

City of Arts & Innovation

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: APRIL 20, 2017

- FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 3 DEPARTMENT
- SUBJECT: DEVELOPMENT OF APPROXIMATELY 2.06 ACRES OF VACANT LAND LOCATED ON THE EASTERLY SIDE OF MAGNOLIA AVENUE BETWEEN ELIZABETH STREET AND THE ADJACENT RAILROAD RIGHT OF WAY – BY R.C. HOBBS COMPANY, INC. - DIRECT SUBMITTAL

ISSUE:

Select R.C. Hobbs Company, Inc. of the City of Orange for the development of the property located on the easterly side of Magnolia Avenue between Elizabeth Street and the adjacent railroad right of way, identified as Assessor's Parcel Numbers 225-052-005, 225-052-008, 225-052-009, 225-052-010, 225-052-019, 225-052-021, and 225-052-023 (Property).

RECOMMENDATIONS:

That the Development Committee:

- 1. Select the R.C. Hobbs Company, Inc. proposal; and
- 2. Direct staff to negotiate an agreement for the disposition of the Property and subsequent development of a multi-story residential project to be presented to the City Council for consideration.

BACKGROUND:

Between 2008 and 2013, the Public Works Department acquired right-of-way for the Magnolia Avenue Grade Separation Project. The Magnolia Avenue Grade Separation Project provides for an underpass below the Union Pacific Railroad line and access to the Property from Magnolia Avenue as well as the rear public alleyway where the newly upgraded Plaza Substation is located. The Property is comprised of the remnant portions of seven adjoining parcels no longer needed by Public Works.

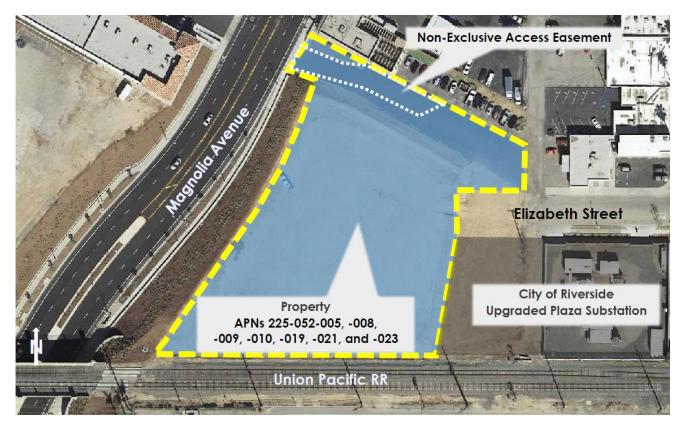
As a result of tetrachloroethylene (PCE) in the soil from prior dry cleaning use on the Property, the Santa Ana Regional Water Quality Control Board, as the oversight agency, will require recordation of a land use covenant agreement (LUC) for future development. The LUC shall

require a Vapor Intrusion Mitigation System (VMS) on the entire parcel; construction and testing of a vapor barrier system and associated piping prior to the construction of concrete slab and buildings. Monitoring devices on building roofs must include: a) Fan, b) Exhaust Cap, c) Flow Gauge, d) Test port, and e) a System Failure Device.

On January 12, 2016, City Council declared the Property surplus. Staff did not receive interest from any Public Agencies during the following 60-day offering period to Public Agencies as required by government Code Section 54220, et seq.

DISCUSSION:

On October 18, 2016, staff issued a Request for Proposals (RFP) for development of the Property as highlighted in yellow and depicted below in the shaded area. On December 15, 2016, the RFP deadline, staff received one responsive proposal from R.C. Hobbs Company, Inc. (Hobbs) for a multi-story residential project. The Property is located within the Magnolia Avenue Specific Plan – Magnolia Center District. Zoning is both Commercial General (CG) and Commercial Retail (CR) which does not allow the proposed residential land use. Therefore, the proposed residential project would require a General Plan Amendment and Rezone at the sole cost and expense of Hobbs.



The Hobbs proposal is summarized below:

- 1. Site Area: Approximately 2.06 acres
- 2. Purchase Price: \$1,350,000 (\$15 per square foot) determined by a current fair market appraisal
- 3. Proposed Project: Four 3-story multi-family buildings totaling 80 units with 144 stall

subterranean parking structure, and amenities as shown on the attached site plan and conceptual rendering (Attachment 1)

4. Total Anticipated Investment: \$19,828,000

Hobbs was founded in 1976 by Mr. Roger C. Hobbs. Hobbs has successfully sold, developed and managed nearly one billion dollars of commercial, industrial and residential real estate in California and Montana. Additionally, Hobbs has been recognized with local, state, and national awards.

The Selection Committee determined that R.C. Hobbs Company, Inc. has sufficient development experience to undertake the acquisition and development of the Property as proposed. The Property was recently appraised by an independent third party appraiser with a value conclusion of \$1,350,000. Staff believes the proposed purchase price of \$1,350,000 represents the current fair market value of the property. As such, staff recommends that the Development Committee select the proposal submitted by R.C. Hobbs Company, Inc.

FISCAL IMPACT:

The Property is City owned and is being sold for \$1,350,000 less closing costs, title, and fees not to exceed \$15,000. The estimated net proceeds from the sale in the amount of \$1,335 000 shall be prorated and deposited into Public Works accounts based on the source of funding used to acquire the Property. Parcels 225-052-005 and 225-052-009 sale proceeds will be deposited into Public Works account number 9589719-440315 (Magnolia Grade Separation – TUMF); sale proceeds from parcels 225-052-008, 225-052-010, 225-052-019, 225-052-021, and 225-052-023 will be deposited into Public Works account number 0000432-380010 (Measure A – Sale of Land & Buildings).

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

Attachments:

- 1. Site Plan and Conceptual Rendering
- 2. Presentation