URBANA

DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Economic Development Division

memorandum

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: John A. Schneider, MPA, Community Development Director

Brandon S. Boys, AICP, Economic Development Manager

DATE: October 4th, 2018

SUBJECT: An Ordinance Authorizing the Sale of Certain Real Estate (1301 East Washington

Street / 2018)

Introduction

The City has been working to sell a City-owned property located at 1301 East Washington Street since 2008. At this time, staff proposes that the property be sold at auction by the City at a minimum price of \$5,000 contingent upon demolition of all buildings and parking lots upon the site within 90 days of closing. The exhibited ordinance would authorize the Mayor to execute the attached purchase agreement with the successful bidder at auction and to subsequently close on the property within 30 days under the conditions described above and in the agreement (Exhibit A: Draft Authorizing Ordinance with Attached Real Estate Transfer Agreement).

Background

On December 15, 2008, the Urbana City Council approved an agreement accepting a donation of the subject property located at 1301 East Washington Street (Exhibit B: Property Location Map) from DRS Limited Partnership. The parent company, Tri Star Marketing, had sought to sell the property on the open market for a period of roughly two years prior to approaching the City regarding donation of the property. Once in City possession, staff briefly contemplated reuse of the property for municipal offices, but soon determined that it would be impractical given the level of investment required to bring the building up to standard. Staff then began reaching out to other governmental bodies to gauge their interest in the property, ultimately to no avail. In the meantime, the property's air conditioning units were vandalized in 2009 and again in 2011 despite the addition of security fencing. In recent years, staff has only utilized accessory structures on the site for some limited storage. On August 17th, 2015, the City Council dedicated a portion of the property as right-of-way to allow for future improvements to the intersection of East Washington Street and Philo Road.

On August 1st, 2016, Mayor Laurel Prussing authorized a commercial real estate listing of the property with broker Jay Sikorski of Coldwell Banker Commercial Devonshire Realty. On August 7th, 2017, the Urbana City Council approved a purchase agreement for the property with The Overland Group, a preferred developer of Dollar General stores. On October 3rd, The Overland Group terminated the purchase agreement during its due diligence period.

In January of 2018, staff began work on a purchase agreement with R Rentals for the property. The City Council approved the purchase agreement on February 12th. R Rentals terminated the purchase agreement during its due diligence period.

On September 26th, a notice for a public hearing to be held on October 15th was published in the News Gazette seeking public comment on the proposed sale at auction.

Listing Price

The City first listed the property at a price of \$270,000. After six months without any serious interest, the listing price was reduced to \$235,000. In April of 2017, after feedback from prospective buyers, staff reassessed the listing price on the property. Staff utilized comparable properties provided by the broker and the Cunningham Township Assessor's office staff and also took into consideration an estimated minimum demolition cost of \$70,000 to arrive at a new listing price of \$165,000. In August of 2017, after receiving offers from two prospective buyers well below asking price, the City executed a purchase agreement with The Overland Group at \$160,000 with a commitment from the buyer to repair or demolish the existing building within 120 days of closing.

After The Overland Group's termination of the purchase agreement in October 2017, the City entertained offers from three prospective buyers, each well below asking price. In February 2018, the City Council approved a purchase agreement with R Rentals at \$100,000 with a commitment to demolish the existing building within 90 days of closing. After R Rentals's termination of the purchase agreement, the City solicited and received offers also requiring demolition within 90 days which ranged between \$5,000 and \$7,700. In order to ensure that the City receive the highest price for the property and that all prospective buyers are presented with the same terms, staff is recommending use of a public auction process.

Proposed Real Estate Transfer Agreement

The City Council is asked to consider acceptance of the proposed ordinance and transfer agreement allowing sale at public auction at a minimum price of \$5,000. The City would need to remove any furniture, fixtures or contents of the buildings it wishes to retain prior to the auction. The highest responsible bidder would be required to close on the property within 30 days. Upon so doing, the buyer would have 90 days to complete the demolition of all buildings and parking lots on the property. During this time, the City shall not enforce its life and safety codes against the building, unless it deteriorates to

the extent that it becomes an imminent danger to the public. In the event the buyer fails to demolish the property within 90 days, the City shall record a previously prepared warranty deed, immediately conveying the property back into the City's possession without any refund of the purchase price.

Current Zoning and Future Land Use

The proposed sale and redevelopment of 1301 East Washington Street is consistent with the subject property's current B-3 General Business zoning which permits by-right the proposed uses of neighborhood-oriented retail and service businesses. The use would add new retail and service options to the Philo Road corridor and join the nearby Family Dollar store and the adjacent Huraches Moroleon restaurant.

The subject property, along with the aforementioned neighboring retailers along Philo Road, are each located on parcels designated for Community Business in the 2005 Comprehensive Plan, which defines Community Business uses as those *designed to serve the overall community and the immediate neighborhood*. The property is also located within the Urbana Enterprise Zone and a new construction project at the site would be anticipated to receive sales tax exemption certificates on new construction materials as well as property tax rebates on the new construction value.

Fiscal Impact

The proposed purchase agreement would allow for sale of the property at a minimum purchase price of \$5,000. The broker's commission at the time of closing would be equal to the purchase price at auction up to a maximum of \$6,300. The City may also incur additional title and closing costs that are not expected to exceed \$1,300. Any proceeds from the transaction, would be deposited in the City's General Fund.

The City currently expends approximately \$7,250 per year in expenses associated with this property including mowing, landscaping, electricity, gas, water, outside lighting, insurance, stormwater utility fee, sewer benefit tax, and sewer fee. The City's limited utilization of storage on the property would be relocated without incurring any additional costs. As such, sale of the property would result in an approximate reduction in expenditures of \$7,250 per year.

Options

- 1. Approve the draft authorizing ordinance as presented.
- 2. Approve the draft authorizing ordinance with changes.
- 3. Deny the draft authorizing ordinance.

Recommendation

The proposed sale of 1301 East Washington Street would result in the demolition of blighted structures and create an opportunity for substantive new investment in the Philo Road corridor. The site would most benefit from neighborhood-oriented retail and service uses to provide vital activation of an underutilized, but highly visible and accessible corner property.

The sale of the property at auction and would also result in a decrease in City property maintenance expenditures of over \$7,000 per year. Lastly, if later subject to a redevelopment project, the property would generate new property taxes for the City.

Staff recommends that the City Council approve the attached draft authorizing ordinance to advance the sale of 1301 East Washington Street at auction.

Prepared by:

Brandon S. Boys, AICP

Economic Development Manager

Exhibits: A: Draft Authorizing Ordinance with Attached Real Estate Transfer Agreement

B: Property Location Map

ORDINANCE NO. 2018-10-067

AN ORDINANCE AUTHORIZING THE SALE OF CERTAIN REAL ESTATE

(1301 East Washington Street / 2018)

WHEREAS, Urbana City Code Section 2-118(a) provides that any real estate owned by the City of Urbana ("City") may be sold in any manner prescribed by the City Council in an ordinance authorizing such sale; and

WHEREAS, the City owns certain real estate commonly known as 1301 East Washington Street; and

WHEREAS, the City desires to sell the real estate at public auction; and

WHEREAS, the City Council expressly finds and declares that the real estate is no longer needed for governmental purposes or proprietary activity of the City; and

WHEREAS, the City Council held a public hearing on the question of the sale at 7:00 p.m. on Monday, October 15, 2018, after due and proper notice of such public hearing having been given by publication in *The News-Gazette*, a newspaper having a general circulation within the City, on a date at least 15 days prior to the time of the public hearing; and

WHEREAS, the City Council, after due consideration, finds that the sale of the real estate by public auction, as herein provided, is in the best interests of the residents of the City and is desirable for the welfare of the City's government and affairs.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1.

The sale by public auction of the real estate commonly known as 1301 East Washington Street in Urbana, Illinois, and legally described below, subject to a minimum bid price of \$5,000, and

substantially on such other terms as contained in the Notice of Public Sale of Real Property and the Real Estate Transfer Agreement attached hereto and incorporated herein, is hereby authorized and approved:

Tract 1:

A part of the Northeast Quarter of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third Principal Meridian, the surveyed boundary of which is more particularly described as follows:

Beginning at an iron rod monument situated at the intersection of the Southerly line of Washington Street in the City of Urbana, Illinois, said line having a local bearing of South 89°19 1/2' East, and the Northeasterly wayland line of the Norfolk and Western Railroad, as shown by plat recorded in Book "E" at page 25 in the office of the Champaign County Recorder; thence Southeasterly along said Northeasterly wayland line, said line also being along a curve to the left, convex to the Southwest having a radius of 5,693.97 feet and a long chord bearing of North 44°48 1/2' West, a distance of 384.04 feet to an iron rod monument situated at a point of tangency; thence South 46°44 1/2' East along said Northeasterly wayland line, 75.67 feet to an iron rod monument; thence South 00°02 1/4' West, 90.57 feet to an iron rod monument situated on the Southwesterly wayland line of said railroad, said wayland also being the Northeasterly line of State of Illinois Highway Route 130, said line also being parallel with and 66.00 feet distant from said Northeasterly wayland line of said railroad; thence North 46°44 1/2' West along said Southwesterly wayland line, 137.69 feet to an iron rod monument situated at a point of curvature; thence Northwesterly along said Southwesterly line, said line also being along a curve to the right, convex to the Southwest with a radius of 5,759.97 feet, a distance of 360.01 feet to an iron rod monument, situated at a point of compound curvature; thence Northerly along a curve to the right, convex to the Northwest, with a radius of 39.03 feet, a distance of 91.18 feet to an iron rod monument, situated at a point of tangency, and also situated on the aforesaid Southerly line of Washington Street, said point also being the point of beginning, containing 0.754 acres, more or less, all situated within the City of Urbana, Champaign County, Illinois.

Tract 2:

Tract "B" of Modern Research Industries Subdivision according to the plat thereof recorded on Document No. 604045 in Plat Book "M" at page 6 in the office of the Champaign County Recorder, situated in the Northeast Quarter of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third Principal Meridian, the survey boundary of which is more particularly described as follows:

Beginning at an iron rod monument situated at the intersection of the Southerly line of Washington Street in the City of Urbana, Illinois, and the Northeasterly wayland line of the Norfolk and Western Railroad, as shown by plat recorded in Book "E" at page 25 in the office of the aforesaid County Recorder; thence South 89°19 1/2' East on a local bearing along said Southerly Street line, 325.94 feet to an iron rod monument situated at the intersection of said Southerly line of Washington Street and the West line of Washington Square First Subdivision; thence South 00°02 1/4' West, along said Subdivision West line 320.42 feet to an iron rod monument at the intersection of said West line of Washington Square Subdivision and aforesaid Northeasterly wayland line of the Norfolk and Western Railroad; thence North 46°44 1/2' West along said Northeasterly line, 75.67 feet to an iron rod monument, situated at a point of curvature; thence Northwesterly along said Northeasterly line, said line also being along a curve to the right, convex to the Southwest with a radius of 5,693.97 feet, a distance of 384.04 feet to the point of beginning, containing 1.229 acres, more or less, all situated within the City of Urbana, Champaign County, Illinois.

Except:

That portion of the above described property dedicated as right-of-way by Document Number 2015R16569 and recorded August 27, 2015 in the Office of the Recorder, Champaign County, Illinois, being described as follows:

A part of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third

Principal Meridian, Champaign County, Illinois, being more particularly described as follows:

Beginning at an iron rod monument situated at the intersection of the existing

southerly right-of-way line of Washington Street in the City of Urbana, Illinois, and

the northeasterly right-of-way line of the abandoned Norfolk and Western (formerly

Wabash) Railroad, as shown by plat recorded in Book "E" at page 25 in the Office of

the Champaign County Recorder; thence, SOUTH 89 DEGREES 19 MINUTES 30

SECONDS EAST, along said southerly line of Washington Street, 105.94 feet;

thence, SOUTH 59 DEGREES 42 MINUTES 00 SECONDS WEST, 100.00 feet;

thence, SOUTH, 64.12 feet, to the existing northeasterly right-of-way line of Philo

Road, said line also being the southwesterly right-of-way line of said abandoned

Norfolk and Western Railroad; thence, along said northeasterly right-of-way line of

Philo Road, along a curve to the right, having a radius of 5759.97 feet, a chord

bearing of NORTH 43 DEGREES 21 MINUTES 53 SECONDS WEST, a chord

length of 69.75 feet, for an arc length of 69.75 feet, to a point of compound

curvature; thence along a curve to the right, having a radius of 39.03 feet, a chord

bearing of NORTH 23 DEGREES 29 MINUTES 40 SECONDS EAST, a chord

length of 70.99 feet, for an arc length of 89.14 feet, to the point of beginning, having

an area of 0.156 acres (6799.490 square feet), more or less, all situated in the City of

Urbana, Champaign County, Illinois.

Permanent Index No.: 92-21-16-327-011

Section 2.

The Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute and

deliver a Real Estate Transfer Agreement, in substantially the form of the copy of the Real Estate

Transfer Agreement attached hereto and hereby incorporated by reference, and all other documents

required to be delivered in connection with the transaction contemplated herein, and the City Clerk

of the City of Urbana, Illinois, be and the same is hereby authorized to attest to the execution of the

documents, as so authorized and approved for and on behalf of the City of Urbana, Illinois.

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Section 3.

The Mayor of the City of Urbana, Illinois, or her designee, be and hereby is authorized to perform all acts necessary on behalf of the City of Urbana to effectuate the sale of the real estate.

Section 4.

This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

Section 5.

This Ordinance shall be in full force and effect from and after its passage.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of three-fourths of all the alderpersons then holding office and the Mayor (6 of 8 votes) of the City of Urbana, Illinois, at a meeting of the City Council.

PASSED BY THE CITY COUNCIL this day	ot,
AYES:	
NAYS:	
ABSTENTIONS:	
APPROVED BY THE MAYOR this day of	Charles A. Smyth, City Clerk

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT the Urbana City Council will conduct a public hearing at 7:00 p.m. on Monday, October 15, 2018, or as soon thereafter as the matter can be heard, in the City Council Chambers, located at 400 S. Vine Street, Urbana, Illinois, on the question of whether to approve a proposed sale by public auction of a parcel of real estate owned by the City, commonly known as 1301 E. Washington Street, Urbana, Illinois (PIN 92-21-16-327-011).

All interested persons are invited to attend the hearing and to express their opinions. Persons unable to attend may send written comments to Brandon Boys, Economic Development Manager, City of Urbana Community Development, 400 S. Vine St., Urbana, Illinois 61801. Questions may be directed to 217-384-2444.

Persons with disabilities needing services or accommodations for this hearing should contact the City of Urbana's Americans with Disabilities Act Coordinator at 217-384-2466 or TTY at 217-384-2360.

Dated: September 20, 2018 Brandon S. Boys, Economic Development Manager City of Urbana

REAL ESTATE TRANSFER AGREEMENT

This agreement is made between the undersigned buyer (the "Buyer"), and the City of Urbana, Illinois (the "Seller"), and is effective on the last date signed by a party hereto. The parties agree as follows:

- 1. **Premises**. The Seller shall sell, and the Buyer shall purchase, the real estate (the "Premises") located at 1301 East Washington Street, Urbana, Illinois 61802-4447, and having a permanent index number of 92-21-16-327-011. The legal description is attached as Exhibit A.
- 2. **Purchase price**. The purchase price is \$______, minus credits and prorations, and is due and payable in cash or by check at the closing.
- 3. **Condition of Premises**. Except as provided in section 8, the Buyer accepts the Premises in its "as-is" condition, and the Seller disclaims all warranties express or implied as to the condition of the Premises.
- 4. **Deeds**. The Seller shall convey the Premises to the Buyer by a good and sufficient Warranty Deed, subject only to those exceptions listed in section 5(B). At the time of closing of this transaction, the Buyer shall execute a Warranty Deed that conveys said Property back to the Seller. The Seller shall place this Warranty Deed in escrow with the Seller's Community Development Services Department ("Escrow Agent"). If the Buyer completes all demolition as required by section 12, the Escrow Agent shall deliver the Warranty Deed to the Buyer. If the Buyer does not complete all demolition as required by section 12, or as provided in any modification to this agreement, the Escrow Agent may record it in the Champaign County Office of the Recorder of Deeds.

5. Title.

- A. At the Seller's sole cost and within a reasonable time before closing, the Seller shall deliver to the Buyer a commitment for an ALTA title insurance policy, in the amount of the purchase price, issued by a title insurance company doing business in Champaign County, committing the company to issue a policy in the usual form insuring title to the Premises.
- B. At closing, the Seller shall provide good and merchantable title, subject only to general real estate taxes not due and payable at the time of closing, liens of special assessments, zoning laws and building ordinances, easements apparent or of record that do not underlie the improvements, and covenants, conditions, encumbrances, and restrictions of record that do not restrict reasonable use of the Premises. The Seller also shall execute and deliver to the Buyer any affidavit, statement, or other document normally required by the title insurance company as a condition for issuance of the title insurance policy provided for above.

- C. If title evidence discloses exceptions other than those permitted, the Buyer shall give written notice of such exceptions to the Seller within a reasonable time. The Seller will have a reasonable time to have such title exceptions removed, or, any such exception that may be removed by the payment of money may be cured by deduction from the purchase price at the time of closing. If the Seller is unable to cure such exception, the Buyer may terminate this agreement or take the title as it then is with the right to deduct from the purchase price liens or encumbrances of a definite or ascertainable amount upon giving the Seller notice of such election and tendering performance on the Buyer's part.
- 6. **Taxes and assessments**. The Premises is exempt from payment of real estate taxes in accordance with 35 ILCS 200/15-75, and, thus, there is no need for provision of real estate tax payment. The Seller represents to the Buyer that no bills for utilities or other taxes associated with the Buyer's possession and use of the Premises will be outstanding and not fully satisfied at the time of closing.
- 7. **Closing; possession**. The parties shall hold the closing no later than 30 days after the effective date of this agreement. The closing will take place at the Urbana City Building, 400 S. Vine Street, Urbana, Illinois, 61801, or at such other place as the parties may agree. The Seller shall deliver possession of the Premises to the Buyer concurrently with the closing of this transaction.
- 8. **Environmental disclosure**. The Seller has disclosed to the Buyer any and all information known to the Seller of any environmental condition that may affect the marketability or usability of the Premises. If the Buyer becomes aware of the existence of any environmental concern or violation of any environmental law or regulation not previously disclosed at any time prior to closing that affects either the value of the Premises or its use for a commercial or residential purpose, the Buyer may terminate this agreement by written notice to the Seller.
- 9. **Other disclosures**. The Premises will be used for redevelopment, and any buildings located thereon will be demolished. Therefore, the Buyer waives the Seller's compliance with all disclosures except as specified in this agreement.
- 10. **Entire agreement**. This agreement constitutes the entire agreement between the parties, supersedes all other agreements or understandings between them pertaining to the matter of this agreement, and may not be modified except by a writing signed by both parties. The attachment to this agreement is incorporated herein by this reference thereto.
- 11. **Notices**. Except where the terms of this agreement expressly provide otherwise, the parties shall give all notices required or permitted by this agreement in writing, addressed as set forth below, unless another address is provided in writing. Notices will be deemed given when personally delivered; deposited in the U.S. mail, postage prepaid, first class; or delivered to a commercial courier.

<u>Buyer</u> <u>Seller</u>

Economic Development Manager City of Urbana 400 S. Vine Street Urbana, Illinois 61801

- 12. **Demolition**. The commercial buildings located on the Premises are unsafe and dangerous, have unsafe equipment, and are unfit for human occupancy. The Buyer shall demolish all buildings and parking lots no later than 90 days after the closing of this transaction. During such time, the Seller shall not take enforcement action against the Buyer for any life and safety code violations on the Premises, unless the condition of the Premises so deteriorates that it becomes an imminent danger to the public. This section will survive the closing and will not merge with the deed.
- 13. **Survival of agreement**. All of the covenants, warranties, representations, and agreements contained in this agreement that were not performed at the time of the closing will survive such closing for one year and will not merge with the deed. A party that violates any such covenants, warranties, representations, or agreements shall indemnify and defend the other party against all claims, liability, or damage, including without limitation reasonable attorney's fees and costs, arising from such violation, and such obligation will not merge with the deed.

[Signature page follows]

The parties are signing this agreement on the dates indicated opposite their signatures.		
Dated	_	
Dated		
Dated		
	Dated	

Exhibit A Legal Description

Tract 1:

A part of the Northeast Quarter of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third Principal Meridian, the surveyed boundary of which is more particularly described as follows:

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Tract 2:

Tract "B" of Modern Research Industries Subdivision according to the plat thereof recorded on Document No. 604045 in Plat Book "M" at page 6 in the office of the Champaign County Recorder, situated in the Northeast Quarter of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third Principal Meridian, the survey boundary of which is more particularly described as follows:

Beginning at an iron rod monument situated at the intersection of the Southerly line of Washington Street in the City of Urbana, Illinois, and the

Exhibit A Page 1 of 2

Northeasterly wayland line of the Norfolk and Western Railroad, as shown by plat recorded in Book "E" at page 25 in the office of the aforesaid County Recorder; thence South 89°19 1/2' East on a local bearing along said Southerly Street line, 325.94 feet to an iron rod monument situated at the intersection of said Southerly line of Washington Street and the West line of Washington Square First Subdivision; thence South 00°02 1/4' West, along said Subdivision West line 320.42 feet to an iron rod monument at the intersection of said West line of Washing-ton Square Subdivision and aforesaid Northeasterly wayland line of the Norfolk and Western Railroad; thence North 46°44 1/2' West along said Northeasterly line, 75.67 feet to an iron rod monument, situated at a point of curvature: thence Northwesterly along said Northeasterly line, said line also being along a curve to the right, convex to the Southwest with a radius of 5,693.97 feet, a distance of 384.04 feet to the point of beginning, containing 1.229 acres, more or less, all situated within the City of Urbana, Champaign County, Illinois.

Except:

That portion of the above described property dedicated as right-of-way by Document Number 2015R16569 and recorded August 27, 2015 in the Office of the Recorder, Champaign County, Illinois, being described as follows:

A part of the Southwest Quarter of Section 16, Township 19 North, Range 9 East of the Third Principal Meridian, Champaign County, Illinois, being more particularly described as follows:

Beginning at an iron rod monument situated at the intersection of the existing southerly right-of-way line of Washington Street in the City of Urbana, Illinois, and the northeasterly right-of-way line of the abandoned Norfolk and Western (formerly Wabash) Railroad, as shown by plat recorded in Book "E" at page 25 in the Office of the Champaign County Recorder; thence, South 89 degrees 19 minutes 30 seconds East, along said southerly line of Washington Street, 105.94 feet; thence, South 59 degrees 42 minutes 00 seconds West, 100.00 feet; thence, South, 64.12 feet, to the existing northeasterly right-of-way line of Philo Road, said line also being the southwesterly right-of-way line of said abandoned Norfolk and Western Railroad; thence, along said northeasterly right-of-way line of Philo Road, along a curve to the right, having a radius of 5759.97 feet, a chord bearing of North 43 degrees 21 minutes 53 seconds West, a chord length of 69.75 feet, for an arc length of 69.75 feet, to a point of compound curvature; thence along a curve to the right, having a radius of 39.03 feet, a chord bearing of North 23 degrees 29 minutes 40 seconds East, a chord length of 70.99 feet, for an arc length of 89.14 feet, to the point of beginning, having an area of 0.156 acres (6799.490 square feet), more or less, all situated in the City of Urbana, Champaign County, Illinois.

Exhibit A Page 2 of 2

Exhibit B: Property Location Map -1301 E Washington St

