



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 19, 2024

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: PURCHASE, SALE, AND DEVELOPMENT AGREEMENT WITH PELICAN COMMUNITIES, LLC FOR THE SALE OF PARKING GARAGES 1 AND 2 LOCATED ON ORANGE STREET BETWEEN MISSION INN AVENUE AND NINTH STREET, BEARING ASSESSOR'S PARCEL NUMBERS 213-271-012, 213-301-006 AND 213-301-015, FOR THE DEVELOPMENT OF A MIXED-USE HOUSING PROJECT, TOTAL SALES PRICE OF \$920,000

ISSUE:

Approve the Purchase, Sale, and Development Agreement with Pelican Communities, LLC for the sale of Parking Garages 1 and 2 located on Orange Street between Mission Inn Avenue and Ninth Street, bearing Assessor's Parcel Numbers 213-271-012, 213-301-006 and 213-301-015, for the development of a mixed-use housing project, total sales price of \$920,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase, Sale, and Development Agreement (Attachment 1 - Agreement) with the Pelican Communities, LLC for the sale of Parking Garages 1 and 2 located on Orange Street between Mission Inn Avenue and Ninth Street, bearing Assessor's Parcel Numbers 213-271-012, 213-301-006 and 213-301-015 (Property); total sales price of \$920,000; and
2. Authorize the City Manager, or his designee, to execute the Agreement with Pelican Communities, LLC, including making minor and non-substantive changes and to sign all documents necessary to complete the transaction.

COMMITTEE RECOMMENDATION:

The Economic Development, Placemaking and Branding/Marketing Committee (Committee) met on February 17, 2022, with Chair Fierro, Vice Chair Edwards, and Member Hemenway present, to consider a joint development proposal with Pelican Communities and Greens Development, or a newly formed entity between both entities, for the development of a mixed-use retail/residential project and associated parking. After discussion, the Committee unanimously voted to direct staff to negotiate a Purchase, Sale, and Development Agreement to be presented to the City Council for final consideration and approval.

BACKGROUND:

On February 12, 2021, staff provided information to the Financial Performance and Budget Committee regarding seven City-owned properties, including Public Parking Garages 1 and 2, for consideration as to whether they should be retained, leased, or declared as surplus to sell to private entities or community corporations. The Financial Performance and Budget Committee recommended that staff present the list of seven properties to City Council to be declared as surplus for the purpose of generating sales revenue and reducing operating costs to address the CalPERS challenge and financial impacts associated with COVID-19.

On May 25, 2021, the City Council declared Public Parking Garages 1 and 2, amongst others, as surplus properties and authorized the marketing and sale of these properties pursuant to Assembly Bill 1486 (AB 1486).

On June 1, 2021, as required by AB 1486, staff sent a written notice of availability to the required public agencies and to all affordable housing developers who registered with the State's Housing & Community Development Department (HCD).

On July 31, 2021, the deadline for interested developers to respond, staff received one joint development proposal from Pelican Communities (Pelican) and Greens Development (Greens) for a mixed-use retail/residential project and associated parking on the Property.

On February 17, 2022, after discussion, the Committee unanimously voted to direct staff to negotiate a Purchase, Sale, and Development Agreement with Pelican Communities and Greens Development, or a newly formed entity between both entities, to be presented to the City Council for final consideration and approval.

DISCUSSION:

The subject Property is in downtown Riverside on Orange Street, south of Mission Inn Avenue and north of Ninth Street.

The City currently manages a total of 3,974 parking spaces across the Downtown area, including off-street surface lots and on street metered spaces.

Garage 1, located at 3743 Orange Street, was constructed in 1962, is 54,800 square feet in area and consists of eight parking levels with 170 parking stalls. Garage 2, located at 3851-3865 Orange Street, and was also constructed in 1962, is 54,870 square feet in area and consists of eight parking levels with 155 parking stalls. 77 spaces across both garages are currently inaccessible to the public and are reserved/designated through permits.

The Property is zoned DSP-RC (Downtown Specific Plan-Raincross District) which allows for mixed-use retail and multifamily residential development.

Downtown has become a diverse, vibrant, twenty-four-hour area; where people can work, live, shop, and learn, and where arts and culture are an integral component of the urban setting. The Property represents another opportunity for the City to encourage a mixture of residential and retail space within a pedestrian-oriented environment.

Each site is depicted on the aerial maps below:

Garage 1**Garage 2**

Both Garage 1 and 2 are aging facilities, and currently 8 spaces are unavailable in Garage 1 because of an ongoing structural concern. The full extent of repairs at these facilities is anticipated to cost several million dollars to extend the useful life of the structures, while replacement of the garages would likely cost over \$25,000,000.

Development Proposal

The joint proposal is summarized in the table below:

Residential Units:	59 total (Garage 2 Site - 25% affordable = 15 units)
Bedrooms:	Studios: 23 Units 1 Bedroom: 24 Units 2 Bedroom: 12 Units
Parking:	170 stalls (Garage 1 – to be fully renovated)
Retail:	3,900 – 9,000 sq. ft. (Garage 2 Site)
Estimated Cost:	\$20 million
Estimated Construction Jobs Created:	100
Estimated Property Tax Generated:	\$200,000

The proposal includes the complete demolition of the Garage 2 parking structure to be replaced with a new mixed-use residential building, with 25% of the residential units restricted to affordable rents as required by AB 1486. It also includes a ground floor retail component with no onsite parking within the new building. The proposed mixed-use residential building is anticipated to include a courtyard, roof top deck, leasing office, fitness room, and bike storage.

The existing Garage 1 parking structure is proposed to be structurally retrofitted and revitalized to the current code and would provide the required parking for the newly constructed mixed-use residential building located at Garage 2, along with public parking for the surrounding businesses.

Parking requirements for the proposed building will be established during the project's entitlement process. Parking for the residential component of the future building will be provided by the existing 170 parking stalls located within Garage 1. Any parking demand that remains above and beyond the housing need will be offered as public parking in the downtown. A parking covenant has been included to ensure maximum public parking remains at City parking rates, or higher, in

accordance with the terms of the Agreement. Staff estimates that approximately 100 parking stalls will remain available for public parking within the existing parking structure. State law provides additional flexibility for parking standards when either affordable housing is proposed and/or along a high-quality transit corridor (HQTa). Lastly, the City will maintain control of both Garage 1 and 2 operations through the estimated 2-year entitlement process until construction commences in accordance with the Agreement.

The City is aware of the ongoing need for parking inventory in the Downtown. The Parking Services team has recently constructed a new 144 space lot (Lot 52) at the intersection of Orange and Fifth and are studying the installation of a new parking garage of 800+ spaces at this same location.

Garages 1 and 2 collectively contain 325 parking spaces. Due to the reserved/designated parking stalls and spaces withheld for structural maintenance, 240 of these parking stalls are available to the public visiting downtown. If the estimated 100 spaces retained through the project for the public are combined with the newly constructed 144 parking spaces in Lot 52, they total 244 parking spaces. As such, parking availability for visitors to the downtown will be minimally impacted when accounting for the recently constructed Lot 52 and spaces retained through the project.

Pelican Communities and Greens Development Qualifications

The developers bring over 75 years of combined experience, including extensive track records of successful collaboration and working in partnerships on public and private developments throughout California. Pelican is an innovative builder of unique high-quality mixed-use in-fill communities and was formed in the late 1990's for the purpose of developing site-specific mixed-use in-fill projects in highly desirable in-fill locations throughout California, with their most recent project in Riverside being the Merrill Brownstones. Greens has over 30 years of experience in real estate development and hospitality, and has developed in Riverside, with one of their most recently completed projects, the Hampton Inn, located downtown.

An evaluation committee consisting of Successor Agency, Economic Development, Public Works, and Planning staff, was convened to evaluate the Pelican and Greens joint development proposal. The evaluation committee carefully reviewed and considered Pelican and Greens joint development proposal and collectively determined that Pelican and Greens has sufficient development experience to undertake the acquisition and development of the Property as proposed.

To execute the Agreement, the joint development proposal will be consummated through Pelican Communities, Limited Liability Company (LLC) at the developer's request. A new LLC between both parties (Pelican and Greens) will be established thereafter and transferred pursuant to Section 6.1.6 of the Agreement after the due diligence period.

The attached Purchase, Sale, and Development Agreement includes the following key provisions:

1. Developers to purchase the Property for a total sum of \$920,000, minus all title, escrow and miscellaneous closing costs;
2. The project must comply with all zoning, planning, and building laws, including the applicable design standards, other Land Use Laws, the Agreements, and the applicable project entitlements in the development of the proposed project;

3. Developers must complete all due diligence review and inspections of the Property within 120 days from the Effective Date of the Agreement;
4. Developers must submit application to the Planning Division for Design Review and project entitlements within 180 days from the effective date of the Agreement;
5. Developers must obtain all necessary entitlements, and close escrow within 18 months following the submittal of an application to the Planning Division; and
6. Developers must start construction of the proposed project within 180 days from the Close of Escrow and complete construction within 24 months from the start of construction.

Affordable Housing Component

Staff has negotiated a Regulatory Agreement that adheres to the requirements of AB 1486 and the Surplus Land Act. The intention of the Regulatory Agreement is to ensure that Pelican Communities and Greens Development, its successors or assignees, and every successor in interest to the Property “shall use, maintain and operate the 25% Affordable Residential Units within the Project in accordance with the terms and conditions of the Regulatory Agreement, including that the Affordable Residential Units within the Project shall be available only to Qualified Tenants at Affordable Rent as specified (in the Regulatory Agreement) for not less than fifty-five (55) years.” Affordable residential units will be restricted to households at or below 80% of area median income.

Staff has secured an approval letter (Exhibit H) from HCD in support of the development proposal as required by AB 1486 and the Surplus Land Act.

Land Value

An independent third-party appraiser concluded that the value of the Property is \$920,000 in its “as-is” condition. Staff has reviewed the report and determined that the appraised value for the Property represents the current fair market value for both properties.

Community Benefit

In addition to the sales proceeds (which will contribute to the City Parking Fund) and the monetary savings on the continued significant property maintenance and operational costs of Garages 1 and 2, the development of the Property will benefit the City by generating additional real property taxes. The development proposal will also facilitate approximately 100 construction jobs and produce more market rate and affordable housing options for the community. Lastly, increasing housing and affordable housing options in the downtown will bolster economic growth, build safe and sustainable communities, support downtown businesses, promote diversity and helps ensure equity within the local housing market.

As such, staff recommends that the City Council approve the Agreement with Pelican Communities, LLC for the disposition and development of the Property.

The Housing & Human Services Director and Public Works Director concur with this report and its recommendation.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the following:

- **Strategic Priority 2 – Community Well-Being and Goal 2.1:** Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels; and
- **Strategic Priority 3 – Economic Opportunity and Goal 3.3:** Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The process of selecting the development proposal was accomplished through the issuance of an AB 1486 solicitation. The response was reviewed by staff from the Successor Agency, Public Works, Planning and Economic Development divisions, to ensure transparent decision-making based on sound policy in a timely and reliable manner.
2. **Equity** – Moving forward with the joint development proposal and Agreement will ensure that the Property is developed, and its value will be maximized to generate revenue for the City to fund public services necessary to promote growth and provide equitable economic benefits throughout the immediate area.
3. **Fiscal Responsibility** – The Property has significant ongoing maintenance and operational costs that exceed revenue generated for the City, while the development proposal and Agreement will revitalize the site and stimulate new revenue for the community and the City as a whole.
4. **Innovation** – Developing an affordable mixed-use residential project demonstrates that Riverside is inventive and timely in meeting the housing needs for all Riverside residents.
5. **Sustainability & Resiliency** – Developing a mixed-use residential project demonstrates that Riverside is committed to meeting the housing needs of the present without compromising the needs of the future.

FISCAL IMPACT:

The total fiscal impact of the City owned garages being sold is approximately \$920,000, less all related title, escrow, and miscellaneous closing costs, not to exceed \$6,000. The estimated net proceeds from the sale will be deposited in the Parking Fund, Sale of Land and Buildings revenue account number 0000570-380010.

Prepared by:	Chris Christopoulos, Community & Economic Development Deputy Director
Approved by:	Jennifer A. Lilley, Community & Economic Development Director
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Purchase, Sale and Development Agreement with Exhibits
2. Presentation