



City of Arts & Innovation

Successor Agency to the Redevelopment Agency of the City of Riverside

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 7, 2023

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 2
DEPARTMENT**

SUBJECT: ADOPT A RESOLUTION APPROVING TWO PURCHASE, SALE, AND DEVELOPMENT AGREEMENTS WITH PRAXIS DEVELOPMENT GROUP, LLC FOR THE SALE AND DEVELOPMENT OF SUCCESSOR AGENCY-OWNED PROPERTIES LOCATED AT 3870 OTTAWA AVENUE IN THE AMOUNT OF \$198,900 AND 1910 UNIVERSITY AVENUE IN THE AMOUNT OF \$251,100 FOR THE DEVELOPMENT OF MULTI-FAMILY AFFORDABLE HOUSING PROJECTS

ISSUE:

Adopt a resolution authorizing the City of Riverside, as the Successor Agency to the Redevelopment Agency of the City of Riverside, to enter into two Purchase, Sale, and Development Agreements with Praxis Development Group, LLC for the sale and development of the Successor Agency-owned properties, located at 3870 Ottawa Avenue (Assessor's Parcel Number 221-061-002) in the amount of \$198,900 and 1910 University Avenue (Assessor's Parcel Number 221-052-002) in the amount of \$251,100, for the development of multi-family affordable housing projects.

RECOMMENDATIONS:

That the Successor Agency:

1. Adopt the attached resolution (Attachment 1) authorizing the execution of two Purchase, Sale, and Development Agreements with Praxis Development Group, LLC for the sale and development of 3870 Ottawa Avenue, identified as Assessor's Parcel Number 221-061-002, in the amount of \$198,900 (Attachment 2), and 1910 University Avenue, identified as Assessor's Parcel Number 221-052-002, in the amount of \$251,100 (Attachment 3), for the development of multi-family affordable housing projects;
2. Recommend the Countywide Oversight Board adopt a Board resolution authorizing the execution of the attached Purchase, Sale, and Development Agreements with Praxis Development Group, LLC for the above Successor Agency-owned properties, in accordance with the State Department of Finance approved Long-Range Property Management Plan, to

be presented to the Countywide Oversight Board for final consideration and approval; and

3. Authorize the Executive Director, or designee, to take any and all actions, including making minor and non-substantive modifications, and execute the Purchase, Sale, and Development Agreements with Praxis Development Group, LLC.

LEGISLATIVE HISTORY:

Enacted in 1968, the Surplus Land Act (SLA) requires all local agencies to prioritize affordable housing, as well as parks and open space, when disposing of surplus land. As California continues to face an affordable housing crisis, all publicly owned surplus land, according to the State, has the potential to promote affordable housing developments. As such, in 2019, Governor Newsome signed into law Assembly Bill 1486 to promote the use of publicly owned surplus land for affordable housing projects. Effective in 2020, the Successor Agency is required by the SLA to notify its surplus land to local public agencies and all affordable housing developers who registered with the State’s Housing & Community Development (HCD) Department. With the initial Notice of Availability (NOA), the SLA requires that no less than 25% of a proposed housing development be restricted to low-income qualified households. Additionally, the SLA requires an affordability covenant be recorded on surplus land for 55 years (known as a Regulatory Agreement).

BACKGROUND:

In 2006, the City Council approved the former Redevelopment Agency (RDA) acquisition of the Big L Motel, located at 3870 Ottawa Avenue, also identified as Assessor’s Parcel Number 221-061-002 (Property 1).

In 2007, the City Council approved the RDA acquisition of the Welcome Inn Motel, located at 1910 University Avenue, also identified as Assessor’s Parcel Number 221-052-002 (Property 2).

Subsequently, the motel structures were demolished. As shown on the aerial site map below, the properties are currently vacant land and have been approved for disposition by the State Department of Finance (DOF) as described in the Successor Agency’s Long-Range Property Management Plan (State Approved LRPMP).



Since acquisition, several development proposals have been considered for these two properties, including the construction of a new home for the Duran Eastside Library and other retail uses. Unfortunately, due to the smaller size of the lots, the marketing of these properties was unsuccessful at soliciting investment from qualified buyers.

DISCUSSION:

On May 26, 2021, pursuant to the SLA, the Successor Agency adopted a resolution declaring seven properties as surplus, including Property 1 and Property 2 (Properties), and released an initial 60-day NOA for the sale of these Properties as required by HCD.

On July 26, 2021, the deadline for interested developers to respond, staff received a development proposal from Praxis Development Group, LLC (Praxis) to construct a residential development on Property 1 and a mixed-use project on Property 2, with 25% affordable housing set aside at each location for low-income qualified households.

As a matter of information, both Properties were included in the Regional Housing Needs Assessment Housing Opportunity Sites Inventory of the 6th-cycle update of the Housing Element of the General Plan 2025 adopted in October 2021. As part of the Housing Element Update, both Properties were rezoned to the current Mixed-Use Urban (MU-U) designation, which permits residential densities up to 60 dwelling units per acre when located within a High-Quality Transit Area. Because the proposed projects will set aside a percentage of total units as affordable to low-income households, these projects will also be eligible for a density bonus over what is otherwise permitted in the MU-U Zone pursuant to §65915 et seq. of the California Government Code.

Praxis Experience and Qualifications

Praxis is headquartered in Los Angeles and is a full-service real estate development and advisory firm. Praxis was established with the goal of partnering with landowners, institutions, and local jurisdictions to enhance value for investors and local communities through the facilitation of creative ideas and well executed developments. Praxis’ development concept for both sites is in line with the City of Riverside and State’s goals of creating affordable housing, while keeping a small retail and restaurant use on University Avenue.

Below is a summary of Praxis’ development proposal for the Properties:

	Property 1 3870 Ottawa Avenue	Property 2 1910 University Avenue
State Approved LRPMP:	Site 20 – DOF approved disposition in 2014	Site 7 – DOF approved disposition in 2014
Parcel Size:	16,440 square feet	20,623 square feet
Zoning:	MU-U-SP (Mixed-Use Urban and Specific Plan [University Avenue] Overlay Zones)	MU-U-SP (Mixed-Use Urban and Specific Plan [University Avenue] Overlay Zones)

General Plan:	Mixed-Use Urban	Mixed-Use Urban
Purchase Price:	\$198,900	\$251,100
Proposed Project:	12 townhomes	49 housing units (1 and 2 bedrooms), small retail
Affordable Housing:	25%	100%
Estimated Job Creation: 350		
Annual Property Tax Revenue: \$90,000		
Total Investment: \$48,000,000		

The attached Purchase, Sale, and Development Agreements with Praxis (Agreements - Attachments 2 and 3) include the following key provisions:

1. Praxis to purchase both Properties for a total sum of \$450,000, less all title, escrow and miscellaneous closing costs;
2. Praxis 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 Projects;
3. Praxis must complete all due diligence review and inspections of the Properties within 120 days from the Effective Date of the Agreements;
4. Praxis must submit applications to the Planning Division for Design Review and project entitlements within 120 days from the expiration of the Due Diligence Period;
5. Praxis must obtain all necessary entitlements, including grading and building permits, and close escrow within 18 months following the submittal of an application to the Planning Division; and
6. Praxis must start construction of the Proposed Projects within 180 days from the Close of Escrow and complete construction of the Proposed Projects within 36 months from the start of construction.

State Affordable Housing Requirement

To provide affordable housing opportunities for Riverside residents, Praxis is committed to setting aside 25% of the residential units at Property 1 and 100% of the residential units at Property 2 for low-income qualified households (The SLA only requires 25% affordable housing). On May 2, 2023, the state agency, HCD issued a letter of approval for the disposition of both Properties to Praxis.

As part of the surplus disposition process, the Successor Agency has had the Properties appraised several times by different independent third-party appraisers over the years as shown

below:

Date	Appraiser Firms	Property 1 3870 Ottawa Avenue	Property 2 1910 University Avenue
December 2022	Curtis-Rosenthal	\$314,500	\$418,500
January 2018	Len Perdue	\$132,500	\$272,000
February 2016	R.P. Laurain	\$148,000	
December 2010	Himes and Himes		\$354,000

For this transaction with Praxis, the Properties were appraised in 2022. With this most recent appraisal, the appraiser concluded a value of \$314,500 for Property 1 and \$418,500 for Property 2. Since affordable housing provides many advantages to the City, staff negotiated the purchase price for Property 1 at \$198,900 and the purchase price for Property 2 at \$251,100, for a total of \$450,000, for both Properties, to encourage diversity in housing opportunities for Riverside residents.

Table 1 below shows 2023 adjusted HOME income limits for Riverside County by percentage of Area Median Income (AMI):

Table 1							
No. of Persons	1	2	3	4	5	6	7
30% AMI	\$19,600	\$22,400	\$25,200	\$27,950	\$30,200	\$32,450	\$34,700
50% AMI	\$32,650	\$37,300	\$41,950	\$46,600	\$50,350	\$54,100	\$57,800
60% AMI	\$39,180	\$44,760	\$50,340	\$55,920	\$60,420	\$64,920	\$69,360
80% AMI	\$52,200	\$59,650	\$67,100	\$74,550	\$80,550	\$86,500	\$92,450

Table 2 below shows 2023 HUD rent limits for Riverside County (Provided owner pays all utilities):

Table 2		
Unit Size	50% of Median	60% - 80% of Median
Studio	\$816	\$1,040
One-Bedroom	\$874	\$1,116
Two-Bedroom	\$1,048	\$1,341
Three-Bedroom	\$1,211	\$1,540
Four-Bedroom	\$1,352	\$1,699
Five-Bedroom	\$1,491	\$1,856

State Required Regulatory Agreement

Each of the two Purchase, Sale, and Development Agreements with Praxis incorporates a Regulatory Agreement in accordance with the SLA. The Regulatory Agreement is intended to ensure that Praxis will provide the above affordable housing units within the two Proposed Projects to qualified households at affordable rent for 55 years.

Community Benefit

Property 1 and Property 2, identified as Sites 7 and 20 in the State Approved LRPMP, were

acquired by the RDA almost two decades ago and approved for disposition by the DOF nearly a decade ago. In addition to the sales proceeds and monetary savings on the continued property maintenance and site management for the Successor Agency, the development of these Properties will benefit the City and Taxing Entities by generating additional real property taxes and sales revenue. The Proposed Projects will also facilitate approximately 350 construction jobs and produce more affordable housing options for the community. Increasing affordable housing bolsters economic growth, builds safe and sustainable communities, promotes diversity and helps ensure equity within the housing market.

As such, staff recommends that the Successor Agency approve the Agreements with Praxis for the disposition and development of Property 1 and Property 2.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 2 – Community Well-Being 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 Goal 3.3:** Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

The disposition and development of Property 1 and Property 2 aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The City is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards and Commissions, and timely and reliable information. The City negotiated this transaction in good faith. Approving the Praxis Agreements in an open meeting demonstrates that the City is transparent and committed to community trust by making decisions that serve the public interest.
2. **Equity** – The City is supportive of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services. Approving the Praxis Agreements demonstrates equitable, fair market values while maximizing public funds through growth and accountability.
3. **Fiscal Responsibility** – The City is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all. The Properties are currently vacant and underutilized. The disposition of the Properties ensures the responsible management of the City's finances while facilitating beneficial investment in the City of Riverside.
4. **Innovation** – The City is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships and adaptive processes. Approving the sale of the Properties is consistent with the community's changing needs and prepares for the future through collaborative partnerships.
5. **Sustainability & Resiliency** – The City is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike. Disposing of the

Properties allows the City to offer sustainable residential developments and ensure the City's capacity to preserve, adapt and grow.

FISCAL IMPACT:

The total sales price for both Properties is \$450,000. The Successor Agency's portion of the sales proceeds is approximately 14% of the total sales price less all title, escrow, and miscellaneous closing costs (Net Sales Proceeds), which will be remitted to the Riverside County Auditor Controller's Office (ACO). Proceeds received will be deposited in the Successor Agency Trust Fund, Sales of Land & Buildings revenue account number 2830605-380010

The ACO will distribute the Net Sales Proceeds to the various Taxing Entities (including the City) and report the sale of the Properties to the DOF.

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

Attachments:

1. Resolution for 3870 Ottawa Avenue and 1910 University Avenue
2. Purchase, Sale, and Development Agreement for 3870 Ottawa Avenue
3. Purchase, Sale, and Development Agreement for 1910 University Avenue