




April 13, 2017

To: Transit Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Authority to Acquire Former Pacific Electric Railroad Right-of-Way in the City of Garden Grove to Preserve and Protect for Future Transit Use

Overview

The Orange County Transit District has an opportunity to purchase non-operating railroad right-of-way located in the City of Garden Grove. The approximately 2,300 linear feet of non-operating railroad right-of-way is 5.2 acres of vacant land that lies between Brookhurst Street and Chapman Avenue, owned by the City of Garden Grove. The acquisition would preserve and protect the right-of-way for future transit use.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute necessary agreements to acquire 5.2 acres of former Pacific Electric railroad right-of-way located in the City of Garden Grove, in the amount of \$1,500,000, exclusive of title and escrow fees.

Background

The former Pacific Electric railroad right-of-way (PEROW), collectively owned by the Orange County Transit District (OCTD) and the Orange County Transportation Authority (OCTA), is 11.75 linear miles of right-of-way (ROW), averaging 100 feet in width. It traverses the grid of arterial roads and is located in the cities of Santa Ana, Garden Grove, Stanton, Anaheim, Buena Park, Cypress, and La Palma. The OCTA-owned PEROW runs parallel to Interstate 5, ending at Coyote Creek at the Los Angeles County Line.

In 1983, OCTD acquired an initial seven miles of the PEROW that stretched from Raitt Street in the City of Santa Ana northwest to the City of Stanton for \$15 million. In 1991, OCTA acquired the remaining five miles, extending from the City of Stanton to the Los Angeles County Line for \$13.1 million in

Measure M funds. Both acquisitions were purchased from Southern Pacific Transportation Company.

In November 1996, the Board of Directors (Board) approved OCTD and OCTA to maintain ownership of the PEROW to preserve and protect it for future transit use and adopted the guiding principles to evaluate use of the PEROW (Attachment A). Since 1996, staff has followed these guidelines, which include maintaining and entering into new license agreements to generate revenue for the maintenance of the PEROW and for transit. As of year-end 2016, OCTD and OCTA have entered into 53 licenses that generate over \$605,000 of gross revenue annually. Once expenses are paid for regular maintenance, which include debris removal, weed abatement, landscaping costs, graffiti removal, and pest control, the PEROW generates approximately \$500,000 of net revenue annually.

In August 2014, the Board approved OCTA to serve as the lead agency for the development, implementation, operations, and maintenance of the OC Streetcar Project, which will utilize approximately two miles of the PEROW between Raitt Street in the City of Santa Ana northwest to Harbor Boulevard in the City of Garden Grove.

Discussion

In 1991, the Board agreed to sell portions of the PEROW acquired by OCTD to the Garden Grove Agency for Community Development (GGCD) for parking and to support proposed development. The sales agreement transferred ownership of five parcels located within the approximately 100-foot wide PEROW and two adjacent developable old rail yard parcels located along the PEROW (Attachment B). The five parcels were valued at \$2.7 million, and OCTD reserved permanent easement rights to construct, operate, repair, and maintain transportation improvements either above or below the surface, and restricted that no permanent structures could be built by the GGCD on the surface to allow for future transit projects (Easement Rights). Since the initial GGCD acquisition of the five parcels located within the approximately 100-foot wide PEROW, the GGCD has sold its fee interest in two of the parcels to private entities, with OCTD Easement Rights, leaving the GGCD with ownership of three parcels.

As part of the California 2011 Budget Act, and in order to protect funding for core public services at the local level, the Legislature approved Assembly Bill (AB) X1 26, resulting in the dissolution of the state's 400 plus redevelopment agencies. Therefore, the City of Garden Grove has become the successor agency to the dissolved GGCD and is required to dispose of its three remaining parcels. The parcels, which are located between Brookhurst Street and Chapman Avenue in the City of Garden Grove, equate to approximately

2,300 linear feet (half mile) of non-operating railroad ROW, averaging 100 feet in width, consisting of 5.2 acres (Property) (Attachment C). The disposal of the Property is a requirement under Sections 34181 and 34191.5 of the Dissolution Law (ABX1 26), and under the terms of the Long Range Property Management Plan prepared by the City of Garden Grove and approved by the GGCD Oversight Board, and thereafter approved by the State of California, Department of Finance.

OCTA currently has an opportunity to purchase the Property back from the City of Garden Grove, successor to the GGCD, at fair market value. The Property was appraised by OCTA with a market value of \$1,480,000. Independently, the City of Garden Grove appraised the Property with a market value of \$1,650,000. Based on the two appraisals, OCTA executive management and City of Garden Grove management agreed to recommend a purchase price of \$1,500,000, exclusive of closing fees. The terms and conditions of a purchase and sale agreement are subject to approval by the Garden Grove City Council, the Agency's Oversight Board, and thereafter by the State of California, Department of Finance.

Both OCTA and City of Garden Grove appraisals concluded that OCTD Easement Rights encumbering the Property drastically devalue the Property. If the acquisition is approved and OCTA becomes the owner, by default, the Easement Rights no longer impact the Property. Based on OCTA's appraisal, if the Easement Rights encumbrances are eliminated, the Property's value could increase dramatically to approximately \$9,500,000. OCTA acquisition of the Property could preclude a sale to a third party for other uses that could limit future transit uses on the PEROW. The Property acquisition allows OCTA surface use of the Property, minimizes impacts to adjacent properties and the surrounding communities, and would further preserve and protect the PEROW as a transit corridor. The ability for OCTA to construct transit facilities on the half-mile surface of the Property, as opposed to constructing transit facilities either above or below the surface of the Property, can potentially be cost savings of tens of millions of dollars in future construction costs.

The proposed acquisition is exempt from the California Environmental Quality Act (CEQA) pursuant to: (1) CEQA's Class 1 Exemption (CEQA Guidelines § 15301); and (2) CEQA's "Common Sense" Exemption (CEQA Guidelines § 15061(b)(3)). CEQA's Class 1 Exemption applies to the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private facilities involving negligible or no expansion of a use beyond the use existing at the time of the lead agency's CEQA determination (CEQA Guidelines, § 15301). CEQA's "Common Sense" Exemption applies where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (CEQA Guidelines § 15061(b) (3)).

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If the proposed acquisition is approved by the Board, the Garden Grove City Council, the GGCD Oversight Board, and thereafter approved by the State of California, Department of Finance, staff will finalize a purchase and sale agreement and open escrow. It is anticipated this process will take three to four months to complete; therefore, staff anticipates escrow will close in fiscal year 2017-18.

Fiscal Impact

The acquisition of the Property is budgeted in OCTA's Fiscal Year 2017-18 Budget, in the Transit Division's expenditure budget, Account 0030-9021-F30, and will be funded through OCTD Transit funds.

Summary

Staff is seeking the Board of Directors' authorization for the Chief Executive Officer to negotiate and execute necessary agreements to acquire non-operating railroad right-of-way, in the amount of \$1,500,000, utilizing transit funds.

Attachments

- A. Guiding Principles to Evaluate Use of the Pacific Electric Right-of-Way
- B. Pacific Electric Right-of-Way Map
- C. Pacific Electric Right-of-Way (Brookhurst to Chapman) Map

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