



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JANUARY 9, 2018**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT** **WARD: 3**  
**DEPARTMENT**

**SUBJECT: PURCHASE AND SALE AGREEMENT FOR 6104 RIVERSIDE AVENUE WITH**  
**GUARDIAN REALTY SERVICES, INC., FOR THE SALE OF A CITY-OWNED**  
**UNOCCUPIED TWO-STORY OFFICE BUILDING FOR THE SALE PRICE OF**  
**\$141,150**

## **ISSUE:**

Approve a Purchase and Sale Agreement with Guardian Realty Services, Inc. of Riverside, for the sale of a City-owned unoccupied two-story office building located at 6104 Riverside Avenue for the sale price of \$141,150.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Purchase and Sale Agreement with Guardian Realty Services, Inc. for the sale of a City-owned unoccupied two-story office building located at 6104 Riverside Avenue, identified as Assessor's Parcel Number 225-091-067 for the sale price of \$141,150; 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 \$5,000 for title, escrow and miscellaneous related closing costs.

## **BACKGROUND:**

The completed Riverside Avenue Grade Separation Project reduced congestion and inconvenience caused by the existing at-grade Union Pacific railroad along Riverside Avenue from Merrill Avenue to north of Elizabeth Street. The City acquired 6104 Riverside Avenue (Property) in 2011 and on May 16, 2017, City Council declared the Property as surplus. No interest in the Property was received from any Public Agencies during the following 60-day offering period to Public Agencies as required by government Code Section 54220, et seq.

On June 14, 2017, the Property sustained damage to the roof and 2<sup>nd</sup> floor as a result of a fire. Subsequent to the fire damage, the City had the property appraised by an independent third party appraiser who concluded to a value of \$220,000 for the Property.

Below is an aerial photograph of the Property taken on March 25, 2017 as well as before and after the fire photos of the front and side of the Property.



Aerial before fire



Looking north before fire



Looking north after fire



Looking south before fire



Looking south after fire

### **DISCUSSION:**

Public Adjusters of California, Inc. and Guardian Realty Services, Inc. submitted offers to purchase and restore the Property for office use. Guardian Realty Services, Inc. (Guardian) was the higher bidder at \$241,150, while Public Adjusters of California, Inc. bid \$165,000.

However, upon both firms conducting further due diligence, Guardian revised its purchase offer to \$141,150 in order to make the proposed restoration project economically feasible while Public Adjusters of California, Inc. determined that its original offer of \$165,000 was no longer feasible due to higher than anticipated renovation costs and has since withdrawn their purchase offer.

Guardian was founded in 2007 by Kevin Ellstrom. Mr. Ellstrom has over 20 years' experience in real estate, real estate finance, property rehabilitation, and property management. Guardian currently leases office space at 6782 Magnolia Avenue and plans to occupy the Property upon completion of the restoration.

The Guardian Purchase and Sale Agreement is summarized below:

Lot Size:	15,662 square feet
Improvements:	Unoccupied two-story 3,740 square foot office building with a 721 square foot detached one-car garage/storage building
Zoning/General Plan:	Office
Sale Price:	Having undertaken its due diligence on the Property, Guardian has now requested a price reduction, in the amount of \$100,000, from the original purchase price of \$241,150, in order to make Guardian's restoration project economically feasible.  Staff agrees with the revised purchase price of \$141,150. This value is greater than the appraised land value of \$85,000 and alleviates the City's responsibility for demolishing the fire-damaged structure (estimated to cost approximately \$56,000).
Agreement Terms:	Sold "as-is", \$5,000 deposit, escrow to close within 90 days from the effective date, and complete office restoration within 1 year from close of escrow
Est. Total Investment:	\$595,000

The Public Works Director concurs with the recommendations.

**FISCAL IMPACT:**

The Property is City owned and is being sold for \$141,150 less miscellaneous closing costs, title, and escrow fees not to exceed \$5,000. The estimated net proceeds from the sale in the amount of \$136,150 shall be deposited into Public Works Riverside Ave/UPRR Grade Separation – 2009 Measure A account number 9595730-440313.

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

Attachment:	Purchase and Sale Agreement
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