

Council Business Meeting

March 20, 2018

Title: Briscoe School Property

From: Adam Hanks Interim Assistant to the City Administrator
Adam.Hanks@ashland.or.us

Summary:

With prior direction from Council, Staff entered into exploratory negotiations with the Ashland School District (ASD) regarding a financially feasible transfer of the Briscoe School property from ASD to City ownership. The negotiations include participation from the Ashland Parks and Recreation Commission, as one of the primary objectives of the transfer is the acquisition of the playground and grass field area of the property as city park land.

With multiple separate public entities involved in the negotiations, scheduling and timing for each of the three elected bodies to provide direction and ultimately deliberate to a decision is a logistical challenge. The negotiations have been candid and deferential.

City staff expects that a fully vetted and agreed upon Purchase Agreement will be completed and available to Council at or prior to this meeting date and that before then the respective administrators will have executed a Letter of Intent outlining the outlining the staffs' mutual understanding of key terms.

Actions, Options, or Potential Motions:

- 1) I move to authorize and direct the City Administrator to sign the Purchase Agreement for acquisition of the Briscoe School Property and continue to work with both the Ashland Parks and Recreation Commission and the Ashland School District to address the contingencies in the Agreement.
- 2) I move to cease negotiations on the purchase of the Briscoe School Property and re-direct Staff efforts to negotiate with the Ashland School District for the acquisition of the playground and grass fields for City park land only.

Staff Recommendation:

Staff recommends approval of the purchase of the Briscoe School property as described in the Purchase Agreement. This action provides long term ownership and control of a complete City block that includes an existing playground and activities field and a 38,000 (+/-) square foot building. The acquisition provides the City with the opportunity to guide future development on the site for a variety of uses, including additional housing and/or public uses with either direct public funding investment or a public/private partnership model.

Resource Requirements:

See Purchase Agreement (to be provided prior to the meeting, if all parties have agreed to the terms.)

Policies, Plans and Goals Supported:

Council Goal #3 – Support and empower our community partners

Council Goal #4 – Evaluate real property and facility assets to strategically support city mission and goals.

Background and Additional Information:

Basic Briscoe School Property Facts:

- 3.79 acres
- 38,000 (+/- square foot building)
- Currently leased to Oregon Child Development Coalition
- Land use zoning is R-2
- Existing playground and activity/grass field area
- All Municipal infrastructure services to the site (water, electricity, sewer, etc.)
- Complete street/transportation system on all four sides of property

Attachments:

Briscoe Purchase Agreement & 14-Year Financial Plan

REAL ESTATE SALE AND PURCHASE AGREEMENT

THIS REAL ESTATE SALE AND PURCHASE AGREEMENT (hereinafter “the Agreement”) is made and entered into on this ____ day of March, 2018, between ASHLAND SCHOOL DISTRICT, an Oregon school district (hereinafter referred to as “Seller”), and THE CITY OF ASHLAND, OREGON (hereinafter referred to as “the City”), and THE CITY OF ASHLAND, OREGON PARKS AND RECREATION COMMISSION (hereinafter referred to as “Parks and Rec”). The City and Parks and Rec are sometimes referred to herein jointly as “Purchaser”.

RECITALS:

1. Seller is the owner of the real property and improvements commonly known as 265 N. Main Street in Ashland, Jackson County, Oregon, legally described as map and tax lot 391E05DD TL 2500, Jackson County account no. 1-005809-9 (“the Property”). The Property consists of approximately 3.74 acres, more or less, and on which is situated an approximately 33,980 square foot building.
2. Seller agrees to sell the Property to Purchaser and Purchaser agrees to buy the Property from Seller for the price and on the terms and conditions set forth below.

AGREEMENT:

Section 1. Purchase Price; Payment; Security.

1.1 Total Purchase Price. Purchaser promises to pay Seller as the total purchase price for the Property the sum of TWO MILLION FORTY THOUSAND AND 00/100 DOLLARS (\$2,040,000.00) (hereinafter “the Purchase Price”).

1.2 Payment of Total Purchase Price. The Purchase Price shall be paid by the City and Parks and Rec as follows:

1.2.1 The City’s Portion of the Purchase Price. The City will pay a total of \$1,540,000.00 of the Purchase Price. This amount will be paid in fourteen (14) installments of \$110,000.00 each. The first installment will be due on the Closing Date, as that term is defined herein. Subsequent installments of \$110,000.00 will be due each year thereafter on the anniversary of the Closing Date (“the Anniversary Date”) until the entire sum of \$1,540,000 has been paid in full on or before the thirteenth (13th) Anniversary Date following the closing date of the sale of the Property. The obligation to make the remaining installment payments owed by the City will be evidenced by a promissory note executed by the City in the amount of \$1,430,000.00. The promissory note will not include any penalty for early payment.

1.2.2 Parks and Rec’s Portion of the Purchase Price. Parks and Rec will pay a total of \$500,000.00 of the Purchase Price. This amount will be paid in ten (10) installments of \$50,000.00 each. The first installment will be due on the Closing Date. Subsequent installments of \$50,000.00 each will be due each year thereafter on the Anniversary Date until the entire sum of \$500,000.00 has been paid in full on or before the ninth (9th) Anniversary Date. The obligation to make the remaining installment payments owed by Parks and Rec will be evidenced by a promissory note executed by Parks and Rec in the amount of \$450,000.00. The promissory note will not include any penalty for early payment.

1.3 Trust Deed on the Property. On the Closing Date, the City will execute a first deed of trust on the Property, with Seller as beneficiary, to secure the obligations on the promissory notes described in Sections 1.2.1 and 1.2.2, above. The trust deed will be recorded in the Official Records of Jackson County as a lien on the Property until such time as the promissory notes have been satisfied in full.

Section 2. Taxes. All ad valorem real and personal property taxes and all governmental or other assessments levied against the Property for the current tax year will be prorated between Seller and Purchaser as of the Closing Date. Purchaser will be solely responsible for any and all taxes and assessments that are levied against the Property after the Closing Date. Because Seller, the City and Parks and Rec are tax-exempt entities, it is anticipated that there will not be any real property taxes to be prorated.

Section 3. Section 3. Contingencies to Closing.

Purchaser's obligation to purchase the Property is contingent upon the satisfaction or waiver of each of the contingencies set forth below:

3.1 Due Diligence Investigation. The City's satisfaction, in its sole discretion, with the results of its due diligence investigation into the Property. Seller agrees to cooperate with the City's reasonable requests in connection with the City's due diligence investigation, and Seller shall use its best efforts to promptly provide the City with such information as it may reasonably request in connection with such due diligence. To permit the City to conduct its due diligence investigation, Seller will permit the City and its agents to have reasonable access to the Property, subject to the rights of any existing tenants of the Property. The City will direct any and all requests for access to the Property and any other materials requested from Seller in connection with the City's due diligence investigation to Jordan Ely, Seller's Business Services Director.

3.2 Preliminary Title Report. Approval by the City of a preliminary title report for the Property. Within ten (10) days after full execution of this Agreement, Seller shall obtain and deliver to the City a preliminary title report showing the condition of title to the Property, together with copies of all exceptions listed therein (the "Title Report"). The Title Report shall be prepared by First American Title Insurance Company of Oregon through their Ashland, Oregon, office. The City will have five (5) days from receipt of the Title Report to review the Title Report and to notify Seller, in writing, of the City's disapproval of any exceptions shown in the Title Report. Those exceptions not objected to by the City are referred to in this Agreement as the "Permitted Exceptions." If the City notifies Seller of disapproval of any exceptions, Seller shall have five (5) days after receiving the disapproval notice to either remove the exceptions or provide the City with reasonable assurances of the manner in which the exceptions will be removed before the transaction closes. If Seller does not remove the exceptions or provide the City with such assurances, the City may terminate this Agreement by written notice to Seller given prior to the Closing Date, in which event this Agreement shall be null and void and of no further force and effect. If the City does not so notify Seller, the City shall be deemed to have accepted the condition of title to the Property.

3.3 Free and Clear Title. Evidence acceptable to the City that the Property will be conveyed to the City on the Closing Date free and clear of any and all liens and other encumbrances on the Property, excepting any Permitted Exceptions and excepting any leases described in Section 3.4, below.

3.4 Leasehold Interests. The City's review and acceptance of any existing leases, rental agreements, or other tenancies affecting the Property which may continue after the Closing Date,

and/or the City's negotiation of a new long-term lease with any existing tenants on the Property.

3.5 No Change in Condition of Property. The Property continuing to be operated and maintained by Seller in substantially the manner and condition as on the date of full execution of this Agreement, consistent with Seller's past practices.

Each of the contingencies set forth in this Section 3 must be satisfied or waived within twenty-one (21) days after the full execution this Agreement ("the Contingency Satisfaction Period"). If one or more of the contingencies are not satisfied prior to the expiration of the Contingency Satisfaction Period, the City must give written notice of such dissatisfaction to Seller, with a copy to the Escrow Agent, prior to the expiration of the Contingency Satisfaction Period and, in such event, this Agreement shall be terminated and of no further force and effect. If the City fails to give such written notice of dissatisfaction prior to the expiration of the Contingency Satisfaction Period, the contingencies will be deemed to have been satisfied or waived by the City.

Section 4. Closing

4.1 Closing Date; Escrow Agent. Time is of the essence of this Agreement. This transaction shall be closed as soon as possible following the expiration of the Contingency Satisfaction Period, but in any event on or before April _____, 2018 unless extended by written agreement of Seller and Purchaser (hereinafter "the Closing Date"). Closing shall occur at the Ashland office of First American Title, with _____ as closing escrow officer ("Escrow Agent").

4.2 Closing Costs. The City shall be responsible for payment of the recording fees for recording the Deed and the Trust Deed. Seller shall be responsible for the cost of an owner's standard policy of title insurance for the Property, as provided in Section 4.4, below. All other closing costs and fees of the Escrow Agent shall be split equally between Seller and the City.

4.3 Delivery of Deed. On the Closing Date, Seller agrees to make, execute and deliver to the City a good and sufficient statutory warranty deed conveying the Property, free and clear of all liens and encumbrances except those of record, to the City. It is expressly agreed that Parks and Rec will not be a grantee on the deed, and that title will be conveyed to the City only.

4.4 Assignment of Existing Leases. In the event that the City does not negotiate new leases with the existing tenant on the Property, the District will execute an assignment of its interest as landlord under the existing lease(s) for the Property to the City, subject to the City's obligation to assume all obligations and duties of the landlord from the Closing Date through the expiration of such lease(s) and to indemnify and hold the District free and harmless therefrom.

4.5 Title Insurance. Within fifteen (15) days after the Closing Date, Seller shall deliver to the City an ALTA owner's policy of title insurance, standard form, in the full amount of the Purchase Price, insuring the City as the owner of the Property and subject only to the usual printed exceptions and any Permitted Exceptions.

Section 5. Possession. Purchaser shall be entitled to possession of the Property on the Closing Date, subject to any existing leases to be assumed by the City.

Section 6. Representations, Warranties, and Covenants of Seller. Seller represents and warrants to Purchaser that:

6.1 Covenants of Title. Seller is the owner of good and marketable title to the Property free of all liens and encumbrances except those encumbrances of record.

6.2 No Liens or Violations of Law. Seller has not received any notice of any lien to be assessed, or threatened to be assessed, against the Property, and Seller has not received any written notice from any governmental agency of any violation of any statute, law, ordinance, or deed restriction, rule, or regulation with respect to the Property. Seller further covenants, represents and warrants to Purchaser that Seller will keep the Property free and clear of all liens and encumbrances, and to pay and discharge of record any such liens which may hereafter be claimed or imposed against the Property, or any part thereof, through the Closing Date, or supply assurances satisfactory to Seller that said liens, or any judgments or decrees entered thereon, will be paid and discharged of record as of the Closing Date.

6.3 No Hazardous Materials or Waste. To Seller's knowledge, the Property has not been used for the storage or disposal of any hazardous material or waste and the Property has not been identified by any governmental agency as a site on which environmentally hazardous materials or wastes have been or may have been located or deposited.

6.4 Maintenance of Property. Seller covenants, represents and warrants to Purchaser that between the date of execution of this Agreement by Seller and the Closing Date, Seller will keep all buildings, other improvements, landscaping and personal property, if any, now existing or that shall be placed on the Property, in good condition and repair, and shall not permit any waste of the Property, nor make any substantial improvements or alterations that reduce the value of the Property without the prior written consent of Purchaser. Seller shall complete or restore promptly, in good faith and in a workmanlike manner and in good condition, any building, landscaping, other improvements or personal property, if any, which may be injured, damaged or destroyed and to pay all costs, fees and charges connected therewith.

6.5 Seller's Disclaimer of Warranties; Property Conveyed "AS IS". Except as expressly set forth in this Agreement, Seller makes no other representations or warranties, express or implied, as to the Property or the condition or state of repair thereof, it being understood by all parties that the Property will be conveyed to Purchaser "AS IS", except for the warranties set forth herein and such warranties as may arise by law under the Deed.

Section 7. Post-Closing Obligations.

7.1 Liability; Partition of Property. Seller shall have no further obligations or liability with respect to the Property from and after the Closing Date, except as set forth in Section 7.2, below. Without in any way limiting the foregoing, the City and Parks and Rec will have the sole responsibility for undertaking any partition of the Property to create separate and distinct parcels.

7.2 Boiler Maintenance. Seller agrees to perform preventative maintenance on the boiler located in the existing building on the Property until such time as the portion of the Purchase Price to be paid by the City, as set forth in Section 1.2.1, above, has been paid in full. For purposes of this obligation, "preventative maintenance" shall be limited to the following: (i) "blow downs", which will be performed by Seller three (3) times per week; and (ii) filter changes when and as needed. In order to maintain the boiler's certification, it must also undergo an internal inspection every two (2) years and an external inspection six (6) months after each internal inspection. Seller will agree to schedule

and coordinate the required internal and external inspections of the boiler, provided that the actual cost of such inspections will be paid by the City. Any and all other obligations with respect to the boiler, including but not limited to any repairs necessary or required to be made to the boiler or any other aspect of the Property, shall be the sole responsibility of Purchaser and at Purchaser's sole cost and expense. Seller does not and cannot warrant that repairs will not be required to be made to the boiler, notwithstanding any preventative maintenance undertaken by Seller, and the City agrees that all such repairs are its sole responsibility. Once the City's portion of the Purchase Price has been paid as set forth in Section 1.2.1, Seller's preventative maintenance obligations with respect to the boiler will terminate entirely.

7.3 Intergovernmental Agreement for Maintenance and Use of North Mountain Park.

The District and Parks and Rec agree to use good faith efforts to complete, by July 1, 2018, an intergovernmental agreement ("IGA") regarding the maintenance obligations and compensation for the District's use of the North Mountain Park sports fields.

Section 8. Time of the Essence. Time is of the essence of this Agreement. If the contingencies described in Section 3 of this Agreement are satisfied or waived by Purchaser and the sale does not thereafter close by the Closing Date, this Agreement may be terminated by Seller or Purchaser and the parties shall have no further obligations to each other.

Section 9. Successor Interests. This Agreement shall be binding upon and inure to the benefit of the parties, their successors, heirs and permitted assigns.

Section 10. Prior Agreements. This Agreement, and the documents described herein, constitute the entire, final, and complete agreement of the parties pertaining to the sale and purchase of the Property, and supersedes and replaces all prior or existing written and oral agreements between the parties or their representatives relating to the sale and purchase of the Property. This Agreement may not be modified or amended except by a written agreement executed by all parties.

Section 11. Applicable Law. The parties agree that the laws of the state of Oregon shall be used in construing this Agreement and enforcing the rights and remedies of the parties.

Section 12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

Section 13. Miscellaneous Provisions.

13.1 Severability. The parties agree that should any provisions, terms or conditions herein be declared by any court to be invalid, void, unenforceable or illegal, the validity of the remainder of this Agreement shall not be affected, impaired or invalidated thereby and shall remain in full force and effect.

13.2 Attorney Fees. In the event of any dispute regarding this Agreement, the prevailing party shall be entitled to recover all reasonable costs incurred in enforcing this Agreement, including reasonable attorneys' fees, even though suit or action is not filed, and if suit or action is filed, the prevailing party shall be entitled, in addition to costs and disbursements provided by statute, such additional sum as the court may adjudge reasonable as attorneys' fees, in the trial court, on any appeal, and/or in any bankruptcy proceeding.

13.3 Acceptance. This Agreement shall be null and void unless accepted by Purchaser, by Purchaser's execution of it, on or before March 26, 2018. As used in this Agreement, "full execution of this Agreement," shall mean the date on which Purchaser signs this Agreement.

13.4 ORS 93.040 Disclosure. The following disclaimer is made pursuant to ORS 93.040:

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

SELLER
ASHLAND SCHOOL DISTRICT

PURCHASER
THE CITY OF ASHLAND, OREGON

By: _____
Its: _____

By: _____
Its: _____

CITY OF ASHLAND, OREGON PARKS
AND RECREATION DEPARTMENT

By: _____
Its: _____

Briscoe School 14 Year Financial Plan

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
OCDC Rent	120,000	181,800	183,618	185,454	187,309	189,182	191,074	192,984	194,914	196,863	198,832	200,820	202,829	204,857	206,905	2,717,441
Art Wing Rent	26,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,001	40,002	560,003
Total Revenue	148,018	223,819	225,638	227,475	229,331	231,205	233,098	235,009	236,940	238,890	240,860	242,849	244,859	246,889	248,939	3,305,801
Property Payment to School	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	1,540,000
Maintenance	25,000	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760	49,735	50,730	51,744	638,958
Roof				275,000												275,000
Tank Removal							50,000									50,000
Asphalt Patch		10,000														10,000
Contingency											100,000					
Boiler Maintenance	1,250	2,500	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	35,650
Insurance	2,050	4,100	4,305	4,520	4,746	4,984	5,233	5,494	5,769	6,058	6,360	6,678	7,012	7,363	7,731	80,354
Total Expense	138,300	166,600	153,350	429,166	154,998	155,847	206,713	157,596	158,497	159,416	260,354	161,310	162,285	163,280	164,294	2,653,708
Yearly Net	9,718	57,219	72,288	(201,691)	74,332	75,358	26,384	77,413	78,443	79,474	(19,494)	81,540	82,574	83,609	84,645	652,094
Cumulative Net	9,718	57,219	129,507	(72,184)	2,149	77,506	103,890	181,303	259,746	339,220	319,726	401,266	483,839	567,449	652,094	