

CITY COUNCIL COMMUNICATION FORM

FROM: Dan Foote, City Attorney

THROUGH: N/A

DATE: June 20, 2022

ITEM: **FIRST READING OF AN ORDINANCE:** An ordinance approving a contract to sell real property owned by the City of Steamboat Springs described as Parts of Lots 10-12, Block 30, Original Town of Steamboat Springs (Downtown Fire Station Parking Lot)

_____	DIRECTION
_____	INFORMATION
<input checked="" type="checkbox"/>	ORDINANCE
_____	MOTION
_____	RESOLUTION
_____	PROCLAMATION

I. REQUEST/ISSUE & BACKGROUND INFORMATION:

The City has received an offer to purchase the 840 Yampa Street parking lot parcel. The property consists of parts of Blocks 10-12, Block 30, Original Town of Steamboat Springs (not addressed, located at the corner of 8th and Yampa Streets)("Parking Lot Parcel"). This parcel was offered for sale by the City together with Blocks 7-9, Block 30, Original Town of Steamboat Springs, the site of the City's downtown fire station ("Fire Station Parcel").

The proposed sale is motivated by the City's plans to construct a new fire station and City Hall at the existing City Hall location on 10th Street between Lincoln and Oak Streets.

April 19 Proposal

The City initially negotiated a purchase and sale agreement dated April 19, 2022 to sell both parcels described above at a purchase price of \$5,500,000. This transaction would net the City \$5,293,750 after real estate commissions and

before closing costs. The City Council introduced an ordinance approving this transaction at first reading on May 3, 2022.

Portions of the building and parking improvements are currently leased to Big Agnes, Inc. pursuant to a lease agreement dated March 3, 2020. The initial term of the lease runs through March 3, 2025 and may be extended for two additional five (5) year terms. The lease may be terminated by the City on one year's notice commencing on March 3, 2025.

The lease includes a first right of refusal in favor of Big Agnes, Inc. for the Fire Station Parcel. The first right of refusal gives Big Agnes the right to purchase this parcel by matching any offer received by the City.

Big Agnes Offer

Big Agnes, Inc. on May 2, 2022 exercised its right of first refusal and offered to purchase the Fire Station Parcel at a price of \$4,150,000. The City Council adopted an ordinance approving this transaction on May 24, 2022. The parties are engaged in due diligence with a goal of closing early in July.

Parking Lot Parcel Offer

The purchasers in the April 19 offer on June 8, 2022 made a second offer to purchase the Parking Lot Parcel. The offer is contingent on Big Agnes closing on the Fire Station Parcel. If Big Agnes fails to close, the parties would revert to the April 19 offer and the purchasers would acquire both parcels.

If Big Agnes closes on the Fire Station Parcel, the City would sell the Parking Lot Parcel alone. The purchase price is \$1,186,641. The purchase prices for the sales of the parcels individually are roughly equal to the purchase price for both parcels in the April 19, 2022 offer.

The City Manager has executed the purchase and sale agreement. However, due to the provisions of Section 13.6 of the City's Home Rule Charter, the agreement will not become a binding obligation until it is approved by ordinance.

Staff proposed to the purchasers that the City lease back the Parking Lot Parcel at a nominal sum, with the City providing maintenance and insurance, pending redevelopment of the property. The purchasers are willing to consider this proposal, but were not prepared to incorporate it into the contract.

II. SUMMARY AND ALTERNATIVES:

Council may approve the ordinance as drafted, decline to approve the ordinance, or postpone consideration of the ordinance. Approving the ordinance with amendments is not recommended because the ordinance approves a purchase and sale agreement that the City cannot change unilaterally. If Council wishes to request revisions to the contract for sale, the preferred method would be to postpone the first reading of the ordinance with direction to staff.

III. STAFF RECOMMENDATION:

Approve the ordinance as drafted. The ordinance would authorize the sale of the Parking Lot Parcel pursuant to the terms and conditions set forth in the attached contract. Approving the ordinance would allow the City to move forward with completion of the sale of the City's downtown fire station parcels. As noted above, the parties are discussing a lease back of the parcel pending its development, but this provision is not incorporated into the contract.

Due to the Charter provisions referenced above, the proposed contract is not binding on the City and the Council is not obligated to approve the proposed ordinance.

IV. FISCAL IMPACT:

The purchase price is \$1,186,641. The City will pay broker commissions in the amount of 3.75%. The sale proceeds to the City will be \$1,142,142, less closing costs.

V. LEGAL ISSUES:

None.

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

N/A

VII. CONSISTENCY WITH COUNCIL GOALS AND POLICIES:

This item does not directly address any adopted City Council goals or policies