



# Development Committee

*City of Arts & Innovation*

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**TO: DEVELOPMENT COMMITTEE MEMBERS                      DATE: OCTOBER 3, 2016**

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

**SUBJECT: DISPOSITION OF CITY-OWNED PUBLIC PARKING LOT NUMBER 27 LOCATED**  
**AT 3398 MISSION INN AVENUE FOR THE DEVELOPMENT OF A BOUTIQUE**  
**HOTEL - DIRECT SUBMITTAL**

## **ISSUE**

Select the Dos Lagos Asset, LLC proposal in response to a City issued Request for Proposals to acquire Lot 27 and develop a boutique hotel.

## **RECOMMENDATIONS**

That the Development Committee:

1. Review and recommend selection of the Dos Lagos Asset, LLC proposal for the disposition of City-owned Public Parking Lot 27 located at 3398 Mission Inn Avenue, identified as Assessor Parcel Number 213-281-006 (Property – Attachment 1) for the development a boutique hotel; and
2. Direct staff to negotiate a Purchase and Sale Agreement with Dos Lagos Asset, LLC for the disposition and development of the Property to be presented to the City Council for final consideration.

## **BACKGROUND:**

On April 7, 2015, the City Council declared as surplus the Property and authorized the marketing and sale of the Property in accordance with the City's Administrative Manual for the Disposition and Sale of City-Owned Property.

Upon City Council's surplus declaration, and in accordance with California Government Code Section 54220, et seq., staff offered the Property for sale to the various local public agencies and received no interest.

## **DISCUSSION:**

On April 5, 2016, staff issued a Request for Qualifications and Proposals (RFQ/P) for the Property and a portion of the adjacent Western Arts University-owned Assessor Parcel Number 213-281-005, soliciting qualifications and proposals from development firms for the construction and operation of a boutique hotel facility.

The Property is approximately 14,000 square feet and the portion of the Western Arts University-owned parcel is approximately 7,500 square feet. Both properties are located in the Raincross District of the Downtown Specific Plan and are currently zoned for commercial and residential use. A hotel is permitted with a Conditional Use Permit (CUP).

As detailed in the RFQ/P, staff envisioned the new boutique hotel to be an immediate economic enhancement to the surrounding facilities such as the Riverside Municipal Auditorium, Riverside Art Museum, the Historic Mission Inn Hotel and Spa, Riverside Convention Center, and the Fox Performing Arts Theater (and Downtown as a whole). Moreover, staff further detailed that it expected development proposals to exemplify exceptional architecture (complimenting the surrounding buildings and compliance with the Downtown Specific Plan – Raincross District) and exemplify environmentally sustainable technology.

On July 7, 2016, staff received proposals from Dos Lagos Asset, LLC and Globiwest Hospitality, which are summarized below:

|                        | <b>Dos Lagos Asset, LLC</b>                              | <b>Globiwest Hospitality</b> |
|------------------------|--|------------------------------|
| Proposed Development:  | Boutique Hotel   | Boutique Hotel               |
| Hotel Brand:           | Hotel Indigo   | Not Provided                 |
| Hotel Manager:         | HMG Hospitality  | Not Provided                 |
| Architect:             | Ruhnau Ruhnau Clarke (of Riverside) & Joseph Wong Design | Not Provided                 |
| Hotel Rooms:           | 120  | 100                          |
| Number of Stories:     | 5  | 10                           |
| Parking Spaces         | 86*  | Not provided                 |
| Est. Development Cost: | \$25 Million   | \$14,034,720                 |
| Purchase Price:        | \$537,500**  | \$559,000***                 |
| Jobs Created:          | 80   | 40-50                        |
| Est. Annual TOT:       | \$550,000 - \$675,000                                    | \$455,000 - \$553,055        |

\* 21 parking stall reserved for Western Arts University

\*\* Includes Western Arts University parcel

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After careful review and scoring of the development proposals, the evaluation committee interviewed both proposers to aid in the decision and recommendation making process. At the conclusion of the interview process, the evaluation committee re-scored each proposal and

collectively concluded that the Dos Lagos Asset, LLC proposal is the most responsive to the noted RFQ/P.

With the Development Committee's consent, staff will develop a Purchase and Sale Agreement with Dos Lagos, LLC to include fair market purchase price, proposed use, deposit requirement, due diligence period, schedule of performance, and conditions and restrictions for final consideration by the City Council.

The Public Works Director has reviewed this report and concurs with the recommendation.

## **FISCAL IMPACT**

The property is owned by the Parking Authority and future development of Lot 27 would result in an estimated parking revenue loss to the City's Parking Fund of approximately \$5,600 annually. Should the Development Committee approve the Dos Lagos Asset, LCC proposal, the City can expect to receive approximately \$350,000 for the sale of the Property upon the close of escrow, \$550,000-\$675,000 in annual Transient Occupancy Tax (TOT) proceeds, and \$36,753 in annual property tax revenue upon completion of construction for the proposed hotel project. Any proceeds from the sale of the property will be deposited into the Parking Fund.

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| Prepared by:                              | Rafael Guzman, Community & Economic Development Director      |
| Certified as to<br>availability of funds: | Scott G. Miller, PhD., Chief Financial Officer/City Treasurer |
| Approved by:                              | Al Zelinka, FAICP Assistant City Manager                      |
| Approved as to form:                      | Gary G. Geuss, City Attorney                                  |

### **Attachments:**

1. Site Map
2. Hotel Indigo Rendering