



## MEMORANDUM

**TO:** City Council

**FROM:** Whitney McDonald, City Manager

**BY:** Isaac Rosen, City Attorney

**SUBJECT:** Approval of an Agreement Releasing Via Quitclaim the County's Interest in City's 400 W. Branch Real Property

**DATE:** June 13, 2023

---

### SUMMARY OF ACTION:

Consideration of the attached, negotiated agreement with the County of San Luis Obispo, releasing the County's interest in the approximately 4.26 acres at 400 W. Branch, Arroyo Grande ("Site") via quitclaim deed, in exchange for City agreeing to use at least 25% of the proceeds of the City's sale or lease of the Site for development of a new community center or other municipal facilities within Arroyo Grande ("Agreement").

### IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There is no direct financial impact related to the consideration of the Agreement with respect to 400 W. Branch. The Agreement does, however, set aside 25% from the eventual sale or lease price associated with the disposition of the Site for an identified, future City use.

### RECOMMENDATION:

1) Authorize approval of the attached Agreement with the County in substantially final form, subject to minor changes approved by the City Manager in consultation with the City Attorney as necessary to effectuate the intent of the parties, and the recordation of the subject quitclaim deed with the County Registrar. 2) Make findings that approval of the Agreement with the County is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378).

### BACKGROUND:

The City is planning the sale of certain City-owned parcels of land to eligible bidders. One planned disposition is for the Site at 400 W. Branch Street. The Site was formally declared surplus land by the City Council last year, and the City is current moving through the

## **City Council**

### **Releasing Via Quitclaim the County's Interest in City's 400 W. Branch Real Property**

**June 13, 2023**

**Page 2**

required Surplus Land Act process under State law. The City has a significant history with the County as it relates to the Site, the background of which is articulated in detail within the Recitals of the attached, negotiated Agreement. In short, when the City first acquired the Site, it accepted a restriction on the real property, that limited its development to municipal use. A subsequent agreement executed with the County provided that the Site could be used for municipal facilities, with other (allowed but restricted) uses if the County Board of Supervisors approved.

The City has been negotiating an agreement with the County, by which the County agrees to formally waive their interest in the Site, in exchange for an agreement specifying how a portion of the disposition price for the Site will be used. The attached Agreement reflects those negotiations.

#### **ANALYSIS OF ISSUES:**

Although no formally recorded deed restriction appears on the preliminary title report for the Site, there are binding agreements executed between the City and County that restrict how the Site may be developed. The parties have been negotiating an agreement by which the County formally agrees to release any and all interest in the Site, allowing the City the right to dispose of that real property free and clear.

In agreeing to relinquish any interest in the Site via quitclaim deed, the County is requiring the City agree to use at least twenty-five percent (25%) of the net proceeds from the sale or lease of the Site for the development of a new community center or other municipal facilities within Arroyo Grande ("Community Center Payment"). If the City has not made that set aside Community Center Payment within 5-years of the disposition of the Site, the City is required to meet and confer with the County (and every 5 years after that time) to discuss the anticipated time period associated with the expenditure of that Community Center Payment.

The City Manager and City Attorney recommend approval of the attached Agreement as a compromise that ensures the County will release their interest in the Site. By doing so the City has assurances that the County will not seek to assert any rights when that real property is ultimately disposed of by the City to a third party. The City and County are collaborating on the form of quitclaim deed that will be incorporated as an exhibit, to ensure it can be recorded with the County Record once the parties approve the substantive terms of this Agreement. The County Board of Supervisors is tentatively scheduled to consider this Agreement on July 11, 2023.

#### **ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Approve the attached, negotiated agreement with the County of San Luis Obispo, releasing the County's interest in 400 W. Branch, Arroyo Grande via quitclaim deed; or

**Item 9.f.**

**City Council**

**Releasing Via Quitclaim the County's Interest in City's 400 W. Branch Real Property**

**June 13, 2023**

**Page 3**

2. Provide other direction to staff.

**ADVANTAGES:**

As described above, approval of the Agreement will ensure the County does not assert any interest on the 400 W. Branch real property before, during or after the City's planned disposition of the Site.

**DISADVANTAGES:**

No disadvantages have been identified by approval of the Agreement.

**ENVIRONMENTAL REVIEW:**

Approval of the Agreement with the County is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378).

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**Attachments:**

1. Agreement between the City and County Releasing Via Quitclaim the County's Interest in City's 400 W. Branch Real Property