

Folsom City Council Staff Report

MEETING DATE:	3/9/2021
AGENDA SECTION:	New Business
SUBJECT:	Future Use Options for City-owned Property at 405 Natoma Station Drive and Direction to Staff
FROM:	Parks and Recreation Department

BACKGROUND / ISSUE

The Parks and Recreation Director will make a presentation regarding potential uses for the City-owned property located at 405 Natoma Station Drive. See attached PowerPoint presentation.

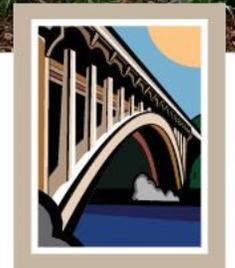
Submitted,

Lorraine Poggione,
Parks and Recreation Director

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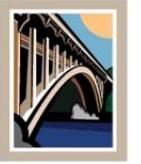


FUTURE USE OPTIONS:
405 Natoma Station Drive and Direction to Staff
City Council Presentation March 9, 2021

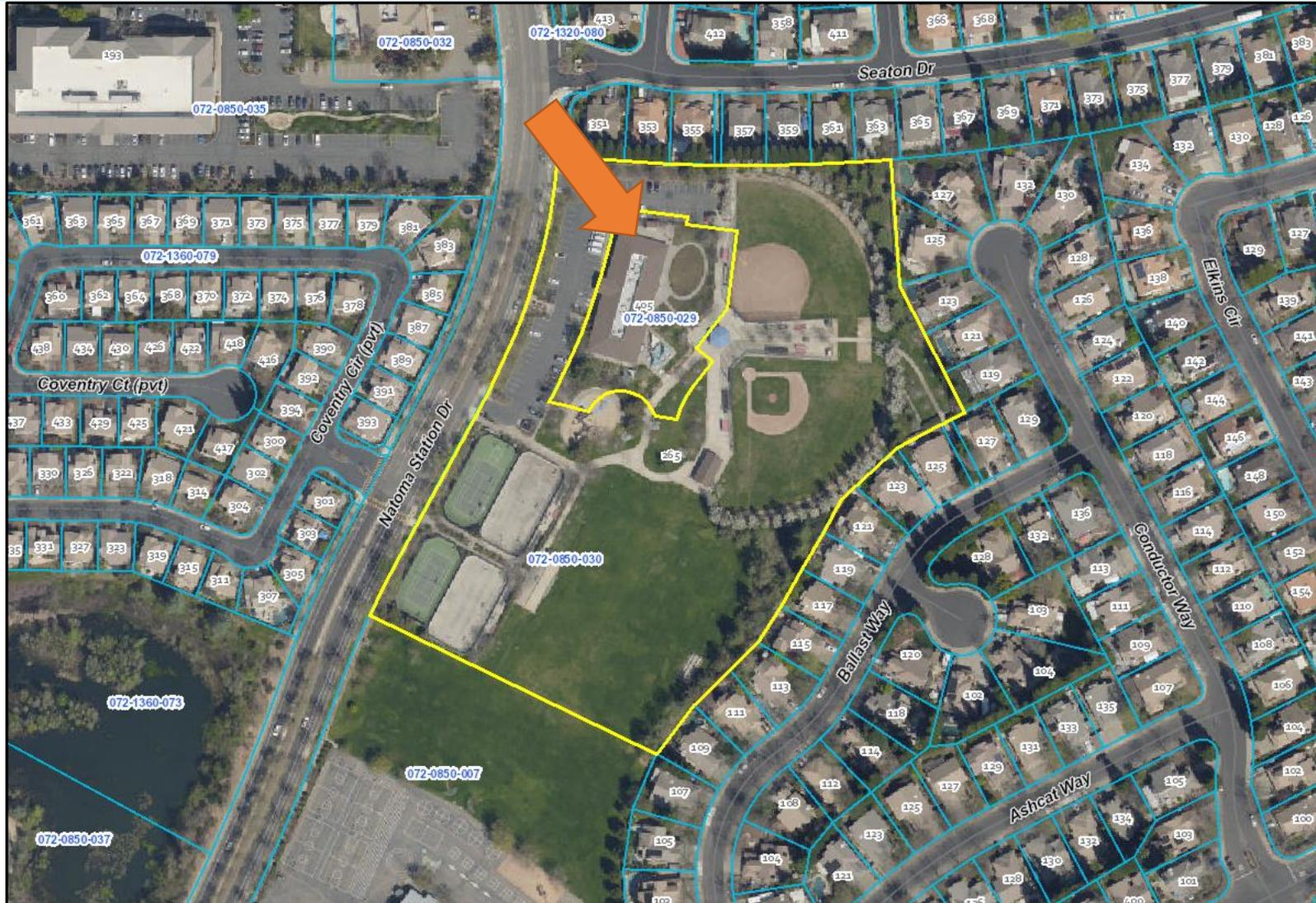


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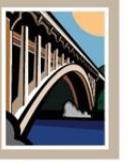
The Parcel



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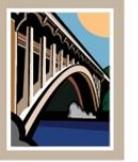
Our City Property



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- 10,000 sq ft building space
- 7 rooms, office space, reception area, restrooms, storage, and kitchen
- Approx. 8,000 sq ft outdoor space

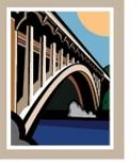
Prior Use Agreement



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- Leased to Brighton School for 20+ years
- Vacant Nov. 2019-present
- Monthly rent: ~\$6,500
- Monthly Utilities: \$1,200 - \$2,700
- Alarm Systems: paid by tenant
- City paid \$25,000/year for: landscape and building maintenance, garbage service

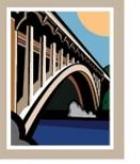
Current Conditions



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- Debris and trash
- Damage to walls, flooring, ceiling tiles, carpentry
- Fixtures and appliances aged/damaged beyond repair
- HVAC (10 units) are 20+ years old
- Site ADA needs to be addressed
- Interior/exterior needs repainting

Current Conditions



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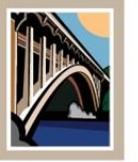








Improvement Costs

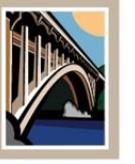


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- Basic clean-up: \$5,000
- HVAC replacement: \$85,000
- ADA compliance: \$90,000
- Interior repairs/replacements: \$35,000
- Painting interior/exterior: \$70,000
- Building signage: \$5,000
- Furniture and fixtures: \$25,000
- Other tenant improvements: \$40,000

TOTAL: \$350,000

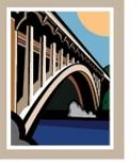
Options for Future



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- Retain for City Operations/Municipal Uses
- Lease the Building
- Sell the Building and Property

Retain for City Operations



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Ideal for:

Art, senior, and youth specialty programming; relieves overcrowding at 48 Natoma and other facilities

Allows for:

Daily, evening, weekend rentals

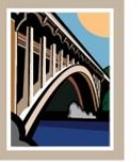
Fills a need for:

Expanding and adding popular/growing services with revenue generating certainty

Serves as:

Mutually beneficial link to adjacent Natoma Station Elementary and Ernie Sheldon Youth Sports Complex

City Operation Strategies



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A combination of relocated, expanded, and new programming:

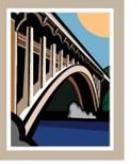
Relocate:

- Fun Factory from Sports Complex to free up high-demand rental space
- Pre-K moves from Hinkle Creek to new space
- Specialty camps-relocated to new space

Expand:

- Preschool offerings in new space
- Add new summer Fun Factory classes in new space
- Add new ceramics and pottery classes in new space
- Senior Center to accommodate additional seniors

City Operation Strategies



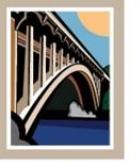
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New Programming:

- Yoga, Mommy and Me, Grandparent/Tot classes-multi generational
- After-school and summer specialty programs (art, music, fitness, STEM)
- “Night-Out” programs for kids

There are 9 classes/programs that can be relocated and/or expanded and 10 new programs that can be created

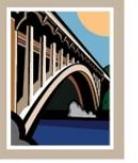
Cost: City Operation



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- City can spread costs over a 3-year period where items are not urgent or immediately needed (paint, kitchen, HVAC replacements, furniture/fixtures) -- \$100,000-\$150,000 per year
- Would address some of the ADA issues in Year 1 -- \$30,000
- Could focus on half of the interior to program and begin generating new revenue
- Could staff with existing full-time staff for first few years; will require new PT salaries
- Annual O&M approx. \$30,000-\$42,000

Revenue: City Operation

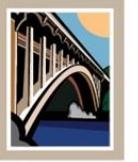


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Potential Revenue

- First year investment: \$100,000-\$150,000 for repairs/furniture/signage
- First year programming: net revenue \$24,040
- Second year programming: net revenue \$70,451
- Third year programming: net revenue \$112,993 (would need to consider 1 new FT staff person year 3 or 4)
- Annual O&M: \$30,000-\$42,000

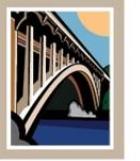
Lease the Facility



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- Open it up for leasing interest
- Possible tenants:
 - Day Care or School for Children
 - Other uses allowed: zoned R-1-M Single Family Residential (*one single family*); public park/school; real estate tract office; group home (*of six or less*). The General Plan is: Park.
- Create agreement regarding parking as the property does not have parking within its own site.

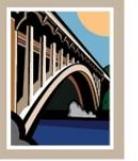
Cost: Lease Option



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- Repairs and replacements can be negotiated or built into lease rate, but tenant may want reduced rent for doing the repairs/replacements
- City would still likely be responsible for certain aspects of the building repairs and ongoing maintenance (landscape, HVAC, building exterior, etc.)

Revenue: Lease



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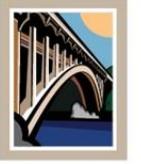
Decisions with Lease Option

- Would need to decide what the City Council wants to do prior to leasing (ADA, some interior/exterior, etc.)
- Would need to decide if the lease would include a credit back to lessee to do some of the repairs/fixes

Lease Revenue

- Ranges from \$2-\$2.50/sq ft
- Monthly revenue \$20,000-\$25,000
- City would have some costs associated with negotiated items that city would still be responsible for such as landscape and building maintenance (\$5,000-\$10,000/month)
- Net revenue could be \$15,000-\$20,000/month

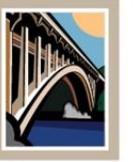
Sell Property and Building



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- Property deemed surplus by City Council
- Property would be placed on Affordable Housing List
- Unique situation: parking not part of parcel

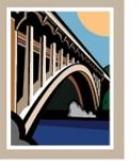
Cost: Sell



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- Building could be sold “as-is” or certain repairs/replacements may be negotiated into the sell

Revenue: Sell



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Decisions with Sell Option

- City Council to decide what they would want to fix/repair prior to sell (if anything)
- There could be costs associated with changing lot lines/parcel to include parking if desired
- Does the city want to declare this as surplus property?

Sell Revenue

- \$250-\$300/sq ft
- One-time revenue could be \$2,500,000-\$3,000,000

Pros/Cons of Retaining



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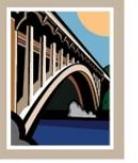
Pros of City-Owned/Operated

- Contributes to city services
- Provides community benefit
- Remains in city control
- Next community center will be in FPA in 10+ years
- Revenue generating
- Improvements can be spread over 2- to 3-year period
- Consistent with city financial objectives of:
 - Maintain the functional balance of services that provide the unique Folsom experience.
 - Maintain effectiveness of our primary services and functions.
 - Consider alternative service delivery models in order to preserve services to the community.
 - Be responsive to the community.
- Consistent with 2035 General Plan Goal PR 4.1:
 - Effectively use city resources and the resources of other public entities to plan for recreation programs and facilities

Cons

- May not realize revenue immediately
- Will require ongoing maintenance funding
- Will eventually require some FT staffing resources

Pros/Cons of Leasing



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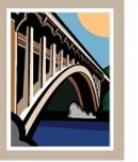
Pros of Leasing

- Potential near-term revenue generating
- Some offset of maintenance costs if in agreement (i.e., tenant to be responsible for assuming costs for utilities, etc.)

Cons

- City may still have to invest funds into facility to bring to code (ADA access); and make it suitable for leasing
- City will likely still have maintenance obligations on the building and property (negotiable i.e., landscape, lighting, HVAC, alarms, etc.)
- Would need to make arrangement in agreement re: parking
- Would want to encourage a tenant that is compatible with existing activities at park and neighborhood

Pros/Cons of Selling



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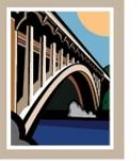
Pros

- City receives one-time cash windfall

Cons

- Could have unintended outcome if declared as surplus property
- Only one-time revenue source
- City may still have to invest to fix/repair/bring up to code
- City loses any option to retain, program, and utilize for municipal uses
- City loses control over site/uses; compatibility of park/school uses could alter

Summary



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City Retaining:

Owned, operated, revenue-generating, keeping it in City inventory, good for near term and long-term future.

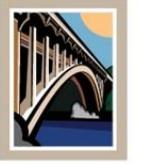
Leasing:

Liquid cash to the city, but the city would lose near-term and/or long-term opportunity for use.

Selling:

May generate one-time cash. Could have other elements to consider.

Direction to Staff



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Staff is seeking direction from the City Council on whether to:

- Retain the property and building for City/Municipal Uses-short term or long term (reporting back to City Council as needed)
- Move forward with lease option (reporting back to City Council as needed)
- Move forward with sell option (reporting back to City Council as needed)