



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 12, 2018

ITEM NO: 11

SUBJECT: PURCHASE AND SALE AGREEMENT WITH RIYOKO WYLIE, TRUSTEE OF THE RIKA-RIYOKO TRUST, FOR THE ACQUISITION OF 1.38 ACRES OF LAND LOCATED AT 1395 CHICAGO AVENUE, ASSESSOR PARCEL NUMBER 210-060-033, FOR A TOTAL COST OF \$630,000 FOR THE HUNTER SUBSTATION REBUILD PROJECT AND FUTURE WATER FACILITY – APPROVE WORK ORDER NO. 1816795 FOR \$587,000 FOR ELECTRIC DIVISION AND WORK ORDER NO. 1817967 FOR \$43,000 FOR THE WATER DIVISION

ISSUES:

Recommend that the City Council approve a Purchase and Sale Agreement with Riyoko Wylie, Trustee of the Rika-Riyoko Trust, for the acquisition of 1.38 acres of land located at 1395 Chicago Avenue, identified as Assessor Parcel Number 210-060-033, for a total cost of \$630,000 for the Hunter Substation Rebuild Project and future water facility; and approve Work Order No. 1816795 in the amount of \$587,000 for the Electric Division and Work Order No. 1817967 in the amount of \$43,000 for the Water Division share of the land.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Recommend that the City Council approve a Purchase and Sale Agreement with Riyoko Wylie, Trustee of the Rika-Riyoko Trust, for the acquisition of 1.38 acres of land located at 1395 Chicago Avenue, APN 210-060-033, for the sale price of \$615,000 for the Hunter Substation Rebuild Project and future water facility, and estimated costs for Phase I Environmental Site Assessment Report, title, escrow, and miscellaneous closing costs not to exceed \$15,000, for a total of \$630,000;
2. Recommend that the City Council authorize the City Manager, or his designee, to execute the Purchase and Sale Agreement with Riyoko Wylie, Trustee of the Rika-Riyoko Trust, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction; and
3. Approve Work Order No. 1816795 in the amount of \$587,000 for the Electric Division share of the land and Work Order No. 1817967 in the amount of \$43,000 for the Water Division portion of the property for a well site consisting of 4,000 square feet

BACKGROUND:

Hunter Substation is located at 1731 Marlborough Avenue and serves approximately 4,700 customers comprised of residents and businesses within the Hunter Industrial Park and Northside community's north of the 215/60/91 Freeway interchange. Hunter Substation was commissioned in 1960 and is one of the oldest substations in the Riverside Public Utilities (RPU) electric system.

Hunter Substation is in dire need of replacement to meet RPU's goal to ensure reliable electrical service. The average age of the substation equipment is over 40 years old and beyond its useful life. In addition, a seismic study conducted in April 2013 found the majority of the 69kV bus structures beyond rehabilitation, recommending equipment replacement and a seismic upgrade. This seismic rehabilitation work was identified as a high priority infrastructure project in the 2017 Local Hazard Mitigation Plan for the City of Riverside and for Riverside County. The substation 69kV bus configuration has a segmented design with limited switching options that translates into a poor reliability factor. The combination of the aging equipment along with the deteriorated 69kV bus structures and configuration poses electrical reliability and safety risks.

In addition, the electrical capacity of Hunter Substation is near its maximum design capacity at 70 megawatts. The 10-year load forecast in this area is projected to add 20-25 megawatts. Hunter Substation does not have the electrical capacity or physical space to serve the forecasted load. Transferring electrical loads to nearby substations is not possible due to the limited capacity of adjacent substations; therefore, demolishing Hunter Substation to alleviate space for construction of a new substation is not a viable option.

Electrical engineering staff determined that a replacement substation should be constructed on a new site. The new substation project timeline is planned as follows: 1) Request for Proposals and procurement process by 2019; 2) award contract by end of 2019; and 3) complete construction by 2023.

DISCUSSION:

Electrical engineering staff researched possible sites for the construction of a replacement for Hunter Substation and identified the subject property at 1395 Chicago Avenue (Property) as an ideal location. The property is set-back approximately 160 feet from Chicago Avenue. The 1.38 acre property is bordered on the east by Hunter Substation and on the west by the Riverside Water Company Canal. Improvements on the property include a tenant-occupied 824 square foot single family residence built in 1938, single car detached garage, chain link fencing, and miscellaneous landscaping.

Due to close proximity to the Riverside Water Company Canal, electrical engineering staff coordinated with water engineering staff to determine if a portion of the proposed site would be needed to support water system operations. Water engineering staff determined that a 4,000 square feet portion of the property is needed for a future water facility. A prorated share of the property sales price in the amount of \$43,000 is allocated to the Water Utility.

The proposed transaction is listed for \$599,000 by Julie Perkins of Century Gold 21. The Real Property Services Division ordered an independent third party appraisal and supported the appraiser's conclusion that the fair market value of the Property is \$615,000. The Rika-Riyoko Trust previously accepted two written offers in the amounts of \$630,000 and \$640,000. While the two sales did not consummate, there remains private interest in developing the property. A negotiated agreement for the fair market value is an ideal solution for the Hunter Substation Rebuild Project. The property's proximity adjacent to Hunter Substation, as well as, the opportunity to include a water facility from the adjacent Riverside Canal is ideal and eliminates the need to identify another site. The agreement requires the City to put down a refundable \$15,000 deposit and a 60-day escrow period subject to the Rika-Riyoko Trust delivering the Property vacant. The Rika-Riyoko Trust shall be responsible for any real estate commissions due to Julie Perkins of Century Gold 21.

Upon completion of the new Hunter substation on the land to be purchased, the existing above grade structures will be demolished. The existing underground structures which include vaults and circuit getaways will remain. The vacated land will be used as laydown and staging for substation electrical equipment in support of on-going Capital Improvement Projects and operations.

The following is an aerial map and Property details.



Property Details

Ownership: Rika-Riyoko Trust
Address: 1395 Chicago Avenue
APN: 210-060-033
Size: 1.38 acres
Current Use: Residential
Zoning: Industrial
Specific Plan: Hunter Business Park

FISCAL IMPACT:

The total fiscal impact is \$630,000. Sufficient funds are available in Public Utilities' Electrical Capital Account No. 6130000-470632 in the amount of \$587,000 and Public Utilities' Water Capital Account No. 6230000-470805 in the amount of \$43,000.

Prepared by: George R. Hanson, Utilities Assistant General Manager/Energy Delivery
Approved by: Todd Jorgenson, Interim Utilities General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

Attachments:

1. Presentation
2. 17-1723 Rika-Riyoko Trust Purchase and Sale Agreement
3. Site Plat and Description

Project Site Map

