.

Tim Moore, Fair Oaks Avenue, spoke in opposition to the City Hall/Centennial Park project stating it was too much money; stated the City should be looking at what is better for the City and its citizens, and that streets and sidewalks in the City need to be fixed first; commented that Centennial Park could be retained if it was located in the current gazebo park and only donations were used; opposed the use of City funds for Centennial Park; stated that if the City has to have new offices, the building on Station Way is bigger, cheaper and newer than the Farm Credit building, already has fire-sprinklers, is in the boundaries of the Village, and is more fiscally responsible; stated the other City buildings could be sold in their current states and the money could be used toward the Station Way property. He then submitted a list of questions from concerned citizens and taxpayers.

Ira Hughes, Canyon Way, stated the City should look at the 10,000 square foot building on Station Way to relocate the entire City Hall and Council Chambers; stated the City could then sell the four buildings in the Village that are not ADA compliant which would enable the City to cover the purchase of the buildings on Station Way; stated that the City could eliminate the need for further future repairs and compliance to ADA legislation; eliminate the new parking lot expense and the costs associated with reconfiguring Short Street; commented on past policies to keep City offices in the same general location and stated that Station Way is considered to be in the Village and he did not see any policy issues that could arise. He stated that the Station Way property should be further explored, and the current City offices could then be used for other uses to stimulate the economy.

Lynn Titus, Lierly Lane, spoke in opposition to changes in the Village.

Rachel Solerno, Short Street, spoke in opposition to the project; agreed with the relocation of City Hall to another location; opposed more commercial buildings in the Village; and expressed concern regarding parking issues around the Village.

Mike McConville, East Branch Street, spoke about the local sales tax; acknowledged the City's annual report regarding local sales tax expenditures; stated a public hearing is required every five years to determine whether the local sales tax is still necessary; opposed the use of local sales tax money for the proposed purchase; stated that money should be used for making the City buildings ADA compliant; and referred to the City organization chart which places citizens at the top.

Susan Flores, East Branch Street, thanked staff for the tour of buildings and review of records; stated she never doubted the City could get a loan; expressed concern about the use of local sales tax; opposed the closure of Short Street; opposed debt being financed by the local sales tax, and loss of parking; stated that the Station Way buildings are a good idea and would increase parking; agreed with the need for an improved City Hall building; and stated that the Farm Credit building would also need improvements and is a tight space.

Bob Lund, Linda Drive, spoke in support of the project, stated the Council had done a good job in preparing and analyzing all the facts and data concerning the project; and expressed concerns if this project was not approved.

Greg Steinberger, commended the Council and City staff for listening and incorporating the citizens' concerns and making adjustments; stated there is a need for change to keep things viable; stated he was an eight year resident of Arroyo Grande; and noted that since the February 23rd meeting, he had met with the developer about the potential for a new building and restaurant on the corner of Short Street.

Mark London, Launa Lane, commented that as a real estate broker and property manager, he agreed with Council Member Fellows' review and valuation of the Farm Credit building; commented that repair and maintenance of the current City Hall buildings has been

underfunded and put off for years; expressed concern about costs, fee credits, and necessary improvements to the Farm Credit buildings, and stated that the current City buildings should be fixed.

Patty Welsh, Pradero Court, stated the City should look at the Station Way location; expressed concern over loss of parking where the Farmers' Market is on Saturday; would like Short Street to stay open; and questioned the condition of the malt shop building.

Greg Moore, East Branch Street business owner, spoke in support of the project; stated it would benefit the community overall; and believed it is better to own real estate than to lease.

Carol Pruett, Short Street, provided background history of parking behind Gina's Restaurant; noted that deficient financing pays off sometimes; stated he served on a past Blue Ribbon Committee that studied the relocation of City Hall and that there was a piece of property that was available for no cost to build a new building; however, when it came back to City Council, the turnout of people opposed relocating City Hall out of its present location; and concluded he was an advocate of buying and owning properties by some means long before you need it.

Upon hearing no further comments, Mayor Ferrara closed the public comment period.

Mayor Pro Tem Guthrie provided the following comments:

- Acknowledged that this process began over a year ago; had originally expressed concern that acquiring the Farm Credit building for additional space would provide more space than was needed;
- Was willing to look at relocating City staff to the Farm Credit building and selling the City buildings for income;
- Stated it would be possible to fit all staff in the Farm Credit building; it would be tight and allows for a little bit of growth, but not much growth;
- Was concerned that a five year lease on the current City Hall building would not work which is why the building would need to be sold or leased for a longer period of time;
- Stated the possibility of moving City Hall out of the core of the Village would be a good decision if it was purely a business decision versus a political one;
- Had expressed concern with the original plan due to fundamental costs associated with the project;
- Stated that use of local sales tax was not a direction given by the public and felt there should be another way to finance;
- Acknowledged the buildings were not kept up due to other priorities that were identified;
- Stated the original intention was to stay within the existing City Hall; however, City Hall and the Conrad House were declared historic, and the Conrad House was found to have significant structural issues that will be expensive to fix, which makes it impossible to stay in the City Hall and Public Works buildings.
- Was attracted to the idea of adding new buildings to the Village without it being fake history; referred to example of new construction on Bridge Street;
- Stated he was open to the potential of looking into the Station Way location; however, he was prepared to move forward with the project as proposed which is relocating all staff to the Farm Credit building;
- Commented on the question of financial solvency, and stated the City has little existing debt and can afford this loan quite easily over 30 years, and there is no solvency issue;
- Noted that the City is spending a lot of money on fixing City streets and sidewalks and the City is following the intention that a majority of the local sales tax is being spent on roadway and related;

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- Commented there may be a need to decide whether City Hall needs to remain in the core of the Village or not, or if it can be moved out of the core of the Village and the entire City Hall campus could then be reused for retail or office use;
- Stated he is prepared to go ahead with the project as recommended but is open to discussion regarding the Station Way buildings.

Council Member Arnold provided the following comments:

- Stated he was not prepared to approve the project tonight; acknowledged a lot of good work was done with review of the Farm Credit building;
- Expressed concern regarding recent comments made about utilization of space in the Farm Credit building and whether it would be too small;
- Stated his reasons for relocating staff into the Farm Credit building were related to the delay on the ADA improvements to City Hall;
- Expressed concern with the appraisals and what the City's contribution is to this project;
- Could support the project as a stand alone project;
- Said the problem was there were good intentions at the start of the process; however, combining the projects has created confusion;
- Could support buying the Farm Credit building, but if the City was to buy property then it should also look at the buildings on Station Way;
- Should pursue other alternatives, including Station Way; does not believe another appraisal makes sense;
- Could support the commercial project as a stand alone project and Short Street as one way;
- Believes the Station Way location presents a better alternative for the City to have a better building with more square footage for less money.

Council Member Costello provided the following comments:

- Supported moving forward with the project;
- Does not support selling City Hall, but does support leasing;
- Believed that staff could be moved to the Farm Credit building for a short time for several years, but will need more counter space to serve customers;
- Does not support closing Short Street; it will be kept open under this plan;
- Have been working on expanding parking in Village to make it more pedestrian oriented; noted that parking is not being eliminated;
- Stated the appraisal process has been fair and complete;
- Acknowledged the City's tight budget; however, the economics of the project make sense as a way to deal with the problems of space and ADA requirements in the current building and the shortcomings of the 200 and 208 and 214 E. Branch Street buildings;
- Stated if the project was turned down and we started over, more money will be spent from the General Fund and the sales tax to accomplish the same goal;
- Referred to the City's capital improvement plan which includes projects to fix streets and sidewalks, and that the City would continue to fund the plan;
- Believed that in both the long term and the short term, this is the best course of action;
- Did not think the new commercial buildings would create fake history;
- Responded to comments regarding recent efforts to pursue a grocery store in the Village and that no one has come forward with a proposal;
- Would support the project tonight.

In response to questions from Council Member Fellows, City Manager Adams explained the three contingencies of the approval to: 1) develop an agreement on whether or not to relocate

all the City staff in the City Hall complex buildings to the Farm Credit building; 2) to determine whether to sell or lease City Hall or to continue to use it for City operations; and 3) to determine the appropriate funding source or agreed upon funding for costs associated with the project. He also noted that the redesign of Short Street is part of the Purchase and Sale Agreement which was already approved. City Manager Adams also responded to questions regarding the cost of the lease; monthly rent; expenses related to improvements to the Farm Credit building (including the fire sprinklers); costs to repair the Conrad House (Public Works building); that the City has deferred maintenance to the buildings because this planning process has been underway since 2004; issues regarding the new appraisal as it relates to the purchase price; that the City was not opposed to another appraisal, however, there were issues regarding cost and timing and identifying the objective for a new appraisal. Council Member Fellows expressed concern about potential subsidies through the waiver of in-lieu fees; commented that the cost of a new appraisal could be worth it if the price were lower; stated a local appraiser/realtor had questioned the values of the City properties and he requested an explanation of the value of the parking lot. City Manager Adams explained the City would be selling the property to the purchaser as a vacant lot and therefore, the City would be removing the parking and replacing it with another parking lot.

Council Member Fellows expressed concerns with the financial aspects of the proposal; and did not support the applicant's offer to give the City an option to force a re-purchase of the building at some future date.

City Manager Adams briefly reviewed the alternatives listed in the staff report.

Council Member Fellows provided the following comments:

- Does not support forgiving \$112,000 in parking in-lieu fees;
- Stated a lot of people do not want the Village enhanced by tearing down and creating new buildings;
- Does not support tearing down buildings;
- Stated that modifying Short Street and creating Centennial Plaza is going to be expensive;
- Believed the appraisal was way off, and the City would be paying too much;
- Does not support the project.

Mayor Ferrara provided the following comments:

- Supported the project;
- Believed the Station Way location is too noisy next to the freeway; available parking does not appear adequate, however there is no parking analysis available; may need a traffic analysis at that location;
- Has been around long enough to remember surveys regarding the location of City Hall which indicate City Hall should stay in the Village;
- Commented on the favorable economics of the project;
- Stated that the main goal is the economy of the Village and of the City; has supported from the beginning anything that could be done to bring more people into the Village to get out, walk around, and experience the charm of the Village;
- Has discussed the benefits of co-locating staff; space needs may be an issue, but will not be known unless it is tried; if it works, the City's operation will be much more efficient and result in better service to the community;
- Agreed that this is a complex proposal, but as a whole, it is a good project for the City;
- Clarified that Short Street is not being closed, it would be a one-way street;

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- Stated that the Building and Safety building was deemed to be not historic;
- Recognized that if the project was not approved, the entire project goes away;
- Stated that more consideration needs to be made by Mr. Tompkin's offer to buy the Farm Credit building back; that this was an ideal situation to look at a buy-back agreement in conjunction with the lease of City Hall;
- Addressed issue of frustration with government and distrust of the State legislature; stated it did not feel good that there was distrust at the local level;
- Referred to sentiments expressed by community members that support the project;
- Acknowledged that there has been a lot of talk about parking; stated the project would gain parking; and noted this project was approved by the Downtown Parking Advisory Board which is made up of business owners in the Village;
- Stated that the City's obligation towards the local sales tax has been fulfilled and will continue to do so; referred to two street projects that are funded and in progress;
- Acknowledged the sales tax advisory measures which prioritized the funds to be used for City projects;
- Referred to the City's Design Guidelines and Formula Business Ordinance to keep chain stores from coming into the Village;
- Does not believe creating anything new in the Village would create fake history;
- Expressed concern about what would happen to the JJ's Market building if there is a sense that the Village should not be changed at all;
- Believed the City can take the initiative to chart a more dynamic economic course for the Village while still preserving its charm;
- Stated that there are 17,000 people in the City and many of them have expressed support for the future of the Village outside of the Council meetings;
- Supported the project;
- Supported extending the City Hall lease for a longer period, maybe for 7 years, and including a buy back provision in the agreement.

Mayor Pro Tem Jim Guthrie offered the following additional comments:

- Stated he had reviewed the pluses and minuses of the project and came up with different answers; acknowledged there were many pieces to the project;
- Stated it has always been about the most financially feasible way to accomplish what needs to be accomplished for a better City Hall;
- Noted it would be very expensive to fix the current City Hall and finding an alternative was key;
- Stated he was not hearing any support from the Council to sell the buildings, so he was prepared to support and approve the recommendations as proposed;
- Reiterated that the City Hall lease should be longer than 5 years, possibly up to 10 years to make it feasible;
- Noted that the Council voted 4-1 to replace the Building and Safety building in order to facilitate the commercial project;
- Preferred that this wasn't funded from the local sales tax;
- Would have adequate facilities for City Hall; would have the economic development project that is key; and would have ADA compliance in the City Hall project;
- Supports with instruction to staff to provide for a 10-year lease; if more space is needed prior to that time, the Farm Credit building can be expanded;
- As far as parking, the new parking lot may not be development concurrently; however, there will not be a shortage of parking in the Village;

- Suggested not putting in the elevator at this time, and staying within the budget that was set forth with the less expensive alternative.

City Manager Adams suggested a Council subcommittee to work on design and selecting an architect. There was consensus that Council Member Arnold and Mayor Pro Tem Guthrie would continue to serve as subcommittee members.

Action: Council Member Costello moved to adopt the City Council subgroup recommendations to: 1) approve relocation of all City Hall complex staff to the 300 East Branch Street building; 2) direct staff to solicit proposals to lease the City Hall building and explore a 10 year lease; 3) authorize the City Manager to execute documents to obtain financing up to \$1.2 million for costs associated with the acquisition of 300 East Branch Street property through USDA Rural Development Community Facilities low interest loan program and fund debt service from local sales tax funds, and 4) approve funding for proposed improvements to the 300 East Branch Street building from local sales tax funds with the inclusion of the offer from Nick Tompkins to repurchase the building within 6 years at \$2.1 million, contingent also with the flexibility that the Council would make a final decision on whether to go forward with completion of the second story and the elevator based on the proposals brought back by staff. Mayor Pro Tem Guthrie seconded.

Brief discussion ensued with the applicant regarding the term of the lease, the proposed buy-back agreement, and the proposed remodeling improvements in the Farm Credit building.

Council Member Arnold noted that while he would be voting against the project tonight because he believed the Station Way location should be explored as an option, he believed the project was good and would support it moving forward after tonight as far as selecting an architect.

Council Member Fellows reiterated that by subsidizing Mr. Tompkin's proposal, there should be caution regarding the buy-back agreement to avoid further subsidies.

The motion passed on the following roll-call vote:

AYES: Costello, Guthrie, Ferrara
NOES: Arnold, Fellows
ABSENT: None

5. ADJOURNMENT:

The meeting was adjourned at 8:30 p.m. to the next Regular City Council Meeting on April 13, 2010.

/s/Tony Ferrara, Mayor

ATTEST:

/s/Kelly Wetmore, City Clerk

(Approved at CC Mtg 4/27/10)