



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL**      **DATE: JULY 14, 2015**

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

**SUBJECT: PROPOSED PURCHASE AND SALE AGREEMENT WITH ENCORE EDUCATION CORPORATION, INC., DOING BUSINESS AS WESTERN ARTS UNIVERSITY FOR THE FORMER DOWNTOWN FIRE STATION NO. 1 LOCATED AT 3466 MISSION INN AVENUE, IDENTIFIED AS ASSESSOR PARCEL NO. 213-281-005**

## **ISSUE:**

The issue for City Council consideration is the approval of a Purchase and Sale Agreement with Encore Education Corporation, Inc., doing business as Western Arts University (Western Arts University) for the former downtown Fire Station No. 1 located at 3466 Mission Inn Avenue, identified as Assessor Parcel No. 213-281-005 (Site Map - Attachment 1).

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the attached Purchase and Sale Agreement (Agreement – Attachment 2) with Western Arts University for the purchase of the former downtown Fire Station No. 1 located at 3466 Mission Inn Avenue, identified as Assessor Parcel No. 213-281-005 for the agreed purchase price of \$1,650,000; and
2. Authorize the City Manager, or his designee, to execute the Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

## **COMMITTEE RECOMMENDATIONS:**

On January 22, 2015, the Development Committee, with Chair Gardner and Member Mac Arthur present and Vice Chair Adams absent, considered the disposition, redevelopment and adaptive reuse of the former Fire Station No. 1 located at 3466 Mission Inn Avenue.

Staff recommended that the Development Committee select the proposal from Western Arts University for the redevelopment and adaptive reuse of the former Fire Station No. 1 located at 3466 Mission Inn Avenue into an arts focused university with dinner theater and directed staff to negotiate a purchase and sale agreement with Western Arts University for the disposition, redevelopment and adaptive reuse of the site to be presented to City Council for final consideration. Following discussion, a motion was made by Chair Gardner and seconded by

Member Mac Arthur to approve staff's noted recommendations. The motion carried unanimously.

### **BACKGROUND:**

The former Fire Station No. 1, located at the southwest corner of Mission Inn Avenue and Lime Street, was designed by local architect Bolton C. Moise, Jr., in association with his partners Wendell Harbach and James Hewlett. Built in 1957, the former Fire Station No. 1 (historically known as the Central Fire Station) is listed on the State of California Register of Historical Resources based upon its International Modern architectural design. Situated within the Downtown Specific Plan - Raincross District planning area, the former Fire Station No. 1 is approximately 26,845 square feet of land and includes 22 parking spaces. The two-story building contains approximately 20,000 square feet of improved space consisting of an apparatus room, hose tower, maintenance/weight room, dormitory/administrative area, and station office.

On January 25, 2011, the City Council and Redevelopment Agency utilized redevelopment funds for the construction of the new 3-story Downtown Fire Station No. 1 on the adjacent property at the northwest corner of University Avenue and Lime Street. This new facility includes fire administration, a fire museum, and a fire station to serve the downtown area.

Construction of the new fire station was completed in the summer of 2013 and the Fire Department occupied the facility shortly thereafter. As such, the former Fire Station No. 1 is no longer needed by the Fire Department and was declared surplus by the City Council on January 15, 2013. However, 8 parking spaces will be reserved for the new Fire Station No.1's use. A lot line adjustment will be completed prior to the close of escrow to exclude these 8 parking spaces from the sale to Western Arts University.

On December 6, 2013, staff issued a Request for Proposal for the purchase, redevelopment and adaptive reuse of the former Fire Station No.1 and the optional development of Public Parking Lot No. 27 into a multi-level private parking garage. On March 7, 2014, staff received two redevelopment and adaptive reuse proposals. After careful review of both proposals, staff rejected both proposals as non-responsive.

On July 10, 2014, staff issued a new Request for Proposals for the purchase, redevelopment and adaptive reuse of the former Fire Station No. 1 (without the Public Parking Lot No. 27 requirement).

On October 10, 2014, staff received six redevelopment and adaptive reuse proposals, which are summarized below:

<b>Proposer</b>	<b>Adaptive Reuse Concept</b>	<b>Purchase Price</b>
Next Gen Riverside, LLC.	Restaurant/brewery & multi family	\$1,650,000 (Revised to \$1 after interview)
HRBC Insurance	Corporate office	\$1
Craig Johnston	Dance hall & office	\$300,000
IDAS, Inc.	Art gallery & corporate office	\$770,000
Mei Wei Food Products	Tea market & restaurant	\$1,250,000
Western Arts University	Arts focused University with dinner theater productions	\$1,650,000 (amortized over 5-years)

After careful review and ranking of the aforementioned redevelopment and adaptive reuse proposals, staff decided to interview Western Arts University, IDAS, Inc., and Next Gen Riverside, LLC to further aid in the decision and recommendation making process. The interviews were held the weeks of November 17th and December 1st, 2014.

At the conclusion of the interview process, staff collectively concluded that the Western Arts University proposal is the most responsive to the noted Request for Proposals. Additionally, the Western Arts University proposal is in compliance with the Downtown Specific Plan and furthers the Raincross District's goal of promoting arts and cultural (by training and educating students in music, dance, theater, and culinary arts) and special events (such as weekly dinner theater) to capitalize on Riverside's history and cultural diversity and to attract Inland Empire residents and tourists to the Downtown area.

By way of background, Western Arts University is a startup, non-profit, postsecondary education program that is on track to become a fully accredited university program specializing in arts and business within the next five years. Western Arts University will offer certificate programs until receiving full accreditation, at which time it will offer degrees. Western Arts University anticipates hiring 15-20 full time employees within the first two years of operation and expects to expand to 150 full time employees within five years. Furthermore, Western Arts University will give hiring preference to Riverside residents.

Moreover, Western Arts University is a division of Encore Education Corporation, a mid-size corporation that has developed and founded education programs with the mission of combining arts and education. Encore Education Corporation was founded in 2007 and currently employs 150 people with its executive office located in Hesperia, California.

Staff has developed the Agreement and Loan Agreement, which includes the following key provisions:

- Western Arts University to perform all due diligence within sixty (60) days from the effective date of the Agreement;
- Western Arts University to preserve the historic and architecturally significant exterior features of the historic structure;
- Western Arts University shall complete restoration of the historic structure within two (2) years from close of escrow;
- Western Arts University to acquire the subject site in the total sum of \$1,650,000. City shall carry a note at four percent (4%) simple interest over five (5) years with a final balloon payment of \$1,653,700 due to the City at the end of the five year term;
- Secured by a Promissory Note and Deed of Trust as Exhibits "C" and "D" of the Agreement. In the event of default, the City will have the right to recover ownership of the property;
- Western Arts University shall pay a deposit of \$60,000;
- Western Arts University must execute a Historic Façade Easement Agreement,
- Escrow shall close on or before ninety (90) days following the effective date of the Agreement;
- Western Arts University shall commence interior construction no later than thirty (30) days after close of escrow (subject to force majeure delays);
- Western Arts University is prohibited from selling, transferring or leasing the subject site to an entity that is exempt from paying real property taxes; and

- Western Arts University is prohibited from seeking an exemption from real property taxes based on its nonprofit status.

Staff recommends that the City Council approve the Agreement with Western Arts University for the disposition, redevelopment and adaptive reuse of the former Fire Station No. 1 located at 3466 Mission Inn Avenue.

**FISCAL IMPACT:**

Proceeds from the disposition of the subject property including the required down payment amount will be deposited into a General Fund account to be determined by the Finance Director.

Prepared by: Emilio Ramirez, Interim Community & Economic Development Director  
Certified as to  
availability of funds: Brent A. Mason, Finance Director/Treasurer  
Approved by: Al Zelinka, FAICP, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Concurs with:



---

MIKE GARDNER, Chair  
Development Committee

Attachments:

1. Site Map
2. Purchase and Sale Agreement