



City of Arts & Innovation

# Development Committee

**TO: DEVELOPMENT COMMITTEE MEMBERS      DATE: MARCH 22, 2018**

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

**SUBJECT: DEVELOPMENT OF 1.8 ACRES OF SUCCESSOR AGENCY-OWNED LAND  
LOCATED AT 3102-3250 MAIN AND 3654 FIRST STREETS WITHIN THE  
RAINCROSS DISTRICT OF THE DOWNTOWN SPECIFIC PLAN AREA -  
DIRECT SUBMITTAL**

## **ISSUE:**

Select Pacific American Development of Newport Beach, California, for the development of the 1.8 acre Successor Agency-owned property located at 3102-3250 Main and 3654 First Streets, identified as Assessor's Parcel Numbers 213-031-002, -003, -004 and -005, and 213-081-001 and -002, within the Raincross District of the Downtown Specific Plan area.

## **RECOMMENDATIONS:**

That the Development Committee:

1. Review and recommend selection of the Pacific American Development proposal; and
2. Direct staff to negotiate a Purchase, Sale and Development Agreement for the disposition of the 1.8 acre Successor Agency-owned property located at 3102-3250 Main and 3654 First Streets, identified as Assessor's Parcel Numbers 213-031-002, -003, -004 and -005, and 213-081-001 and -002, and subsequent development of a mixed-use retail and residential project to be presented to the Successor Agency and Oversight Board for consideration.

## **BACKGROUND:**

The property from First to Third east of Main consists of the historic former Texaco gas station, located at 3102 Main and 3654 First Streets (Assessor's Parcel Numbers 213-031-002 and 003), and the vacant land, located at 3158-3250 Main Street (Assessor's Parcel Numbers 213-031-004 and 005, and 213-081001 and 002). The historic gas station is about 1,000 square feet in size situated on approximately 15,700 square feet of land while the vacant land is approximately 1.47 acres for a total of approximately 1.8 acres (Property) within the Raincross District of the Downtown Specific Plan as shown below.



On July 23, 2015, the Development Committee directed staff to issue a Request for Proposals (RFP) seeking a café for the historic gas station at the northeast corner of First and Main Streets and a medium-density multi-family residential development for the remainder of the site.

On September 30, 2015, staff issued an RFP for the adaptive reuse of the historic structure and a separate RFP for the development of a medium-density multi-family residential project on the vacant land. When the proposals were due on December 30, 2015, staff received two proposals for the vacant land and one proposal for the historic structure from a buyer that did not submit a separate proposal for the vacant land. In order to achieve a cohesive relationship between the two sites while encourage opportunities for a variety of commercial, residential and entertainment uses, all proposals were rejected.

On March 24, 2016, staff issued a new RFP seeking a café for the historic former gas station at the northeast corner of First and Main Streets and a medium-density multi-family neighborhood concept for the remainder of the Property.

On July 1, 2016, when proposals were due, staff received five proposals from CityMark Development, Pacific American Development (Pacific American), Dos Lagos Asset, LLC (Dos Lagos), New West Communities, and RC Hobbs Company.

On August 29, 2016, the Selection Committee interviewed the three most responsive firms, including City Mark Development, Pacific American and Dos Lagos, and selected the proposal submitted by Dos Lagos as being the most responsive to the RFP. After completing its due diligence, Dos Lagos determined its proposed project was not feasible without financial contribution from both the City and the Successor Agency. As such, negotiations with Dos Lagos were terminated.

**DISCUSSION:**

Since Pacific American earned the second highest score, staff offered Pacific American an opportunity to refine their development proposal, which is further described below.

The site plan and conceptual renderings for the proposed adaptive reuse of the historic gas station for a retail use and a multi-family residential development proposed by Pacific American are included as an Attachment to this report. The mixed-use retail and housing development proposed for the Property are allowable uses in the Raincross District. The Pacific American proposal is summarized below:

1. Total Site Area: 1.8 acres
2. Purchase Price: \$960,000 (\$12 per square foot, which represents the fair market value by an appraisal conducted by Mission Property Advisors, Inc.)
3. Proposed Project: Adaptive reuse of the historic former gas station for retail use and 96 market rate housing apartment units on the remainder of the Property as shown on the attached site plan
4. Job Creation: 93 temporary jobs and 40 permanent full-time and part-time jobs
5. Estimated Annual Gross Sales Tax Revenue: \$100,000 (Coffee Shop)
6. Estimated Annual Property Tax Revenue: \$25,000
7. Total Anticipated Investment: \$20,000,000

Staff determined that Pacific American has sufficient development experience and the financial capacity to undertake the acquisition and development of the Property as proposed. As such, staff recommends that the Development Committee select the proposal submitted by Pacific American.

With the Development Committee's consent, staff will prepare a Purchase, Sale and Development Agreement with Pacific American to include a fair market purchase price, proposed use, deposit requirement, due diligence period, schedule of performance, and conditions and restrictions for final consideration by the Successor Agency and the Oversight Board.

**FISCAL IMPACT:**

All sale proceeds of the Property less related title, escrow and miscellaneous closing costs will be remitted to the Riverside County Auditor Controller's Office (ACO). The ACO will distribute the sale proceeds to the various taxing entities (including the City) and report the sale to the State Department of Finance. The City's portion of the net sales proceeds is estimated to be approximately 14 percent of the sales price less all title, escrow, and miscellaneous closing costs.

Prepared by:	Rafael Guzman, Community & Economic Development Director
Certified as to availability of funds:	Adam Raymond, Chief Financial Officer/ Treasurer
Approved by:	Al Zelinka, FAICP, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

**Attachments:**

1. Site Plan and Conceptual Renderings
2. Presentation