

STAFF REPORT

City of Lancaster

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DATE: October 14, 2014

TO: Mayor Parris and City Council Members

FROM: Mark V. Bozigian, City Manager
Vern Lawson, Economic Development Director

SUBJECT: **Property Exchange Agreement with the Lancaster School District**

Recommendation:

Approve the proposed property exchange agreement, allowing the Lancaster School District to acquire fee simple interest in the former Halley Olsen Mortuary property, which will be utilized to expand student resources. The agreement will also terminate a lease that the District has concerning a three acre parcel at the City Maintenance Yard, which will become the site of the manufacturing plant for the City's partnership with Ecostar. The former Mortuary Property has been appraised at \$126,000 more than the lease-hold interest at the City Maintenance Yard. To compensate for this difference, the Lancaster School District will also provide the City with additional access to its gymnasiums, which will permit increased community activities, such as additional teams for the City's Basketball Leagues.

Fiscal Impact:

This transaction will have a minimal fiscal impact on the City, as it involves the exchange of interest in real properties rather than the exchange of new money, in addition to the City's share of closing costs.

Background:

For 37 years, the City of Lancaster and Lancaster Elementary School District have partnered to meet the needs of their shared constituencies, a union that began back in 1977 when the School District allowed our newly-incorporated City to conduct Council Meetings in their District's Board Room. This cooperative relationship continues today, as both entities continue to help each other in pursuit of a better Lancaster. This agreement addresses the City's need for a site to host a plant that develops street resurfacing traction seal emulsions, which will create jobs and allow us to more cost-effectively maintain our roads. The agreement also meets the School District's need for a site to expand their office space, providing them the capability to better serve their students. Finally, the proposed exchange agreement addresses the community's need for increased facilities, which will be used for gathering recreationally and participating in physical activities.

Due to the lingering effects of the great recession, the City has had to find creative solutions for continuing development. The deal at hand is another example of this tenacity. In this transaction, the City of Lancaster will exchange its interest in the former Halley Olsen Mortuary property on the northeast corner of Milling and Date Avenue, for the School District's interest in the three-acre lot at the City Maintenance Yard.

The City's Mortuary property, which is directly adjacent to the Lancaster Elementary School District Office, will provide the District a perfect venue to expand its student resources. The property at the Yard is also ideally located to house a new street improvement and resurfacing process, one of the many innovative ways that the City is working to cut costs, generate revenue, and create jobs for our community- all while operating under the restraints of the recovering economy.

To expedite this exchange, the transaction's introductory steps have already been completed. A Phase One Environmental Process has indicated no significant issues. Appraisals have also been conducted on both properties, indicating that the Mortuary property is valued at \$126,000 more than the City Yard property. Given the current economic circumstances, particularly those of public education entities, cash money compensation for this difference is not feasible for the School District.

In compromise, the School District and City have developed an alternative means of reimbursement. The School District has agreed to increase the City's access to the District's gymnasiums, which will accommodate a variety of City needs, such as the burgeoning needs of the City Basketball Leagues, which will be able to accept many more participants due to the increased facility space. Gaining access to this additional space is a particularly attractive benefit in the wake of the City's recently-introduced You Only Live Once (YOLO) campaign, which has been developed in an effort to improve our community's overall health and prosperity. Access to these gymnasiums will help ensure the success of our residents as they are challenged to integrate healthy choices into their lifestyles.

It is recommended that the Council approve this exchange agreement on the basis that it is a fair deal for both the City and the School District. If the Council concurs with the staff's recommendation, it would be appropriate to authorize the City Manager or his designee to execute the necessary documents.

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