



# COUNTY OF HUMBOLDT

For the meeting of: 10/6/2020

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File #: 20-1256

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**To:** Board of Supervisors

**From:** Public Works

**Agenda Section:** Public Hearing

**SUBJECT:**

Acquisition of Assessor Parcel Number 501-241-005 and 404-141-002 for the Humboldt Bay Trail South Project

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Open the public hearing;
2. Receive the staff report and comments from the public;
3. Close the public hearing;
4. Find that Notice of Intention to Purchase Real Property was given pursuant to Government Code section 25350;
5. Approve the purchase of real property designated with Assessor Parcel No. 501-241-005 and Assessor Parcel No. 404-141-002 (“the Subject Property”) to provide right-of-way for the Humboldt Bay Trail South Project;
6. Direct that future lease revenue associated with the Subject Property be dedicated for maintenance of the Humboldt Bay Trail and project development to expand regional trails;
7. Approve, and authorize the Public Works Director to sign, the attached Purchase and Sale Agreement (and revisions or amendments with non-substantial changes);
8. Appoint the Public Works Director, or the Deputy-Director for Environmental Services, to negotiate and execute documents reasonably necessary to complete the property acquisition; and
9. Authorize the attached budget adjustment for 1710715 (Bicycles & Trailways Program) for fiscal year (FY) 2020-21.

**SOURCE OF FUNDING:**

Forest Resources and Recreation Fund (1710)

**DISCUSSION:**

Humboldt County is implementing the Humboldt Bay Trail South Project (“Project”) which would expand the Humboldt Bay Trail by four and one-quarter (4.25) miles and complete the trail connection between Eureka and Arcata. The Project would result in a continuous, non-motorized trail from central

Arcata to the southern end of Eureka, for a total length of nearly fourteen (14) miles. Completion of the link between the two largest cities in Humboldt County would provide a major step toward regional trail connectivity around Humboldt Bay.

On July 31, 2018, the Humboldt County Board of Supervisors adopted the Initial Study and Mitigated Negative Declaration of environmental impacts for the Project in conformance with the California Environmental Quality Act. The sixty percent (60%) design plans and Project Description Report are posted on the Project website (<https://humboldt.gov/1923/Humboldt-Bay-Trail>). The current goal is to obtain permits and complete right-of-way acquisition by the middle of 2021 to allow construction to begin in Summer or Fall 2021.

With this agenda item, Public Works recommends that the Board approve the purchase of real property designated with Assessor Parcel No. 501-241-005 and Assessor Parcel No. 404-141-002 (“the Subject Property”) to provide right-of-way for the Project. The grant deed is contained in Attachment 1. The Purchase and Sale Agreement is contained in Attachment 2. The Subject Property consists of two (2) parcels which are necessary for construction of the Project. The parcels are situated along the shoreline of Humboldt Bay between the Brainard mill site and Bracut Industrial Park and encompass portions of the railroad and adjacent intertidal areas. The ordinary high water mark of Humboldt Bay establishes the northern property boundary.

The North Coast Railroad Authority (“NCRA”) holds an easement over the Subject Property for railroad purposes. Outdoor Media owns and operates three (3) sign structures (billboards) on the Subject Property pursuant to lease agreements with the property owners. The lease agreements extend through Aug. 1, 2043, and do not contain clauses for early termination. If the Subject Property is acquired, Humboldt County would become the lessor for the lease agreements and would receive lease income from Outdoor Media. The Project would be designed to bypass one of the billboards which is constructed in the embankment of the railroad.

Public Works retained GHD, Inc. to perform soil and groundwater sampling along the Highway 101 and railroad corridor within the vicinity of the Project to screen for the potential presence of chemical constituents of concern. As described in GHD’s Corridor Sampling Report (August 2020), GHD collected soil samples at three locations on the Subject Property. Soil samples contained detectable concentrations of total petroleum hydrocarbons, metals, and dioxins/furans at levels below applicable health screening levels and hazardous waste criteria. None of the soil samples reported detectable concentrations of organochlorine pesticides, herbicides, or semivolatile organic compounds. Public Works will prepare a Soil and Groundwater Management Plan prior to construction to ensure soil and groundwater are handled and disposed of in accordance with current regulations.

Public Works retained Bender Rosenthal Incorporated (“BRI”) to develop an opinion of Fair Market Value of the Subject Property. BRI’s Appraisal Report (Nov. 7, 2019) is contained in Attachment 3. The Appraisal Report specifies that the “Date of Value” is Aug. 28, 2019. The Appraisal Report was prepared in conformance with the Uniform Standards of Professional Appraisal Practice, the Standards of Professional Practice of the Appraisal Institute, and applicable California laws and regulations. At the time of the appraisal, a total of four (4) billboards were situated on the Subject Property. BRI

determined that the most appropriate appraisal method for determining Fair Market Value was the Income Approach, which looks at the revenue streams associated with a property and estimates the present value of the property by dividing the annual net income by a capitalization rate. The capitalization rate is a ratio used in commercial real estate to evaluate a property investment. The capitalization rate is intended to encapsulate market conditions and the risks associated with future income.

In the Appraisal Report, BRI noted that capitalization rates are in the five percent (5%) to eight percent (8%) range and concluded that a capitalization rate of six percent (6%) is reasonable given the lack of management and operating costs associated with the income stream from the billboard leases. Dividing the annual net income of Thirty-Two Thousand Nine Hundred Eighty-Three Dollars (\$32,983) by the concluded capitalization rate of six percent (6%) yielded a present value of Five Hundred Forty-Nine Thousand Seven Hundred Seventeen Dollars (\$549,717), rounded to Five Hundred Fifty Thousand Dollars (\$550,000). The purchase price in the Purchase and Sale Agreement was adjusted from the findings in the Appraisal Report to account for three (3) factors. One of the billboards was damaged during a wind storm in Nov. 2019 and the structure was subsequently removed. Therefore, the lease income from this billboard was removed from the valuation. Second, the valuation was adjusted to account for an anticipated increase in the lease rate of the one of the billboards to an amount comparable to the other two (2) remaining billboards. Third, the capitalization rate was adjusted from six percent (6%) to five percent (5%) to account for current market conditions. Dividing the adjusted annual net income of Thirty Thousand Dollars (\$30,000) by the adjusted capitalization rate of five percent (5%) yields a present value of Six Hundred Thousand Dollars (\$600,000).

Public Works recommends that the Board direct future lease revenue associated with the Subject Property to be dedicated for maintenance of the Humboldt Bay Trail and project development to expand regional trails. Directing the use of the lease revenue for this purpose is appropriate because state transportation funds will be used to acquire the Subject Property.

Public notice of the Humboldt County Board of Supervisors' intention to consider approving the acquisition of the Subject Property was given pursuant to Government Code section 25350 by publishing the Notice of Intention to Purchase Real Property in the Eureka Times-Standard on Aug. 9, Aug. 16, and Aug. 23, 2020 (Attachment 4).

The Humboldt Bay Trail is a network of multi-use trails (also known as shared-use paths) providing non-motorized access for transportation and recreational use throughout the Humboldt Bay region. The Humboldt Bay Trail will connect Eureka and Arcata with multi-modal transportation facilities and connect people to the bay by enabling people of all ages and abilities to access and experience the bay's resources directly. In addition to serving the region's transportation needs, the Humboldt Bay Trail will achieve a critical link in the California Coastal Trail and support NRCA in fulfilling the mandate of Senate Bill SB 1029 to use NCRA property and right-of-way to create the Great Redwood Trail.

#### FINANCIAL IMPACT:

The California Transportation Commission has allocated Two Million Dollars (\$2,000,000) for the right-of-way phase and Thirteen Million Three Hundred Thousand Dollars (\$13,300,000) for the construction phase of the Project. The California Department of Transportation, District 1 (Caltrans) has committed additional funding of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) and the State Coastal Conservancy has committed additional funding of Two Million dollars (\$2,000,000) for construction. Funds to acquire the Subject Property are incorporated into the approved FY 2020-21 budget for 1710715 (Bicycles & Trailways Program). A budget adjustment is provided in Attachment 5. Acquisition of the Subject Property would not affect the county's General Fund. The Subject Property would generate approximately Thirty Thousand Dollars (\$30,000) per year in lease revenue, which would help offset the expenses of maintaining the Project and expanding the regional trail network.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by providing for and maintaining infrastructure and creating opportunities for improved safety and health.

OTHER AGENCY INVOLVEMENT:

California Transportation Commission, Caltrans, State Coastal Conservancy, NCRA

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to approve the proposed acquisition of the Subject Property. This alternative is not recommended because it would result in incomplete right-of-way that would preclude completion of the Humboldt Bay Trail South Project.

The Board could choose to pursue eminent domain action. Eminent domain is the power of a public agency to purchase private property for a public use with payment of just compensation to the property owner. The determination of just compensation would be determined through an appraisal process very similar to what has already been conducted. This alternative is not recommended because the owners of the Subject Property have willingly agreed to the attached Purchase and Sale Agreement, and the "just compensation" determined through an eminent domain process is likely to be comparable to the purchase price in the Purchase and Sale Agreement.

ATTACHMENTS:

- 1 Grant Deed
- 2 Purchase and Sale Agreement
- 3 Appraisal Report (Nov. 7, 2019)
- 4 Affidavit of Public Notice
- 5 Budget-Adjustment-Humboldt Bay Trail

PREVIOUS ACTION/REFERRAL:

Board Order No.: F-1  
Meeting of: July 31, 2018  
File No.: N/A