



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 18, 2016**

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

**SUBJECT: PURCHASE AND SALE AGREEMENT WITH D.R.R. PROPERTIES, INC. FOR
THE SALE OF A CITY-OWNED MULTI-TENANT COMMERCIAL BUILDING
LOCATED AT 3615-3653 MAIN STREET AND 3700 SIXTH STREET AT A SALES
PRICE OF \$3,250,000**

ISSUE:

Approve a Purchase and Sale Agreement with D.R.R. Properties, Inc., of Newport Beach, California for the sale of a City-owned multi-tenant commercial building located at 3615-3653 Main Street and 3700 Sixth Street, identified as Assessor Parcel Number 213-222-007 (Property) at a sales price of \$3,250,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase and Sale Agreement with D.R.R. Properties, Inc. (Agreement) for the sale of a City-owned multi-tenant commercial building located at 3615-3653 Main Street and 3700 Sixth Street, identified as Assessor Parcel Number 213-222-007 at a sales price of \$3,250,000; 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 and to expend up to \$10,000 for title, escrow and miscellaneous related closing costs.

BACKGROUND:

On July 14, 2009, the City Council and Redevelopment Agency Board approved the acquisition of the Property and the adjacent Assessor Parcel Number 213-222-001 in the total amount of \$4,200,000. The Property was acquired to facilitate economic development in the downtown area by leasing up multiple vacancies within the commercial building located on the site. Moreover, Assessor Parcel Number 213-222-001 and the adjacent Assessor Parcel Number 213-222-002 are currently under contract (with Regional Properties) for the Stalder Plaza development project.

In March 2011, in the midst of the dissolution of the City's redevelopment program, the City Council directed staff to transfer approximately 67 Redevelopment-owned properties (including

the Property) to the City as part of a bulk asset transfer. On May 16, 2013, the State Controller's Office (SCO) determined, via its Asset Transfer Review Report, that the Property was not subject to "claw-back" and therefore could remain under the ownership of the City, while the other former Redevelopment Agency properties were required to be transferred from the City to the Successor Agency.

Additionally, the Successor Agency completed its Long Range Property Management Plan, which governs the disposition and use of real property assets of the former Redevelopment Agency of the City of Riverside. In the Plan, the Successor Agency recommended that the Property remain with the City. The Long Range Property Management Plan was approved by the State Department of Finance on March 6, 2014.

On April 12, 2016, the City Council declared the Property surplus and authorized sale of the Property in accordance with the City's Administrative Manual for the Disposition and Sale of City-Owned Real Property.

DISCUSSION:

The commercial building located on the Property is approximately 29,107 square feet situated on approximately 28,445 square feet of land. The Property currently houses such tenants as Brew Crew, Simple Simon's, Downtown Apothecary, Jon Michael Salon, and the Community Foundation and others. Given that the primary goal of facilitating economic development through lease-up of the Property is now complete, the City no longer needs to own and be responsible for management of the Property.

The Property is being disposed in accordance with the City Administrative Manual for Surplus Property. The Property was first offered to other City Departments and then to local public agencies pursuant to Government Code Section 54220, et seq. Staff did not receive any responses during the 60-day public agency review period. With no public agency interest in the Property, staff marketed it to the general public in an effort to sell the Property.

As of May 25, 2016, the Property was appraised by an independent third party appraiser with a value conclusion of \$3,700,000.

Staff notified all occupants of the Property and received three purchase offers, which are summarized below:

Proposer:	Purchase Offer:	Other Notes:
BYS Group, Inc.	\$3,300,000	No financing contingency
D.R.R. Properties, Inc.	\$3,250,000	No financing contingency
Main Street Business Partners	\$3,201,500	1031 Exchange

After a thorough review of each purchase proposal, City staff concluded that D.R.R. Properties, Inc. (DRR), which owns and operates the adjacent Historic Mission Inn Hotel and Spa (Mission Inn), is the preferred buyer given their expressed desire to maintain the Property in a manner that enhances the pedestrian mall and compliments the Mission Inn and the downtown area. Selling the Property to the Mission Inn will provide flexibility for the Mission Inn to potentially expand their operations should they desire to do so upon the expiration of any existing leases at the Property.

Although DRR's proposed purchase price is lower than the appraised value, staff believes the transaction amount still represents the current fair market value for the Property given three purchase offers were received that ranged from a low of \$3,201,500 to a high of \$3,300,000. Furthermore, the City will not have to contract with a sales broker which will save the City approximately \$200,000 in additional sales commission fees.

Moreover, as part of the Purchase and Sale Agreement, DRR will assume all of the City's obligations, duties, responsibilities, and liabilities, and agrees to be bound by all of the terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the City under the current leases for the Property.

FISCAL IMPACT:

The net sale proceeds, less all title, escrow and miscellaneous related closing cost expenditures estimated to be \$10,000, will be deposited into Sale of Land and Buildings Account No. 0000101-380010.

Prepared by:	Rafael Guzman, Community & Economic Development Director
Certified as to	
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. Purchase and Sale Agreement
3. Presentation