

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council Members
FROM: Dylan Feik, City Manager
DATE: November 20, 2018
SUBJECT: Consideration of a Resolution Authorizing the City Manager to Purchase a portion of the Napa County Fairgrounds in the amount of \$225,000 per acre and authorizing the City Manager to Prepare a Final Purchase & Sale Agreement

APPROVAL FOR FORWARDING:

Dylan Feik, City Manager

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2 **ISSUE:** Consideration of a Resolution Authorizing the City Manager to Purchase a
3 portion of the Napa County Fairgrounds in the amount of \$225,000 per acre and
4 authorizing the City Manager to Prepare a Final Purchase & Sale Agreement
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6 **RECOMMENDATION:** Approve resolution
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8 **BACKGROUND / DISCUSSION:** Calistogans have been patiently awaiting the future
9 status of the Napa County Fairgrounds. The City of Calistoga appointed an ad hoc
10 Council Committee on October 4, 2016 to discuss the creation of a Joint Powers
11 Authority for the Napa County Fairgrounds. Following the Tubbs Fire and reprioritization
12 of priorities for Napa County Government, the ad hoc committee shifted focus and
13 began discussions related to Purchase and Sale of Real Property in March 2018. Since
14 that time, the committee (Mayor Canning, Council Member Barnes) and the city
15 manager have been actively engaged with Napa County regarding terms for the City of
16 Calistoga to purchase all or a portion of the Napa County Fairgrounds Property. As of
17 Tuesday, November 13, 2018, the City and County have mutually agreed to terms
18 whereby the City would purchase a portion of the property and the County would retain
19 the other portion.
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21 This staff report is intended to provide an overview of the key deal points which, to date,
22 both parties have determined are appropriate. These points are consistent with the
23 negotiation parameters of the Council ad hoc committee.

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Property

As shown in Attachment 1 titled “Exhibit A – Fairgrounds Map,” the City would purchase approximately 34.3 acres of the 70.6 acre property in an amount of \$225,000 per acre. The total purchase price would be approximately \$7,717,500 whereas the final price will be based on \$225,000/acre. The portion purchased will be everything *except* the golf course. The City would own the RV park, facilities/buildings, roads, one single-family house, race track and great lawn area. It would also own the maintenance shop and future site of the Napa County Office of Education preschool. The City would own/operate this portion of property under current uses, initially. Napa County would retain ownership of the land used for the golf course, golf clubhouse and parking lot adjacent thereunto.

Due Diligence Period

These terms are acceptable to the Napa County Board of Supervisors. Once/If the City of Calistoga approves the terms, the County will draft a Purchase & Sale Agreement (“PSA”) within fourteen (14) days. Parties shall have thirty (30) days to review, comment, and provide responses. Once the PSA is approved by both Governing Bodies, the City has up to 120 days as a due diligence period to review entitlements, records, title matters, etc. The City would also review conditions such as soil, buildings, and complete any necessary pre-purchase inspections. The City must deposit \$100,000 to Napa County which would be credited toward the final purchase price once within three (3) days of acceptance of the PSA. The City would perform the following during the due diligence period:

1. Prepare the Financial Plan to purchase the property (debt issuance)
2. Prepare a budget pro forma for operations of the new property
3. Perform buyer tasks such as Environmental Conditions, Commercial Inspection, Utility Review, Fire Code Review, Legal Review, etc.
4. Preparation of human resources materials including creation/approval of job descriptions, hiring of employees/contractors, etc.
5. Review existing and future lease agreements, contracts, etc.
6. Transition all financial records to the City
7. Develop financial account codes, bank accounts, etc.
8. Purchase and prepare insurance policies, records and requirements
9. Coordinate disposition of equipment onsite (property owned by City, County or Fair Association)

Napa County will provide all documents and materials to the City including environmental reports, surveys, engineering studies, permits, plans, and all documents requested of the City related to the property. In addition, the County will confirm actual physical location of the 70.6 acres and subdivide it into two parcels of approximately 34.3 acres and 36.3 acres. Utilities currently traverse the entire property so water, wastewater, electricity, roads, will remain on both City and County properties.

68 **Buyer's Restrictions**

69 Napa County has consistently negotiated for a restriction on the property purchased by
70 the City. In essence, the County believes they are selling 34.3 acres of property for a
71 discount and below fair market value.

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73 The terms of a restriction would be as follows:

- 74 • Term would be for 20 years
- 75 • Proceeds of any sale or lease received in excess of current, fair market value are
76 shared
- 77 • Proceeds **MUST** exceed the amount paid by the City to purchase the land
- 78 • Inflationary factor will be included
- 79 • Proceeds are split 50%/50%
- 80 • Restriction is on a diminishing scale, reduced 2.5% each year over the 20-year
81 term*

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83 **Non-Binding Agreement**

84 The current agreement is non-binding and the City may withdraw its offer anytime within
85 the due-diligence period. Even the \$100,000 deposit would be returned.

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87 The Proposed Terms are included herein.

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89 By approving this Council Resolution, Council is authorizing the city manager to prepare
90 a final purchase of sale agreement.

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92 In addition, the City would be assuming ownership of the land, buildings and deferred
93 improvements/maintenance and must consider future costs associated with any land
94 purchase.

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96 **COUNCIL GOALS:** The proposed ownership of a portion of the Fairground conforms to
97 the following City Council Goals and Objectives

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- 99 • Council Goal 1: Maintain and enhance the economic vitality of the community
100 and the financial stability of the City.
 - 101 ○ Priority Project 4: Support long-term land stewardship of the Napa County
102 Fairgrounds.
- 103 • Council Goal 4: Expand and improve recreational and community facilities.
 - 104 ○ Priority Project 1: Provide diverse and affordable recreational programs
105 including senior fitness. Collaborate with other agencies and groups to
106 achieve this objective.

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CEQA REVIEW: The recommended action is not a project as defined by CEQA.

111 **FISCAL IMPACT:** The financial impact of this action is specifically tied to the costs
112 associated with drafting the Purchase and Sale Agreement (staff time, attorney fees,
113 etc.). That final PSA will come to Council for final approval which will include
114 authorization to purchase the property, authorization to prepare for debt issuance, and
115 authorization for the city manager to complete steps necessary for the due diligence
116 period.

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118 **ATTACHMENTS:**

- 119 1. Exhibit A – Fairgrounds Map
120 2. Resolution
121 3. City of Calistoga City Council Report. June 5, 2018
122 4. Letter - Counter Purchase Proposal for Napa County Fairgrounds, dated November
123 8, 2018