



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 6, 2015

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: APPROVAL OF A PURCHASE AND DEVELOPMENT AGREEMENT WITH STALDER PLAZA, LP FOR THE SALE AND DEVELOPMENT OF THE STALDER BUILDING AND ADJACENT PARKING LOT 42, LOCATED AT THE NORTHEAST CORNER OF MARKET STREET AND MISSION INN AVENUE, IDENTIFIED AS ASSESSOR'S PARCEL NUMBERS 213-222-001, 002 AND 003 IN THE AMOUNT OF \$850,000

ISSUE:

The issue for City Council consideration is the approval of a Purchase and Development Agreement with Stalder Plaza, LP for the sale and development of the Stalder Building and the adjacent Public Parking Lot 42, identified as Assessor's Parcel Numbers 213-222-001, 002 and 003 in the amount of \$850,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase and Development Agreement (Attachment 1) with Stalder Plaza, LP for the sale and development of the Stalder Building and the adjacent Public Parking Lot 42, identified as Assessor's Parcel Numbers 213-222-001, 002 and 003; and
2. Authorize the City Manager, or his designee, to execute the Purchase and Development Agreement and Historic Façade Easement Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction and to expend up to \$10,000 for title and escrow and miscellaneous closing costs.

COMMITTEE RECOMMENDATIONS:

On February 20, 2014, the Development Committee, with Chair Gardner, Vice Chair Adams, and Member Mac Arthur present, considered the sale and development of the Stalder Building and the adjacent Public Parking Lot 42, identified as Assessor's Parcel Numbers 213-222-001, 002 and 003.

Staff recommended that the Development Committee select the proposal from Regional Properties, Inc. for the sale and development of the Stalder Building and the adjacent Public

Parking Lot 42, identified as Assessor's Parcel Numbers 213-222-001, 002 and 003 and direct staff to negotiate a purchase and development agreement with Regional Properties, Inc. Following discussion, motion was made by Vice Chair Adams and seconded by Member Mac Arthur (1) selecting the Regional Properties proposal for redevelopment of the existing Stalder Building and Public Parking Lot 42 located on the easterly side of Market Street between Mission Inn Avenue and Sixth Street; and (2) directing staff to negotiate an agreement for the disposition and development of a mixed-use project on the property to be presented to the City Council for consideration. The motion carried unanimously.

BACKGROUND:

The former Redevelopment Agency entered into a Disposition and Development Agreement with MetroRiverside, LLC for development of a two-phase mixed-use project on approximately six acres at the intersection of Market Street and Sixth Street, known as the Fox Plaza project, including development of the Hyatt Place Hotel and preservation of the Stalder Building facade and development of the adjacent Public Parking Lot 42 (Property). The Property is located at the northeast corner of Market Street and Mission Inn Avenue (Attachment 2). MetroRiverside LLC completed the construction of the Hyatt Place Hotel but did not complete the development of the Property.

To seek a new buyer and developer for the Property, staff issued a Request for Proposals for a mixed-use retail and residential development with preservation of the existing Stalder Building façade in accordance with the Secretary of Interior Standards. Proposals were received from Regional Properties, Inc. (Regional Properties) and Ratkovich Properties. After both firms were interviewed, staff recommended the selection of the Regional Properties development proposal and the Development Committee approved and directed staff to negotiate an agreement for disposition and development of the Property on February 20, 2014.

On March 6, 2014, the Department of Finance approved the Successor Agency's Amended Long Range Property Management Plan and the Oversight Board adopted a resolution authorizing the implementation of the Amended Long Range Property Management Plan on April 10, 2014, which included the approval of transferring the Property from the Successor Agency to the City for future development purposes pursuant to Health and Safety Code Section 34191.5 (c) (2).

Since the selection of the Regional Properties proposal, Regional Properties has established a new entity called Stalder Plaza, LP for development of the Property. Stalder Plaza, LP has agreed to acquire the Property for \$850,000 for development of a four-story mixed-use development, including up to 165 residential units, approximately 22,000 square feet of ground floor retail and restaurant space, and a subterranean parking garage providing approximately 363 spaces (Project). The sale price represents the current fair market value for the Property. The City has agreed to contribute \$350,000 from the sales proceeds for Stalder Plaza, LP to preserve and rehabilitate the Stalder Building façade along both Market Street and Mission Inn Avenue consistent with the historic 1926 façade and the Downtown Specific Plan as well as construct new development pursuant to the Design Standards and Guidelines for the Raincross District of the Downtown Specific Plan.

The attached Purchase and Development Agreement (Agreement) includes the following key provisions:

- Stalder Plaza, LP to purchase the Property for \$850,000 with the City contributing

\$350,000 to Stalder Plaza, LP for the preservation of the existing Stalder Building façade. Net sales proceeds are anticipated to be approximately \$500,000 less any title, escrow and miscellaneous related closing costs;

- Stalder Plaza, LP to construct up to 165 residential units, 22,000 square feet of office and retail/restaurant space, and adequate parking for the Project;
- Stalder Plaza, LP must be in conformance with all zoning, planning and building laws including the design standards of the Downtown Specific Plan, other Land Use Laws, the Agreement, and the applicable project entitlements in the development of the Project including in the preservation and rehabilitation of the Stalder Building façade as described in the Historic Façade Easement Agreement (Attachment 3) for the Stalder Building located at 3650 Market Street;
- Stalder Plaza, LP must submit an application to the Planning Division for Tract Map, Design Review and project entitlements, and complete all due diligence review and inspections of the Property within 180 days from the Effective Date of the Agreement;
- Stalder Plaza, LP must obtain all necessary entitlements, including grading and building permits, and close escrow within twenty-four months from the Effective Date of the Agreement;
- Stalder Plaza, LP must start construction of the Project within ninety days from the Close of Escrow and complete construction of the Project within twenty-four months from the Close of Escrow; and
- The Property shall revert to the City of Riverside if deadlines for commencement and completion of construction on the Project are not met, with provisions for delays due to acts beyond Stalder Plaza, LP's control.

Stalder Plaza, LP has demonstrated extensive experience in mixed-use residential and retail projects and has the financial capacity to acquire and develop the Property in compliance with the above provisions in addition to producing a quality mixed-use project, offering residential units for lease at market rates targeted toward young professionals as well as commercial space at market leasing rates. Additionally, Stalder Plaza, LP has committed to engage Robert Chattel, an architect with extensive adaptive re-use experience to ensure that the design of the Project, which includes the preservation of the Stalder Building façade, meets the expectation of the City's vision, design guidelines, Historic Preservation code, and the Secretary of Interior Standards for Rehabilitation and State Historical Building Code. Furthermore, Stalder Plaza, LP has also contracted Inland Pacific Advisors (IPA), a company with extensive experience in commercial leasing in the City of Riverside to implement a flexible commercial leasing program in an effort to proactively seek active and quality tenants for the commercial space targeting young professionals working and living in the downtown area.

The Project will benefit the City by generating additional property taxes and sales revenue as well as provide approximately 250 construction jobs and 110 permanent jobs. As such, staff recommends that the City Council approve the Agreement with Stalder Plaza, LP for the disposition and development of the Stalder Building and adjacent Parking Lot 42.

FISCAL IMPACT:

The net sales proceeds from the disposition of the Property of approximately \$500,000 (\$850,000 less the City's one-time contribution of \$350,000 to Stalder Plaza, LP to preserve the façade of the Property and title, escrow, and miscellaneous related closing costs) will be deposited into a General Fund account to be determined by the Finance Director. This is one-time revenue to the General Fund, which will have no impact on the adopted fiscal year 2015/16 General Fund budget due to the inclusion of \$2.5 million of anticipated one-time revenue in the budget.

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. Purchase and Development Agreement
2. Project Site Map
3. Historic Façade Easement Agreement