



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: APRIL 14, 2022**

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT **WARD: 1**

SUBJECT: MEASURE Z - PURCHASE AND SALE AGREEMENT WITH THE COUNTY OF RIVERSIDE FOR THE DOWNTOWN POLICE HEADQUARTERS, LOCATED AT 4102 ORANGE STREET (ASSESSOR PARCEL NUMBER 215-282-018) – SUPPLEMENTAL APPROPRIATION IN THE APPROXIMATE AMOUNT OF \$3,100,000

ISSUE:

Recommend that the City Council approve a supplemental appropriation of \$3,100,000 from Measure Z unallocated fund reserves for the purchase of 4102 Orange Street to be renovated to serve as the new Police Headquarters.

RECOMMENDATION:

That the Budget Engagement Commission recommend that the City Council approve a supplemental appropriation of \$3,100,000 (plus any miscellaneous title, escrow, and related costs) from Measure Z unallocated fund reserves for temporary funding for the purchase of 4102 Orange Street to be renovated to serve as the new Police Headquarters.

BACKGROUND:

On May 16, 2017, the City Council adopted the Measure Z Five-Year Spending Plan which included \$45 million for New Police Headquarters. On October 3, 2017, the City Council approved a reallocation of \$9,692,600 from the Police Headquarters project to the Downtown Main Library Project, resulting in a revised funding allocation of \$35,307,400. Within the current Measure Z Spending Plan, the spending item includes estimated annual debt obligations for financing project costs of this amount over the life of the Measure Z tax which ends in March 2037.

The Downtown Police Headquarters, located at 4102 Orange Street, and currently owned by the County of Riverside (County), was constructed in 1963. The building is approximately 32,991 square feet in area and includes 57 parking stalls on site. The City of Riverside (City) currently leases the Downtown Police Headquarters from the County for \$292,000 per year. This lease expires on August 14, 2022, and includes a 5-year option to extend with a 5% rent increase.

In mid-2021, the County notified City staff that it would be willing to sell the Downtown Police

Headquarters to the City in an “as-is” condition subject to a fair market appraisal. On October 29, 2021, staff received, from the County, an appraisal for the Downtown Police Headquarters from their real estate appraiser and consultant, Michael J. Francis, who concluded a fair market value of \$3,100,000 (which staff has thoroughly reviewed and agrees with).

On November 16, 2021, staff presented to City Council, in closed session, the terms for the proposed acquisition of the Downtown Police Headquarters. At the conclusion of the closed session discussion, the City Council directed staff to negotiate a purchase and sale agreement with the County to acquire the Downtown Police Headquarters in the amount of \$3,100,000 plus any miscellaneous title, escrow, and related costs and to return to the City Council for approval to execute the agreement.

DISCUSSION:

As directed by the City Council, staff has negotiated a Purchase and Sale Agreement for the Downtown Police Headquarters, which includes the following high-level terms:

- **Property:** 4102 Orange Street
- **Purchase Price:** Approximately \$3,100,000 (plus any miscellaneous title, escrow, and related costs)
- **Closing Date:** Ninety days from the effective date of the PSA
- **Lease Termination:** Both parties agree to terminate the current lease via a Lease Termination Agreement, which is an exhibit to the PSA.

The General Services Director and Chief of Police have reviewed this report and concur with the recommendation.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.4 – Achieving and maintaining financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

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

1. **Community Trust** – Approving the Purchase and Sale Agreement for the Downtown Police Headquarters in an open forum demonstrates that the City of Riverside is transparent and committed to community trust and makes decisions that serve the public interest.
2. **Equity** – Approving the Purchase and Sale Agreement for the Downtown Police Headquarters, and by acquiring a real estate asset, demonstrates that the City of Riverside is committed to ensuring that all members of the community have equal access to the benefits of the proposed transaction.
3. **Fiscal Responsibility** – Approving the Purchase and Sale Agreement for the Downtown Police Headquarters, which will eliminate future lease payments and results in the acquisition of a real estate asset, demonstrates that the City of Riverside is fiscally responsible and a prudent steward of public funds.

4. **Innovation** – Approving the Purchase and Sale Agreement for the Downtown Police Headquarters, and by acquiring a real estate asset, demonstrates that the City of Riverside is innovative in preparing for the future through collaborative partnerships such as the subject agreement with the County of Riverside.
5. **Sustainability & Resiliency** – Approving the Purchase and Sale Agreement for the Downtown Police Headquarters, and by acquiring a real estate asset and eliminating future lease payments, demonstrates that the City of Riverside is committed to meeting the current needs of the community without compromising the needs of the future.

FISCAL IMPACT:

The total fiscal impact for the subject transaction is \$3,100,000 plus any miscellaneous title, escrow and related costs. Debt financing has not yet been initiated for the New Police Headquarters project; therefore, the purchase will require a supplemental appropriation for advance cash funding which will be repaid from debt proceeds following the issuance of the debt.

Repayment of the advanced funding for the purchase of the subject property will require City Council adoption of a reimbursement resolution pending the issuance of debt. Staff will bring forth a reimbursement resolution for City Council adoption within the sixty-day timeframe necessary to ensure reimbursement from debt proceeds.

Prepared by:	Chris Christopoulos, Acting Community & Economic Development Director
Certified as to	
availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney