



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 24-407

Meeting Date: 11/19/2024

TITLE:

APPROVE THE ACQUISITION OF REAL PROPERTY LOCATED AT 778 SHALIMAR DRIVE, COSTA MESA, CA 92627 FOR EVALUATION OF COMMUNITY SERVING PUBLIC USES

DEPARTMENT: CITY MANAGER'S OFFICE, ADMINISTRATION

PRESENTED BY: CECILIA GALLARDO-DALY, ASSISTANT CITY MANAGER

CONTACT INFORMATION: SERGIO ESCOBAR, MANAGEMENT ANALYST (714) 754-5156

RECOMMENDATION:

Staff recommends the City Council:

1. Determine the acquisition of the property is exempt from analysis under the California Environmental Quality Act (CEQA).
2. Approve the acquisition of real property located at 778 Shalimar Drive, Costa Mesa, CA 92627 for evaluation of community serving public uses.
3. Authorize the release of all contingency items related to the Real Estate Purchase Agreement, including appraisal and inspections.
4. Authorize a budget appropriation in the amount of \$1.5 million from audited General Fund Unassigned Fund Balances for the acquisition of 778 Shalimar Drive, Costa Mesa, CA 92627.
5. Authorize the City Manager and City Clerk to execute any and all real estate purchase documents, disclosures, escrow paperwork and future authorized changes and amendments necessary.

BACKGROUND:

The residential real property (Property) located at 778 Shalimar Drive, Costa Mesa, CA 92627, Assessor Parcel Number (APN) 424-051-23 was listed for sale on May 23, 2024 at a listing price of \$1,850,000. The 6,970 square-foot property includes a 3,390 square-foot, four-unit residential structure, with each unit having two bedrooms with one bathroom. Currently, three of the four units are occupied, with one unit vacant.

The property is adjacent to Shalimar Park, which is located in the Westside neighborhood of Costa Mesa along Shalimar Drive between Wallace Avenue and Placentia Avenue. The park was dedicated in January 1999, and despite its relatively small size, less than half-acre, the current park includes a playground featuring elements for young children, trees, seating area and benches.

The park is situated in an open space deficient community, between two apartment complexes (one being the subject property for sale) and is an essential part of the community in serving the nearby underserved residents with recreational amenities. The City secured state grant funding through State Senator Dave Min for various parks projects, of which \$1.0 million was allocated for Shalimar Park and is currently underway.

In June 2024, City staff identified the potential land acquisition of the residential real property at 778 Shalimar Drive that could potentially expand the Shalimar Park footprint to include a Community Center and/or expand the park to provide additional amenities and/or provide additional affordable housing. The City's Real Estate consultant, Carlo Achdjian, contacted the seller to express the City's interest in the property. The property owner was amenable to negotiating with the City. The City's consultant has been in subsequent discussions with the seller for the potential acquisition of the property. City staff conducted a site visit of the property and visited three tenant-occupied units in June 2024. Staff observed that the property was in dilapidated condition.

The subject property presents the City a unique opportunity to potentially expand open space and recreational amenities, develop a community center, and/or improve affordable housing opportunities as a part of a broader effort to improve the quality of life residents of the Shalimar neighborhood. For these reasons, Staff presented this land acquisition opportunity for City Council consideration. The City Council authorized a letter of interest to be submitted to the seller in July 2024 to begin negotiations.

Exhibit 1 - Shalimar Park



On August 6, 2024, the City Council authorized Staff to begin negotiating the Price and Terms of Payment for the property. At the direction of the City Council, the City Real Estate Consultant and City Attorney prepared a draft Real Property Purchase Agreement.

On November 12, 2024, the Planning Commission adopted Resolution PC 2024-26 finding that the proposed acquisition of real property at 778 Shalimar Drive is in conformance with the City of Costa Mesa General Plan and is not subject to the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061 (b)(3).

ANALYSIS:

The acquisition of the property located at 778 Shalimar Drive presents the City with a unique opportunity to expand community serving uses in a park deficient community, while also safeguarding the interests of nearby residents. Preliminary options, subject to further assessment, include expanding the current footprint of Shalimar Park by adding recreational and sports amenities, proposed construction of a community center, and/or enhancing the affordable housing opportunities at the site, or a combination thereof.

Exhibit 2 - 778 Shalimar Drive



Location Map



Street View

Property Facts

- Location: 778 Shalimar Drive
 - Adjacent to Shalimar Park
- Year Built: 1961
- Property Type: Multi-Family
- Size:
 - Lot: 6,970 S.F.
 - Building: 3,390 S.F.
 - Number of units: Four
- Occupancy
 - Three occupied units and one vacant unit
 - Number of tenants - 19

Existing Property Conditions

On June 27, 2024, City staff conducted a site visit with the City’s Real Estate Consultant and the property owner. Out of the four units, staff was provided access to three tenant occupied units and were informed that one unit had been recently remodeled; however, no access was provided to the vacant unit. During the visit, Staff observed that the units and overall property, are in poor condition and in dire need of substantial rehabilitation.

Currently, three of the four units are tenant occupied with one (remodeled) vacant unit. The total building occupancy is approximately 19 occupants.

Of the units visited, staff observed that substantial work would be required to bring the property to code compliance and make the units habitable given the building conditions. City staff determined that should the City acquire the property, the four-unit structure should be demolished and unoccupied while the consideration of the property's future is determined. The City is currently undertaking the renovation of nearby City-owned and vacant housing units that could offer a replacement housing for the current residents.

Real Property Purchase Agreement

The proposed Real Property Purchase Agreement, includes the following key provisions:

- The total purchase price for the property at \$1,725,000;
- The City shall deposit \$100,000 for escrow within 30 days of approval of the Real Property Purchase Agreement;
- Escrow opening upon execution, and in accordance, of the Real Property Purchase Agreement;
- Due diligence required including property inspection and environmental assessment of any hazardous conditions of the property, i.e., lead, asbestos, soil contamination, etc.
- Escrow shall be open for a period of 180 days following the execution of the Real Property Purchase Agreement to allow for tenant relocation.

Tenant Relocation Plan

The City entered into a Professional Service Agreement with Monument Inc. (Monument), to provide support services in connection with the relocation of the tenants at 778 Shalimar Drive pursuant to Federal and State law. Monument specializes in providing professional real estate and right-of-way services with knowledge of public sector requirements. Monument possesses the expertise and sensitivity to work effectively with a broad range of stakeholders and operates in conformance with all State and Federal laws including California Government Code, Section 7260, et seq, Title 25, the Uniform Relocation Assistance and Real Property Acquisition Policies Act, 49 CFR Part 24, and within the applicable guidelines of the Caltrans Right of Way Manual and the Caltrans Local Assistance Procedures Manual.

Monument will assist the City by interviewing occupants of impacted units, prepare a relocation plan, draft relocation notices and meet with all tenants to present their relocation benefits, help tenants identify replacement units and prepare claims on their behalf, as required by the State relocation law.

In preparation of a relocation plan, Monument will conduct the following activities:

- Interview occupants to obtain needed tenant demographic information. The interview requests household information, including the number of persons, ages, gender, income information, distance to employment, medical and other special needs assessments, as well as over-crowding.
- Research the rental market for available replacement locations within the immediate community and surrounding areas.
- Ensure the potential eligibility calculation amounts for the determined placement of tenants into comparable units.

- Coordinate mandatory 30-Day Relocation Plan review and finalize the Plan upon receipt of Public Comments.
- Present a draft Relocation Plan to the City Council for review and approval.

The Relocation Plan process is anticipated to take three months. Upon completion of the 30-Day Plan review, the Relocation Plan will be brought to the City Council for approval.

Tenant Relocation Process

While this is an exciting opportunity for the Shalimar neighborhood, it does impact the current tenants at this property. As part of this project, the City will be working closely with tenants to ensure that the transition is handled smoothly, with sensitivity and care. Residents living on the property will have the opportunity to relocate to City-owned affordable housing units in the immediate vicinity, preventing the displacement of tenants wishing to continue to be a part of the Shalimar neighborhood. This will also ensure there is no disruption to families with children attending local schools.

During the relocation process, Monument will conduct the following activities:

- Conduct personal, on-site interviews of existing tenants to ascertain relocation needs and special requirements.
- Inform tenants of relocation process, services and benefits.
- Prepare and distribute General Information Notices, Notices of Eligibility, 90-Day Notices to Vacate, and other notices, as required.
- Assist tenants in locating to replacement sites and provide written referrals.
- Provide on-going advisory assistance to tenants, including lists of qualified movers, if needed.
- Coordinate and conduct the inspection to the replacement site.
- Monitor the actual move to the replacement site, as necessary.
- Prepare all benefit claim forms and submit to the City for processing and payment.
- Deliver benefit checks and other appropriate payments to claimants.

The Relocation Process is anticipated to take three months. Tenants are eligible for moving expenses and a rent differential based on fair market value, if they move into a property with higher rent than the subject property. Altogether, the relocation preparation and process is anticipated to be six months, coinciding with the six-month escrow period.

Potential Uses

The City intends to evaluate the use of the property for a variety of community serving uses including the creation of a community center, expansion of Shalimar Park and/or enhanced affordable housing, among other possible community uses. All of these uses are currently allowed under existing zoning and General Plan Land Use designations.

Zoning District

The property is in the R-3 Multiple-Family Residential District. This district is intended to promote the development of multi-family rental as well as ownership dwelling units. The required minimum lot size is 12,000 square feet. The maximum density allowed is 2,178 square feet per dwelling unit, which equals 20 dwelling units per gross acre.

The City's Land Use Matrix permits "parks and playgrounds" in the R3 Zoning District subject to the approval of a Conditional Use Permit (CUP).

General Plan Land Use Designation

HDR-High Density Residential. Areas designated as High-Density Residential are intended for residential development with a density of up to 20 units to the acre.

General Plan Conformance (Government Code Section 65402)

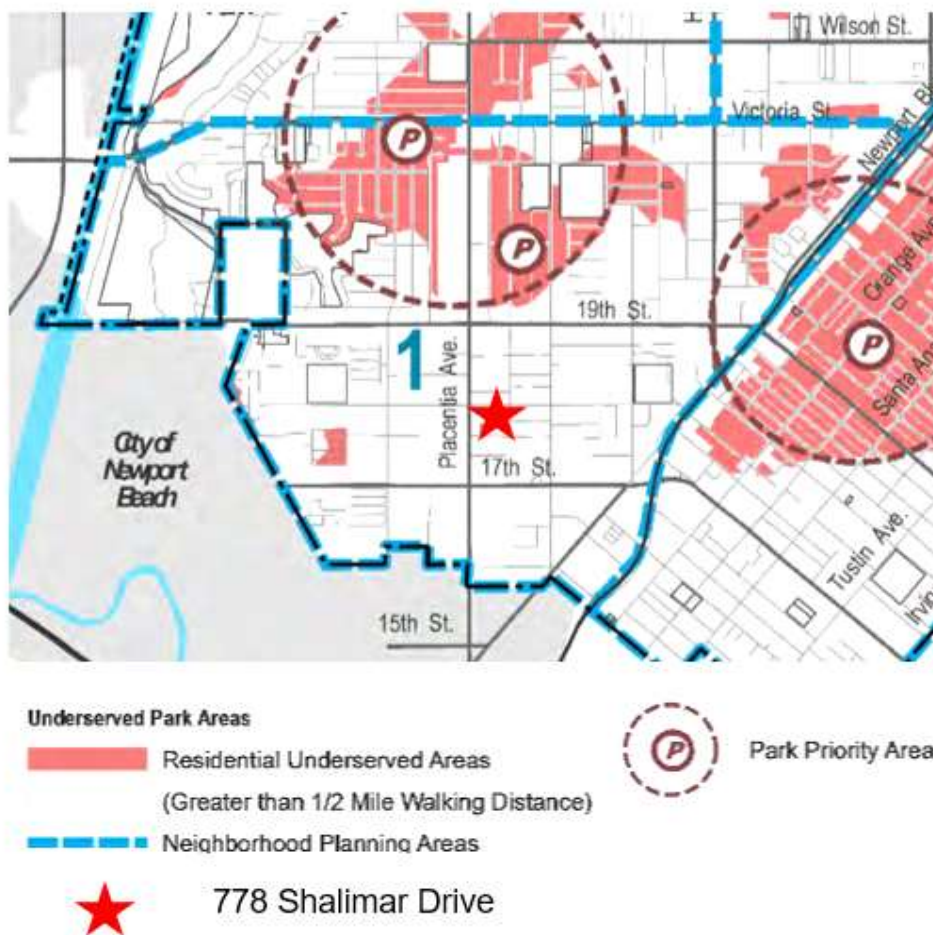
Pursuant to Government Code Section 65402(a), if a general plan or part thereof has been adopted, no real property shall be acquired by dedication or otherwise for street, square, park or other public purposes, and no real property shall be disposed of, no street shall be vacated or abandoned, and no public building or structure shall be constructed or authorized, if the adopted general plan or part thereof applies thereto, until the location, purpose and extent of such acquisition or disposition, such street vacation or abandonment, or such public building or structure have been submitted to and reported upon by the planning agency as to conformity with said adopted general plan or part thereof.

On November 12, 2024, Pursuant to State Government Code Section 65402, the Planning Commission made a finding of General Plan conformity as discussed below:

1. Project conformance with General Plan in regard to "location"

A potential park expansion would be located in the R3 zoning District which permits parks subject to the approval of a CUP. The adjacent neighborhood is established with multi-family residences that would be served by this park expansion. The City's General Plan Open Space and Recreation Element identifies the subject property in "Planning Area 1" in regard to "underserved park areas" (the subject property location is shown as a red star in Exhibit 2 below). Although not considered a residential underserved park area specifically, the site is located in close proximity to a "residential underserved [park] area" located to the north which also includes two "park priority areas". In addition, the General Plan identifies Planning Area 1 as "the most densely populated and highly developed area in the City, which leaves very limited opportunities for sites to fulfill parkland deficiency".

**Exhibit 3 - Figure OSR-3: Planning Area and Underserved Park Areas
(Planning Area 1)**



2. Project conformance with General Plan in regard to “purpose”

The purpose of the property acquisition and potential demolition of the existing residential units and development of a Community Center and expansion of the neighborhood park would be to provide park and/or other public-serving amenities for the surrounding neighborhood and community.

Creating additional park land would be consistent with the following [Open Space and Recreation Element](#) <

<https://www.costamesaca.gov/home/showpublisheddocument/34706/636740022584770000>> goal, objective, and policies:

- Goal OSR-1: Balanced and Accessible System of Parks and Open Spaces Provide a high-quality environment through the development of recreation resources and preservation of open space that meets community needs in Costa Mesa.
- Objective OSR-1A: Maintain and preserve existing parks, and strive to provide additional parks, public spaces, and recreation facilities that meet the community’s evolving needs.

- Policy OSR-1.3: Pursue the acquisition and development of pocket and neighborhood parks within park-deficient areas, as identified in Figure OSR-3: Planning Areas and Underserved Park Areas. Prioritize the acquisition of land for parks in underserved neighborhoods.
- Policy OSR-1.4: Pursue the acquisition and development of pocket and neighborhood parks within park-deficient areas, as identified in Figure OSR-3: Planning Areas and Underserved Park Areas. Prioritize the acquisition of land for parks in underserved neighborhoods.
- Policy OSR-1.8: Require that parks and recreation facilities reflect new trends and population changes, and are developed with facilities appropriate to all ages, including athletic fields, active play areas, passive open space, tot lots, and picnic areas.
- Policy OSR-1.18: Provide a minimum of 4.26 acres of parkland per 1,000 residents.

3. Project conformance with General Plan in regard to “extent”

The proposed property purchase and creation of a Community Center through an expansion of the park and/or other public serving amenities at this location would convert a private property for public use of approximately 6,500 square feet of additional park space for the community and would essentially double the size of an adjacent established neighborhood park. As indicated above under “purpose”, there are several General Plan policies that recognize the importance of park and recreational space for the community and therefore the addition of park space in an area that is known as deficient of park and recreational space would be consistent with the General Plan in regard to extent.

This land acquisition is in alignment with the City Council’s Strategic Plan objective to identify strategies to increase park access with a focus on the Westside of Costa Mesa. As previously mentioned, Shalimar Park is 6,900 square feet, and an expansion of this park is desirable as the proposed design is limited due to space constraints. The expansion of the park, through the acquisition would provide an opportunity to nearly double Shalimar Park’s footprint and eventually build a Community Center to further meet community needs.

California Environmental Quality Act (CEQA) Compliance

There is no specific categorical or statutory exemption for the development of a neighborhood public park. However, CEQA Guidelines Section 15301 (Existing Facilities) subsection “I” categorically exempts the review of projects that proposes the “demolition and removal of small structures listed”, including the demolition of “a duplex or similar multifamily residential structure. In urbanized areas, this exemption applies to duplexes and similar structures where not more than six dwelling units will be demolished”. “Urbanized area” (per CEQA) is defined as a central city or a group of contiguous cities with a population of 50,000 or more, together with adjacent densely populated areas having a population density of at least 1,000 persons per square mile.

In addition, CEQA Guidelines Section 15332, Class 32 exemption pertains to projects characterized as in-fill development meeting the conditions described below:

- a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations;
- b) The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses;

- c) The project site has no value, as habitat for endangered, rare or threatened species;
- d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality; and
- e) The site can be adequately served by all required utilities and public services.

In summary, the CEQA Guidelines allows an exemption for the purchase and demolition of the existing units pursuant to Section 15301 (up to six dwelling units can be demolished) and the expansion of the pocket park pursuant to Section 15332 (the project complies with sections a-e above in that the development of the park is consistent with the GP and applicable GP policies and Zoning, the park is proposed in an urban area, there is no environmental issues such as high value habitat or endangered species, the park is not anticipated to create abnormal conditions related to traffic, noise, air quality, or water quality, and the site is currently adequately served by utilities and public services).

ALTERNATIVES:

The City Council may choose not to move forward with the acquisition of 778 Shalimar Drive; however, this property is unique as it is adjacent to Shalimar Park and would allow for the immediate expansion of its existing footprint contributing to the health, safety, and well-being of the Shalimar community.

FISCAL REVIEW:

The Fiscal Year 2024-25 budget includes the Westside Park Development Project funded in Park Development Fund 208 totaling \$250,000. The additional \$1.5 million can be allocated from General Fund Balances (Attachment 5) currently totaling \$59.0 million across multiple categories. Specifically, the General Fund unassigned fund balance category is recommended for this one-time expenditure.

LEGAL REVIEW:

The City Attorney's Office has reviewed the staff report and approves as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Maintain and Enhance the City's Facilities, Equipment and Technology
- Strengthen the Public's Safety and Improve the Quality of Life

CONCLUSION:

This land acquisition aligns with the City Council's Strategic Plan objective of improving the quality of life of Costa Mesa residents, particularly on the Westside of Costa Mesa. As noted earlier, acquiring this land would nearly double Shalimar Park's footprint, creating a valuable opportunity to expand community services and amenities. For this reason, Staff recommends that the City Council:

1. Determine the acquisition of the property is exempt from analysis under the California Environmental Quality Act (CEQA).

2. Approve the acquisition of real property located at 778 Shalimar Drive, Costa Mesa, CA 92627 for evaluation of community serving public uses.
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