



City of Arts & Innovation

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL                      DATE: AUGUST 1, 2023**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT              WARD: 3**  
**DEPARTMENT**

**SUBJECT: PURCHASE, SALE, AND DEVELOPMENT AGREEMENT WITH CENTRAL 91, LP FOR THE SALE OF APPROXIMATELY 20,320 SQUARE FEET OF VACANT CITY-OWNED LAND LOCATED AT THE SOUTHEASTERLY CORNER OF CENTRAL AVENUE BETWEEN THE NORTHBOUND EXIT OF THE STATE ROUTE 91 FREEWAY AND THE AT&SF RAILWAY, FORMERLY KNOWN AS THE MAGNOLIA SUBSTATION, FOR THE SALES PRICE OF \$158,000**

**ISSUE:**

Approve the Purchase, Sale, and Development Agreement with Central 91, LP for the sale of approximately 20,320 square feet of vacant City-owned land located at the southeasterly corner of Central Avenue between the northbound exit of the State Route 91 freeway and the AT&SF railway, formerly known as the Magnolia Substation, for the sales price of \$158,000.

**RECOMMENDATIONS:**

That the City Council:

1. Approve the Purchase, Sale, and Development Agreement (Attachment 1 – Agreement) with the Central 91, LP for approximately 20,320 square feet of vacant City-owned land, for the sales price of \$158,000; and
2. Authorize the City Manager, or his designee, to execute the Agreement with Central 91, LP, including making minor and non-substantive changes, to sign all documents and instruments necessary to complete the transaction, and to expend up to \$10,000 for title, escrow, and miscellaneous related closing costs.

**BOARD RECOMMENDATION:**

On June 26, 2023, the Board of Public Utilities (Board) recommended that City Council (1) approve the Purchase, Sale and Development Agreement with Central 91, LP for the sale of approximately 20,328 square feet of vacant City-owned land located at the southeasterly corner of Central Avenue between the northbound exit of the State Route 91 freeway and the AT&SF Railway, bearing Assessor’s Parcel Number 223-150-009, for the sale price of \$158,000; and (2) authorize the City Manager, or designee, to execute the agreement including making minor, non-

substantive changes, to sign all documents and instruments necessary to complete this transaction, and to expend up to \$10,000 for title, escrow, and miscellaneous related closing costs.

## **BACKGROUND**

On December 7, 2012, the Board of Public Utilities approved a multi-phase project to expand the Plaza Substation to facilitate the 4-12kV conversion of the Magnolia and Plaza distribution circuits and retirement of the Magnolia Substation (Magnolia). On November 5, 2018, the Board of Public Utilities approved Phase V funding for the demolition of Riverside Public Utilities' (RPU's) oldest substation. The demolition phase included the removal of above-grade equipment and structures and below-grade structures.

In collaboration with Operations, RPU's Engineering Department evaluated the potential usage of the property and determined that the portion declared as surplus is no longer needed or usable by Riverside Public Utilities. On April 26, 2021, the Board of Public Utilities unanimously recommended that the City Council approve the surplus declaration of approximately 20,320 square feet of City-owned vacant land (Property) located at the southeasterly corner of Central Avenue between the northbound exit of the State Route 91 Freeway and the AT&SF railway bearing a portion of Assessor's Parcel Number 223-150-009, formerly known as the Magnolia Substation.

On May 25, 2021, the City Council adopted Resolution No. 23712 declaring approximately 20,320 square feet of City-owned vacant land located at the southeasterly corner of Central Avenue between the northbound exit of the State Route 91 freeway and the AT&SF railway bearing a portion of Assessor's Parcel Number 223-150-009, formerly known as the Magnolia Substation, as "exempt" surplus property. On October 12, 2021, City Council approved the amendment of Resolution No. 23712 to correctly identify the property as surplus, not exempt surplus.

## **DISCUSSION:**

The total property contains approximately 24,340 square feet, is zoned residential (R-1-7000) and the General Plan designation is Commercial. As part of the State's improvements to the State Route (SR) 91 Freeway, the northbound exit to Central Avenue was widened. A portion of the Property was acquired by Caltrans for the widening and access is denied to the remainder along the exit ramp and Central Avenue. Additionally, easements for a 42" City-owned water pipeline underneath the Property as well as electrical conduits will be reserved. Currently, there is an existing cell tower on the southern portion of the Property leased to Cingular Wireless that expires on September 10, 2031. The annual rent is \$21,558.11 plus annual consumer price index (CPI) increases.

As such, the northerly 20,320 square foot portion of the Property, shown in the aerial site map below, highlighted in blue, was declared as surplus and is now available to be sold. The remaining portion of the site, which is approximately 4,014 square feet and highlighted in yellow, will be retained by the City to collect cell tower revenue, given that the existing Cingular Wireless lease will generate over \$200,000 in the next ten years before it expires. Should the City decide to generate revenue from outdoor billboard advertising in the future, there should be adequate space on the portion of the site to be retained by the City.

Staff had the subject property appraised by an independent third-party appraiser, which concluded

to a value of \$158,000. Central 91, LP has accepted the appraised value for the subject property and the terms of the Agreement. It is the intention of Central 91, LP, to use the subject property to construct a commercial retail/restaurant facility.



The basic terms of the Agreement provide for a 90-day escrow period in which Central 91, LP has 30 days to perform their due diligence of reviewing the condition of the Property and any other matters affecting the Property along with their funding documentation. A \$25,000 deposit is due within 3 business days of the Effective Date of the mutual execution of the Agreement. Central 91, LP will be responsible for the difference between the costs for a CLTA standard form title policy of title insurance and an ALTA extended coverage title policy, if such additional title insurance is request by Central 91, LP.

Staff has reviewed and determined that the sale price of \$158,000 for the Property represents the current fair market value and recommends entering into the Agreement. Central 91, LP shall be responsible for obtaining any project development entitlements at their sole cost and expense.

The Utilities General Manager concurs with the recommendations in this report.

### **STRATEGIC PLAN ALIGNMENT:**

This action contributes to **Strategic Priority 6 – Infrastructure, Mobility & Connectivity** and **Goal 6.2 – Maintain, protect, and improve assets and infrastructure within the City’s built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.**

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

- **Community Trust** – The City is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. By approving the Purchase, Sale and Development Agreement,

the City demonstrates that Riverside is committed to serve the public interest, benefitting the City's diverse populations that results in greater public good.

- **Equity** – The City supports racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share the benefits of community progress with the approval of a commercial retail/restaurant development.
- **Fiscal Responsibility** – The City is a prudent steward of public funds and approving the Purchase, Sale and Development Agreement ensures responsible management of the City's financial resources while providing quality public services to all.
- **Innovation** – By approving the Purchase, Sale and Development Agreement, the City demonstrates how it prepares for the future through this collaborative partnership with Central 91, LP for a commercial retail/restaurant development.
- **Sustainability & Resiliency** – Approving the Purchase, Sale and Development Agreement ensures the City's capacity to persevere, adapt and grow during good and difficult times alike.

### **FISCAL IMPACT:**

The total fiscal impact is estimated to be \$158,000 less all title, escrow and miscellaneous related costs, for a total not to exceed \$10,000.

The estimated net proceeds from the sale in the amount of approximately \$148,000 shall be deposited into General Fund account number 0000101-380010.

Prepared by: Jennifer A. Lilley, AICP, 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
2. Presentation