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**Redevelopment
Division**

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Staff Report

ITEM
NO.

5

To: Lemoore City Council
From: Judy Narbaitz, Redevelopment Project Manger
Date: September 13, 2006
Subject: Amendment to Utilities Separation Agreement

Discussion

On December 2, 2005, escrow closed on the sale of the west half of the Cinnamon Municipal Complex located at 711 W. Cinnamon Drive to ARK Partners. As a condition of the sale, ARK agreed to cause the separation of and pay for all expenses associated with the separation of the water and electrical power between the Cinnamon Municipal Complex ("City Parcel") and the half they purchased ("ARK Parcel") and that the separation was to be complete within 12 months from the date of the Utilities Separation Agreement which was executed on October 13, 2005.

Eleven months have lapsed and ARK is still in the process of completing the separation. In speaking with PG & E representative, Ray Swift, he stated that he now has the electrical plans necessary to begin the separation, but that it looks like it will be after the first of the year before the separation is complete.

As far as the water separation is concerned, ARK's representative contacted Richard Pereira, our water superintendent, a couple of weeks ago. Richard told him that he would test the fire flow and get back to him to discuss exactly what will be required for the separation. Richard intends to test the flow and get back to him by September 15. He estimates that once the testing is complete, the actual separation could take as little as a month provided that ARK quickly selects a contractor for the job.

Attached is a letter from ARK, requesting a six-month extension on the Utilities Separation Agreement, which if approved would extend the length of the Agreement to April 13, 2007. In addition, ARK has submitted to us an Amendment to their Letter of Credit, which extends the term of that document to October 1, 2007. Amendment No. 1 to the Utilities Separation Agreement is attached for your review.

Budget Impact:

None.

Recommendation:

Council discretion.