

EXPLANATION OF CONSENT AGENDA ITEM E.2.c. (22) October 28, 2015

ITEM:

A. Consideration of approving negotiating and entering a buyout/termination agreement of the remaining term of the Bianca and Marvin Totsch 30 Year Lease dated September 1, 1988, expiring August 31, 2018 located at 510 Challenger Rd at a purchase price of \$5,000 and approval of forgiving the back taxes for 2012 – 2015 in the amount of \$11,244 and the lease rent for June – Oct 2015 in the amount of \$4,916.26, subject to the review and approval by General Counsel and the Port Attorney.

B. Consideration of approving the demolition of the 510 Challenger Rd building at a NTE cost of \$36,900.00 which includes environmental testing, rodent removal, and interior clean up/haul away and contingency for any unforeseen costs associated with the demolition.

EXPLANATION:

A. Staff is proposing to purchase the remaining leasehold interest in the real property located at 510 Challenger Rd subject to the terms and conditions of the court appointed plenary guardian of Bianca Totsch, a/k/a Bianca Pesenti, and wishes to negotiate a lease termination agreement with respect to the above mentioned Lease Agreement.

B. After the closing has occurred staff requests permission to issue a PO/PO's for the demolition to a to be named vendor(s) in an amount NTE \$36,900 for environmental testing, rodent removal, interior cleanup/haul away, and contingency for any unforeseen costs associated with the demolition.

Funding Review by Finance (Pat Poston): The lease buyout, property taxes and rent forgiveness is an FY15 operational expense. It will be recorded in FY15 at an estimated amount of \$21,160. The demolition of the building is an operational expense and will be recorded in FY16. Neither FY15 nor FY16 Operating Budget will require change.

Staff recommends approval.

Prepared by /Diane Denig/Scott Shepard

dd/ss

510 Challenger Proposed Lease Buyout

Prepared by
Scott Shepard, CCIM
Director of Real Estate
October 28, 2015



Executive Summary

- The Lease expires on 8/31/2018
- The property is abandoned and in disrepair and thus presents a negative image for the PORT's recent upgrades
- The owner is now in a nursing home and is not expected to return to the property
- An Attorney/Trustee has been appointed to handle the owners affairs
- The Trustee has requested the PORT consider buying out the remaining term of the Lease
- Staff has reviewed the matter and has negotiated a buyout amount of \$5,000 plus agreement to pay the back Real Estate Property taxes in the amount of \$11,244 and forgive the back rent (3 months) in the amount of \$5,007.
- The Attorney/Trustee has accepted the offer.



Location---510 Challenger

(subject in Blue highlight)



Location----510 Challenger

Photo #1



Photo #2



Location---510 Challenger

Before



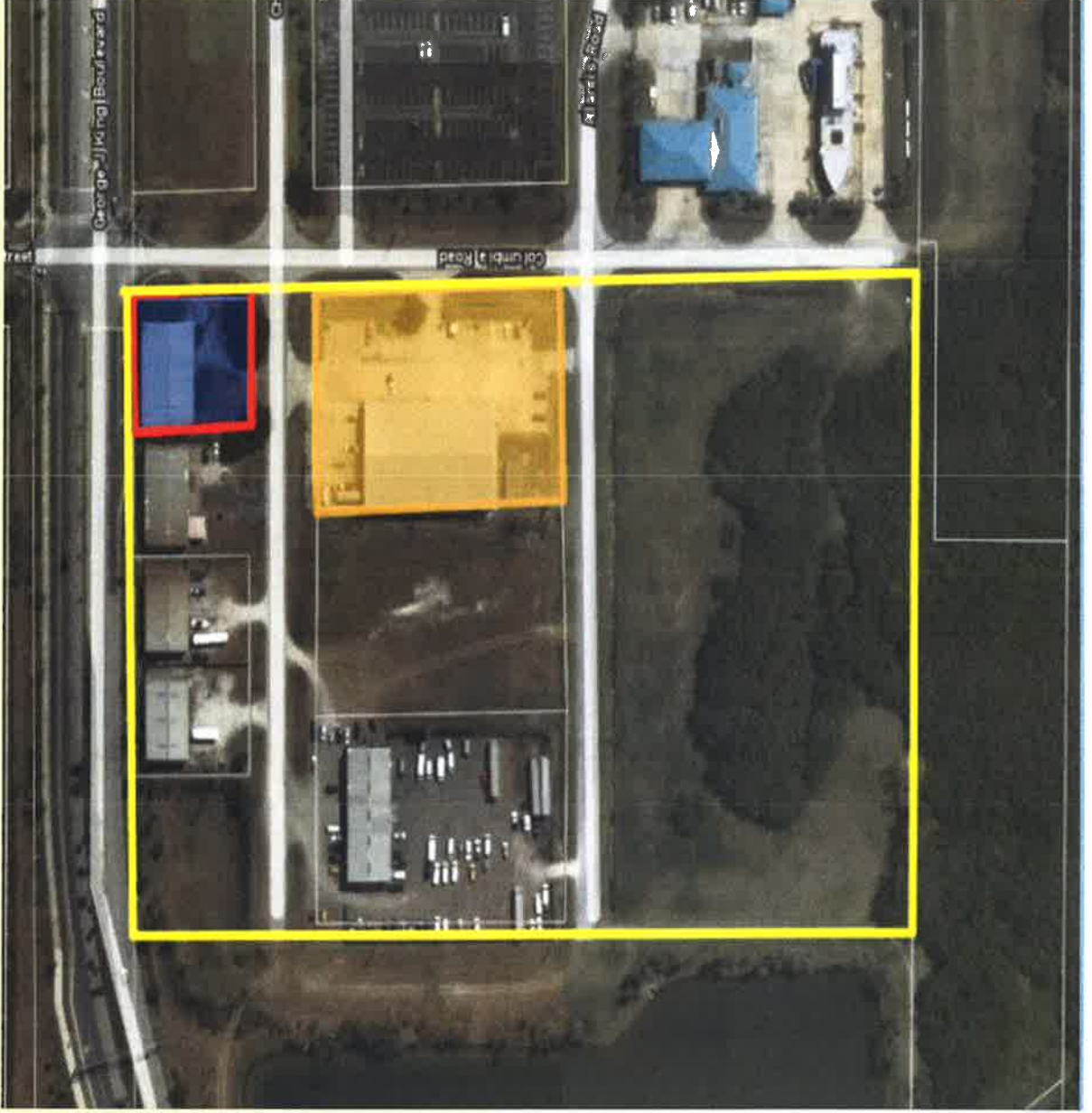
After



Proposed



Long Term Strategic Plan-----13.3 acres



Building/Property Summary

- **Address:** 510 Challenger
- **Land:** .38 acres
125 feet by 150 feet
- **Building:** 7,500 SF
- **Lease Expiration:** 8/31/2018



Current Situation

- The Tenant is three (3) months and soon to be four months behind on rent
- The Tenant owes three (3) years in back taxes
- The PORT is now having to maintain the exterior/grounds
- With the condition of the building both inside and outside and with a lease term less than three years, it will be very difficult for the owner or her representative to re-lease the building
- The condition of the property and short lease term remaining has an adverse effect on the lease by back value.



Current Situation- continued

- The owners Attorney/Trustee has requested the PORT buy out the remaining term of the lease
- Staff reviewed the current debt and has offered the Attorney/Trustee, subject to Commission approval, a lump sum amount of \$5,000 and will pay the back Real Estate taxes.
- The above payment is subject to the property being conveyed to the PORT prior to December 31, 2015 so that the PORT will not have to fund any additional property taxes.
- The Attorney/Trustee has accepted the offer.
- A Draft of the Settlement Agreement has been drafted.



Executive Summary---continued

Monies owed by Owner/Tenant

	Current Due (3 months)	Due EOY-2015
Rent	\$5,007	\$6,751
Property Taxes		
2012/2013/2014	\$8,993	\$8,993
2015		\$2,250
TOTAL	\$14,000	\$17,994



Proposed



Required Acquisition Funds (estimated)

Lease Buyout	\$ 5,000
Payment of Back RE Taxes (2012/13/14/15)	\$11,244
Demo Cost	\$16,900
Extermination	\$ 1,500
Interior Clean Up/Haul away	\$ 2,500
Lead/Asbestos Testing	\$ 5,000
Environmental Testing	\$ 8,500
Miscellaneous	<u>\$ 2,500</u>
TOTAL	\$53,144



Staff Recommendation

- Approve the recommendation to purchase the building
- Approve funding to inspect, clean up, and demo the building
- Total funding request: **\$53,144**

Recommendation Justification

- Acquisition of this building and removal will result in a clean up of the highly visible main corner as one enters the PORT
- Additionally the acquisition will move the PORT further in completing the assembling of the remaining parcels in order to assemble a 12-13 acre prime PORT location parcel



PRESENTATION TITLE

Questions??

