



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** December 11, 2007

**TO:** Finance Committee

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Review Of Options Related To Possible Sale Or Land-Banking Of The City Property Known As 319 West Haley Street

### RECOMMENDATION:

That the Finance Committee receive a report concerning the possible options related to sale or land-banking of the City property commonly known as 319 West Haley Street, Santa Barbara County Assessor's Parcel No. 037-192-012, and provide a recommendation for consideration by Council.

### DISCUSSION:

On June 19, 2007, Council received a report by staff seeking approval to initiate steps for disposal of City-owned property (Property) at 319 West Haley Street (Attachment 1). At that meeting, Council expressed its desire to retain ownership of the Property in the event it may be needed for other potential public uses in the future. Consequently, Council deferred action to allow staff to obtain additional information for subsequent review and recommendation by the Finance Committee. As directed by Council, this report provides information to the Finance Committee and solicits its recommendation for consideration by Council.

The Property was acquired pursuant to a Purchase and Sale Agreement and Joint Escrow Instructions (Agreement No. 15,451) with Richard and Devon Godkin, approved on May 22, 1990. The Property was acquired in case any portion would be needed for a project then planned by Santa Barbara County Association of Governments (SBCAG) for alteration of the Haley and Castillo Street interchange at Highway 101. SBCAG later removed this project from its list, and there is no future project planned by SBCAG at this location.

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REVIEWED BY: \_\_\_\_\_Finance \_\_\_\_\_Attorney

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The combined purchase price and associated costs paid by the City to acquire the property were \$850,000. On March 5, 1991, Council approved Agreement No. 15,909 with SBCAG, which provided for partial reimbursement by SBCAG to the City in the amount of \$573,057, subject to certain conditions and using Measure D Funds.

Attachment 2 shows the detailed history relating to the City's purchase and subsequent management of the City's Property.

At the time of its purchase, the Property contained an existing parking lot leased by the Haley Land Company for use by its tenants occupying the adjacent office building at 315 West Haley Street. The Property was purchased subject to said leasehold interest. On October 10, 2007, the Haley Land Company assigned its leasehold to Work Training Programs, Inc. (WTP, Inc.). The existing lease of the parking lot provides a right of first refusal by WTP, Inc., for purchase of the Property if it is offered for sale. The lease for the parking lot expires concurrently with the lease for the building in 2035, provided WTP, Inc., exercises its option to extend the original term of the lease as set forth in the lease agreement.

The Property also contains a triangle-shaped area where a housing project was begun in 1990 by the former owners, the Godkins, but abandoned by the City following its acquisition. Now it has been determined that the undeveloped area is not suitable for a housing project because of its close proximity to Highway 101, because the noise level exceeds noise standards typically allowed for housing projects, and because shared access through the existing professional office building parking lot to Haley Street is allowed only during the term of the City's existing lease with WTP, Inc.

On March 23, 1993, Council authorized the Public Works Director to request that SBCAG amend the Measure D Expenditure Plan so that the Highway 101 interchange project at Castillo and Haley Streets would be removed from its list of locally desired highway projects. Instead, Council wanted SBCAG to use the allocated funds for the then proposed Highway 101 interchange project at La Cumbre Road. Consequently, as confirmed by SBCAG, the City's Property is no longer needed for a planned transportation project.

The level of service (LOS) for traffic at the intersection of Castillo and Haley Street is currently a LOS "D". SBCAG and the City have not identified or designed an interchange improvement project for this location. An interchange project may be identified in the future should funding become available, but it is likely decades away. The City conducted a study performed by Penfield & Smith in 2002 for various interchange alternatives and found that certain design options would require the use of a portion or all of the Property. SBCAG staff is fully aware of this but feels that it is in everyone's best interest to sell the property at this time for other, higher priority projects, and address property issues in the future, should a project be developed.

In 1999, Council authorized staff to take steps to sell the undeveloped portion of the Property, but expressed their desire to keep the parking lot. Due to lack of interest from potentially interested parties, staff was unable to initiate a sale. Subsequently, in 2001, Habitat for Humanity expressed interest in the vacant portion of the Property, but later withdrew its conditional purchase offer.

If the Property is not being used for a transportation improvement project, Agreement No. 15,909 provides for the City's repayment to SBCAG of its contribution (originally in the amount of \$573,057), "together with one half of any difference between such contribution and the actual net sales price received upon such sale," and that "any net revenue derived by any said lease of any portion of the real property for which this contribution is obtained from the Authority shall be divided equally between City and Authority." City records indicate that at the end of 2006 SBCAG was entitled to its portion of the lease revenue collected by the City from 1990 through 2006 in the amount of \$224,840.28. These funds have gone to the General Fund, and SBCAG has identified City transportation projects it could support with these funds and is requesting repayment as soon as possible. Since January 2007, SBCAG has received its share of revenue collected by the City on a monthly basis.

As set forth in Agreement No. 15,909, SBCAG has requested that the City reimburse its portion of the original acquisition costs, its share of any market value increase, and its unpaid share of income derived from the existing lease of the parking lot on the site. In order to reimburse SBCAG, it is necessary for the City to consider the options available to pay SBCAG its shared entitlements.

As suggested by Council on June 19, 2007, the Property has been appraised in order to establish its most likely value if offered for sale. An opinion by Stephen G. Schott, MAI, sets the value of the Property at \$640,000.

### **Option #1: Retain the Land for Possible Future Use**

If Council desires to keep and land-bank the Property for a possible future public use, funds in the approximate amount of \$692,897 would be required to reimburse SBCAG for its share of its appraised market value, with shares adjusted as shown on Attachment 3. A portion of these funds (\$224,840) may be needed from the General Fund, which is where the lease income has been deposited since the Property was purchased by the City in 1990. The remaining portion of funds in the approximate amount of \$468,057 would be needed from the Measure D Capital or Reserves, or from the Streets Fund Reserve. However, if the required remaining funds are taken from the Measure D or Streets Funds, projects already scheduled to be built may need to be delayed.

Redevelopment Agency staff has evaluated the project site and does not think that the purchase of the property for a housing site or other eligible RDA project has any merit.

### **Option #2: Sell a Portion of the Property**

A portion of the Property could be sold as to retain ownership of the remaining for a future interchange configuration. The appraisal noted that the only portion that had any significant value was the parking lot due to the revenue stream the City receives. Because of the minimum current value of the housing parcel, it could be retained by the City for use in a future interchange project. WTP, Inc. has the right of first refusal to buy the entire parcel or a portion thereof should the City decide to retain ownership of any portion required for a future project.

### **Option #3: Sell the Entire Property**

The Property could be declared excess and made available for sale to WTP, Inc., in the amount of \$640,000, in accordance with its right of first refusal set forth in its parking lot lease. If WTP, Inc. does not wish to purchase the property, the Property will be offered for sale in accordance with applicable laws and guidelines. Attachment 4 provides background, facts, and a suggested marketing strategy.

If the Finance Committee recommends, and Council authorizes staff to initiate sale of the Property, at the appropriate time, a Land Purchase Agreement and required documents shall be scheduled for review and approval by Council.

Once sold, the sale proceeds will be used for reimbursement to SBCAG, pursuant to Agreement No. 15,909. An approximate distribution of shared proceeds between the City and SBCAG are suggested on Attachment 3 (subject to actual sales price).

## **BUDGET/FINANCIAL INFORMATION**

As explained above, if Council desires to keep the Property, SBCAG is presently entitled to approximately \$692,897 for its current share of the Property value, based on the recent appraisal, with funds to be taken from a source determined by Council.

Conversely, if Council elects to sell the Property to enable reimbursement to SBCAG without use of City reserves, as recommended, the amount of funds that will become available will be determined by the final sale price. If sale of the Property is authorized by Council, it is not possible to accurately establish all costs that may be incurred to cause the sale. However, estimated costs may range between \$18,000 and \$23,000. To date, staff has obtained title data, performed surveys, prepared certificates to describe the respective lots, and obtained appraisals. Environmental studies, CEQA review, the notification of potentially interested parties, publication of notices to advertise for bids, and paying for other necessary tasks, remain to be completed. If the environmental hazardous materials survey, currently underway, determines possible existing hazardous material contamination from the adjacent freeway and dry cleaning plant, additional costs will be incurred for remediation.

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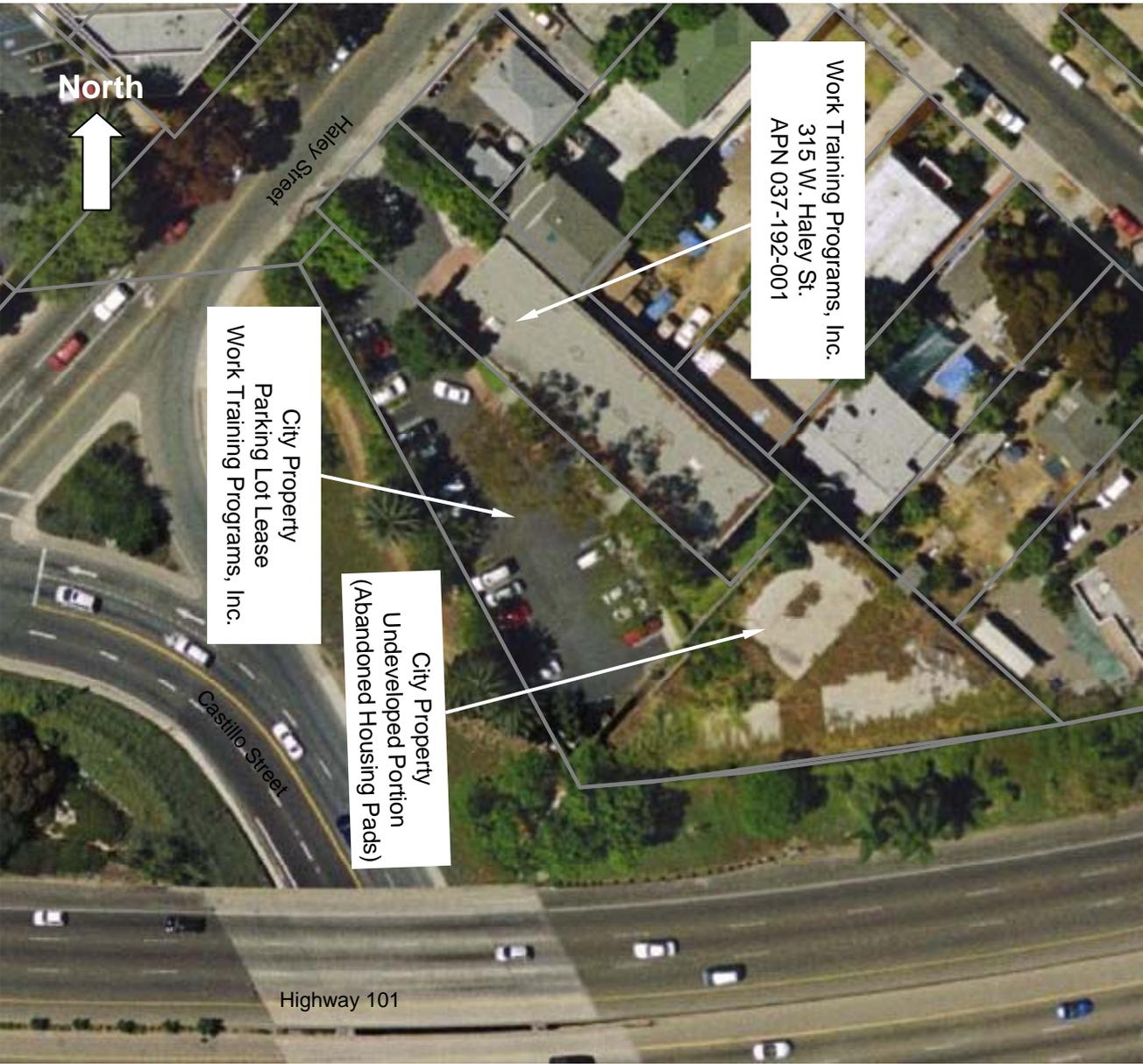
**ATTACHMENT(S):**

1. Vicinity Map
2. Chronology
3. Distribution Worksheet
4. Facts and Process Outline

**PREPARED BY:** Homer F. Smith II, Principal Engineer/DI/kts

**SUBMITTED BY:** Paul Casey, Acting Public Works Director

**APPROVED BY:** City Administrator's Office



**VICINITY MAP**  
**City Property**  
**319 West Haley Street**  
**APN 037-192-012**

### CHRONOLOGY - 319 WEST HALEY STREET

In 1983, Caltrans sold its excess property now known as 319 West Haley Street (APN 037-192-012) to Richard and Devon Godkin.

In 1983, the Godkins leased one of the lots comprising their property to Haley Land Company for construction of a parking lot to serve its adjacent professional offices at 315 West Haley Street (APN 037-192-001).

In 1989, the Godkins obtained a building permit to build four residential housing units on the remaining lot at the rear portion of their property, and construction of the housing project began.

On May 22, 1990, Council approved Agreement No. 15,451 to authorize the City's purchase of the combined lots at 319 West Haley Street due to possible future need for any proposed reconfiguration of the Highway 101 interchange at Haley and Castillo Streets. At that time, construction of housing units had begun, and Council desired to avoid displacement later of residents occupying the housing site if it became needed for a highway project. Council authorized payment of \$850,000 for the purchase and development costs incurred by the Godkins, based on an appraisal of the property.

On July 26, 1990, the Grant Deed completing the City's purchase from the Godkins was recorded. The City's purchase of the property was subject to the existing lease of the parking lot, originally leased to Haley Land Company, and subsequently assigned to Work Training Programs, Inc.

In 1991, pursuant to Agreement No. 15,909, the Santa Barbara County Transportation Authority, acting through Santa Barbara County Association of Governments (SBCAG), authorized reimbursement to the City of a portion of the purchase price paid for the property, using Measure D funds, in the amount \$573,057.

In 1993, Council authorized the Public Works Director to request SBCAG to delete the Highway 101 interchange project at Haley and Castillo Streets from its list of desired projects, so as to allocate that share of Measure D monies to the more necessary Highway 101 interchange project at La Cumbre Road.

In 1993, at the request to initiate sale of the property by SBCAG, another appraisal was obtained by the City. The appraised value of the property had declined to \$675,000, due to unfavorable real estate market conditions. Although the City's Agreement No. 15,909 with SBCAG provided for reimbursement to SBCAG of its original contribution if the property was not used for a local transportation project, among other shared considerations, SBCAG indicated immediate sale was not urgent, and no steps were taken by the City to declare the property excess or to

cause its immediate sale. The property was "land-banked" for sale later when more favorable real estate market conditions became evident.

In 1996, the Housing Authority of the City of Santa Barbara expressed interest in the possible purchase of the property, and an appraisal was again obtained. Due to ongoing unfavorable local market conditions, the appraised value of the property was then \$495,000.

In 1997, it was suggested the City should retain ownership of the existing parking lot leased to Haley Land Company due to its rental income, and because the stated objective of the Housing Authority was possibly to develop a housing project on the remaining vacant lot. At that time, an appraisal was obtained only of the lot desired for housing, in the amount of \$250,000. The appraised value of the parking lot was then \$255,000. The value of both lots combined was therefore \$505,000.

In 1998, the Housing Authority stated it was no longer interested in the purchase of the property for a housing project.

On July 20, 1999, Council declared the unfinished housing lot excess and eligible for sale. It was recommended the City retain ownership of the parking lot leased to Haley Land Company in order continue receiving the rental income until the lease expired in 2035, at which time a new parking lot lease could be negotiated.

In 1999, interest by Peoples' Self-Help Housing Corporation was expressed for possible purchase of the unfinished housing lot, but interest was later withdrawn.

In 2000, for City's consideration related to possible sale of the unfinished housing lot, another appraisal was obtained. The appraised value of the unfinished housing lot was \$420,000.

In 2001, a conditional offer was communicated by Habitat for Humanity for possible purchase of the housing lot from the City in the amount of \$400,000. The offer was later withdrawn due to concern regarding access to the housing site through the parking lot, and due to other factors.

In 2001, it appeared to Public Works Department (Transportation Planning Division) staff that possible use of portions of the City's property may be required for a traffic improvement project at the intersection of Castillo and Haley Streets.

In 2003, various alternative designs were considered for a modified Highway 101 interchange at Haley and Castillo Streets, which included use of adjacent existing public streets and portions of the City's property (not including the parking lot leased to Haley Land Company). So far, no action has been taken related to the design options considered.

Since 2003, no steps have been taken to consider possible sale of the City's property because of the potential Highway 101 interchange project.

In 2007, notice by SBCAG was received to request sale of the City's property in order for the City to reimburse SBCAG for its original contribution and other shared considerations set forth in Agreement No. 15,909.

On June 19, 2007, Council received a request by City staff to authorize steps to initiate the possible sale of the property in response to the request by SBCAG for reimbursement. Before authorizing such steps, Council desired an appraisal, site studies and other information for evaluation by the City Finance Committee. In particular, Council desired the Finance Committee to consider options possibly to reimburse SBCAG but retain ownership of the property in case it becomes needed for a future transportation project or other public use.

On August 14, 2007, a report by Padre Associates, Inc. (Padre, Inc.), provided results of a noise study for the property, which indicated levels of noise that exceed acceptable limits for housing projects under applicable guidelines.

On August 17, 2007, a Phase I Environmental Site Assessment by Padre, Inc., provided evidence of past use of a portion of the property for an auto repair shop, including placement of an onsite oil storage tank. Due to the Phase I report, a subsequent Phase II report by Padre, Inc., has been initiated to determine whether conditions might exist that warrant remedial action by the City in the event the property is sold or developed.

On October 10, 2007, an appraisal by Stephen G. Schott, MAI, was received that provided an opinion of value for the property in the amount of \$640,000.

On October 10, 2007, the parking lot leasehold interest owned by Haley Land Company was assigned to Work Training Programs, Inc. (WTP, Inc.), which among other leasehold interests, includes the right of first refusal by WTP, Inc., to purchase the property if offered for sale by the City.

## 319 West Haley Street

<b>Purchase Price (May 1990)</b>	<b>\$850,000</b>
<ul style="list-style-type: none"> <li>• <b>SBCAG Contribution to purchase</b></li> <li>• <b>City Contribution to purchase</b></li> </ul>	<ul style="list-style-type: none"> <li><b>\$573,057</b></li> <li><b>\$276,943</b></li> </ul>
<b>Property appraisal (10/11/07)</b>	<b>\$640,000</b>
<b>Per Agreement, SBCAG due ½ difference between contribution and appraised fair market value (\$850K – \$640K = \$210K)</b>	<b>-\$105,000</b>
<b>Parking lease revenue due SBCAG</b>	<b>\$224,840</b>
<b>Total owed SBCAG (\$573K - \$105K +\$224K)</b>	<b>\$692,897</b>

**Fund Sources:**

- **Parking lease went to City Gen Fund** **\$224,840**
- **Measure D Capital or Reserves, or Streets Fund Reserve** **\$468,057**
- **RDA has no interest in the parcel at this time**
- **There are no approved projects for the site**

**Unknowns**

- **HazMat remediation (if discovered in Ph II study)**
- **Sell parcel not leased for parking**
  - **It's "landlocked," as is parking parcel**

## FACT AND PROCESS OUTLINE 319 West Haley Street

The City owns the property (Property) known as 319 West Haley Street (APN 037-192-012), which is proposed for possible sale.

### **Site Topography**

In 1990, the City's Property was acquired subject to an existing 1983 Grant of Easement (and lease) originally granted to Haley Land Company and later assigned to Work Training Programs, Inc., which allowed the construction, use and maintenance of the parking lot that serves its office building at 315 West Haley Street (APN 037-192-001) until the lease terminates in 2035. The undeveloped rear portion of the City's Property contains three concrete pads, originally intended for development of four residential units, which were being constructed at the time of the City's purchase. The City abandoned the housing foundations.

### **Subdivision Map Act**

Although assumed to be one parcel known as Santa Barbara County Assessor's Parcel APN 037-192-012, the City's Property is actually comprised of portions of three lots originally acquired by Caltrans, remnants of which were subsequently sold by Caltrans after completion of the adjacent Highway 101 freeway. The two remnant lots comprising the parking lot easement on the City's Property will be merged and described in a Certificate of Voluntary Merger, while the other valid remnant undeveloped lot will be described in a Certificate of Compliance, each of which will be recorded in the Official Records to establish their existence, in accordance with the Government Code (Subdivision Map Act).

### **City Council Declaration**

On July 20, 1999, Council declared the undeveloped rear portion of the Property to be excess and eligible for sale in accordance with applicable guidelines. The excess portion was first offered for sale to governmental agencies, park entities and housing agencies as required by guidelines, and then offered for sale to Haley Land Company as required by its existing parking lot lease. None of the entities expressed interest in such purchase. The excess portion of the City's Property was also offered for sale to private non-profit housing entities that expressed interest, but without follow up.

The excess land declaration by Council in 1999 applied only to proposed sale of the undeveloped vacant portion of the City's Property, and not the lot comprising the parking lot. In order to respond to the recent request by SBCAG seeking payment of entitlement funds set forth in Agreement No. 15,909, the excess declaration by Council is no longer timely or recommended for follow up. If no

funding source for repayment to SBCAG is available, each of the lots comprising the Property should be sold.

Therefore, if Council again declares the City's Property eligible for sale, the lots will again be offered for sale to Work Training Programs, Inc., as required by the City's existing lease of the parking lot. If declined by Work Training Programs, Inc., the property will be offered for sale in accordance with applicable laws and guidelines.

### **Access Easement**

The existing access from Haley Street to the City's property is provided for in the lease document and runs concurrently with the parking lot lease, not within a permanent easement. If the lots comprising the City's Property are conveyed together to Work Training Programs, Inc., no additional private easement from Haley Street across the lot comprising the parking facility must be established to enable driveway and utility access to the undeveloped lot. However, if the lots are conveyed to others due to non-interest by Work Training Programs, Inc., as may be possible, direct access to Haley Street using a portion of Caltrans property must be obtained, or a permanent easement to allow access across a portion of the adjoining property must be established before the lots are sold.

### **Appraisals**

At various times, appraisals have been obtained in an effort to establish the value and likely sale price of the City's Property, generally as follows:

In 1990, to establish the price offered by the City to Richard and Devon Godkin, the private housing development project site was appraised for \$796,000 by Peter Koelsch, SRPA. An additional \$54,000 was established for proposed reimbursement of collective costs paid by the Godkins for their ongoing housing project and permits, and for escrow costs. The City's original acquisition costs were therefore \$850,000.

In 1993, after the nearby Highway 101 interchange project at Haley Street was deleted from consideration by SBCAG, the site was again appraised by Mr. Koelsch. The parking lot portion of the City's Property was then appraised for \$245,000, and the unfinished housing portion of the site was appraised for \$370,000. It was assumed a purchaser would be entitled to various project costs already paid, in the estimated amount of \$60,000 at that time. The entire site was then valued at \$675,000.

In 1996, Mr. Koelsch again appraised the site for review and potential purchase by the Housing Authority of the City of Santa Barbara (Housing Authority). The parking lot portion of the City's Property was then appraised for \$255,000, and the unfinished housing site was appraised for \$180,000. It was again assumed

the Housing Authority would be entitled to various project costs already paid, still in the estimated amount of \$60,000. The entire site was then valued at \$495,000.

In 1997, Mr. Koelsch again appraised the site for updated consideration by the Housing Authority. The parking lot portion of the City's Property was appraised for \$255,000, and the unfinished housing site was appraised for \$190,000. It was assumed the Housing Authority would still be entitled to development costs already paid, in the estimated amount of \$60,000. The entire site was then valued at \$505,000.

In 2000, Mr. Koelsch finally appraised the site for consideration by Peoples Self-Help Housing Corporation, following notice by the Housing Authority that it desired not to develop a housing project on the site. At that time, the parking lot portion of the City's Property was not appraised because it was contemplated the City should retain its ownership and keep the rental income derived from the existing lease with Haley Land Company. The unfinished housing site was appraised for \$360,000, and it was presumed a purchaser may be entitled to project costs already paid, estimated still in the amount of \$60,000. The entire site was then valued at \$420,000.

In order to respond to the current request by SBCAG, the site was appraised by Stephen G. Schott, MAI. All previous appraisals are no longer applicable, and all earlier project development permits expired long ago. The estimated value by Mr. Schott of the property is \$640,000, based on the assumption that the site has legal and permanent driveway and utility access from the property to Haley Street, and that there are no detrimental site conditions.

### **Environmental Haz Mat Studies**

Each of the lots comprising the City's Property are adjacent to Highway 101 and adjacent to an existing commercial cleaning establishment fronting Bath Street. Therefore, a noise study and a Phase I Environmental Site Assessment were performed by Padre Associates, Inc. The site studies by Padre indicated the noise levels at the site exceed normally allowed levels for a residential housing site, and the site has been occupied by an auto repair shop and an oil storage tank, which warranted an additional Phase II Environmental Site Assessment by Padre to determine if any potentially hazardous materials or groundwater may exist on the site that warrants action before efforts by City staff begin to sell the property.

### **CEQA Review**

In order to sell the lots comprising the City's Property, it will be necessary to perform environmental review so as to ensure their disposition conforms with the general plan of the City of Santa Barbara and with applicable laws and guidelines

under CEQA. Any such environmental reports will be provided to Council for consideration at the appropriate time in concert with its review of other actions.

### **Notices to Parties of Interest**

After the lots comprising the City's Property have been appraised, notices of their availability will be sent to potentially interested parties. In particular, notices must be sent to Work Training Programs, Inc., as assignee of Haley Land Company, to respect its "right of first refusal" in accordance with the terms of its existing lease of the parking lot. If purchase of the property for the appraised value is declined by Work Training Programs, Inc., notices may then be sent to various public housing and park agencies in accordance with applicable provisions of the Government Code of California. Notices may also be sent to local schools agencies and to selected offices of the County of Santa Barbara and the State of California. Consistent with past practices, notices will also be sent to private non-profit housing entities to stimulate possible interest in development of a low cost housing project, and to owners of adjacent properties.

### **Advertising**

If none of the potentially interested parties that receive notices respond to show desire to purchase the lots, they may be exposed to the public real estate market to solicit purchase proposals. In that event, the site will be posted with a visible "for sale" sign (with City staff contact information), notices inviting bids will be published in the local newspapers, and a notice regarding the lots will be posted on the City's website home page. Other creative methods may also be considered to distribute notices and stimulate possible interest in the lots by bidders.

### **Public Auction**

If the lots comprising the City's Property must be exposed to the real estate market, Staff recommends that an auction be scheduled, which shall be advertised (noticed) by newspaper publications for a period of two weeks before such auction, with a strict deadline set for submitting sealed written bids. To be eligible for consideration, an "earnest money" deposit of \$5,000 or more (money order or bank check) must accompany each and every bid submitted. At the public auction, the General Services Manager of the City (Finance Department), or another City "auctioneer" designated by the City Administrator, shall open all bids received. Immediately upon opening all bids, the designated City auctioneer shall identify the lot or lots for which bids are submitted, announce bid prices, and invite verbal over-bid increases, if any, as prescribed by applicable bid forms. Immediately following all final bids and any over-bid increases, the City's auctioneer shall declare the highest bidder deemed eligible to purchase each of the lots. Those bidders whose bids are insufficient for consideration shall have their respective "earnest money" deposits returned immediately. The highest bidders on each

respective lot shall be required to negotiate with assigned City staff as necessary to prepare a Land Purchase Agreement for subsequent review by Council to effectuate their respective proposed purchase.

### **Council Approval of Sale Documents**

The highest bidders qualified to purchase each of the lots shall sign and return a Land Purchase Agreement and any other required documents to staff, subject to approval as to their form by the City Attorney, which shall be subsequently submitted to City Council for final recommended approval.

### **Escrow & Title Insurance**

Upon approval by Council of Land Purchase Agreements, in order for policies of title insurance to be made available to respective purchasers, escrows will be opened to implement the sales. The escrows and policies of title insurance will be provided by First American Title Company, which has already provided preliminary title reports for the City's Property (Order No. 4201-2782036) to expedite review related to the proposed sale of the lots.

### **SBCAG Reimbursement**

Until all purchase offers have been received, and until proposed escrows have finally closed, and until all costs associated with the sale of the lots have finally been established, it is not possible to estimate the total net proceeds that may be expected from the sale of the City's Property. Because the Streets Capital Fund was used originally to acquire the City's Property, the net sale proceeds will be deposited back into said Fund and used subsequently for reimbursement to SBCAG pursuant to Agreement No. 15,909.