



*City of Arts & Innovation*

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# Development Committee

**TO: DEVELOPMENT COMMITTEE MEMBERS      DATE: FEBRUARY 22, 2018**

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

**SUBJECT: PROPOSED DISPOSITION OF CITY-OWNED HISTORIC FORMER DOWNTOWN  
FIRE STATION NO. 1, LOCATED AT 3466 MISSION INN AVENUE, AND  
PARKING AUTHORITY-OWNED PUBLIC PARKING LOT 27, LOCATED AT 3398  
MISSION INN AVENUE, TO GREENS INV 3, LLC FOR THE DEVELOPMENT OF  
A HILTON HOTEL - DIRECT SUBMITTAL**

## **ISSUE:**

Select the Greens Inv 3, LLC proposal in response to a City issued Request for Qualifications to acquire the City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue and Parking Authority-owned Public Parking Lot 27, located at 3398 Mission Inn Avenue for the development of a Hilton Hotel.

## **RECOMMENDATIONS:**

That the Development Committee:

1. Review and recommend selection of the Greens Inv 3, LLC proposal for the disposition of the City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue and Parking Authority-owned Public Parking Lot 27, located at 3398 Mission Inn Avenue for the development of a Hilton Hotel; and
2. Direct staff to negotiate a Purchase and Sale Agreement with Greens Inv 3, LLC for the disposition and development of the City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue and Parking Authority-owned Public Parking Lot 27, located at 3398 Mission Inn Avenue to be presented to the City Council for final consideration.

## **BACKGROUND:**

On July 14, 2015, the City Council approved a Purchase and Sale Agreement with Encore Education Corporation, Inc., doing business as Western Arts University, for the historic former downtown Fire Station No.1 located at 3466 Mission Inn Avenue.

On October 3, 2016, the Development Committee recommended that the City Council approve a development proposal from Dos Lagos Asset, LLC for the disposition of Parking Authority-owned

Public Parking Lot 27 for the development of a boutique hotel and directed staff to negotiate a Purchase and Sale Agreement (PSA) with Dos Lagos Asset, LLC for the disposition and development of the site to be presented to the City Council for final consideration.

In May of 2017, due to Encore Education Corporation, Inc.'s (Encore) inability to complete renovation and rehabilitation of the historic former downtown Fire Station No. 1, the City and Encore executed a Settlement Agreement and Conveyance of Fee Title. This agreement required Encore to convey title to the site back to the City in exchange for compensation, from the City, in the amount of \$250,000. The City Attorney's Litigation Fund was utilized to recapture the site.

In July of 2017, Dos Lagos Asset LLC and Community & Economic Development Department staff mutually agreed to cancel PSA negotiations due to Dos Lagos Asset's inability to provide sufficient parking on the site to meet City parking code requirements.

## **DISCUSSION:**

On July 18, 2017, Community & Economic Development staff issued a Request for Qualifications (RFQ) for the City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue and Parking Authority-owned Public Parking Lot 27, located at 3398 Mission Inn Avenue (Property), soliciting qualifications from development firms for the construction and operation of a hotel facility to incorporate the historic former Downtown Fire Station No. 1.

3466 Mission Inn Avenue is approximately 14,000 square feet of land and is currently operated by the Parking Authority as Public Parking Lot No. 27 (as shown in the yellow highlighted area below). Moreover, 3398 Mission Inn Avenue is approximately 24,932 square feet of land and is home to the 18,172 square foot historic former Downtown Fire Station No. 1 (as shown in the red highlighted area below), which was constructed in 1957 and is listed on the State Register of Historic Places.



As detailed in the RFQ, staff envisioned the new 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 Center (and downtown as a whole). Furthermore, staff also detailed that it expected development proposals to exemplify exceptional architecture (complimenting the surrounding buildings and compliance with the Downtown Specific Plan – Raincross District), preserve and incorporate the historic former downtown Fire Station No. 1, and incorporate environmentally sustainable technology.

On September 18, 2017, staff reviewed four (4) proposals, which are summarized as follows:

	<b><u>Greens Inv 3, LLC</u></b>	<b><u>Bailey California Properties</u></b>	<b><u>Havadija Holdings, Inc.</u></b>	<b><u>Sonnenblick, LLC</u></b>
<b>Proposed Development:</b>	Hotel & Upscale Restaurant	Bowling Alley, Bar, Dining & Micro Hotel	Corporate Office, Restaurant & Bar & Future Hotel	Hotel & Restaurant
<b>Hotel Brand:</b>	Hilton Hotel	Not Provided	None	Hotel Indigo
<b>Hotel Manager:</b>	Greens Inv 3, LLC	Not Provided	None	HMG Hospitality
<b>Architect:</b>	Axis Architecture	Ricki Kline Design	Ruhnau Ruhnau Clarke	Ruhnau Ruhnau Clarke
<b>Hotel Rooms:</b>	161	7	Not Provided	109
<b>Number of Stories:</b>	7	2	2	5
<b>Parking Spaces:</b>	203	Not Provided	Not Provided	142
<b>Proposed Purchase Price:</b>	\$1,000,000	\$650,000	\$2,100,000	\$973,300*
<b>Encompasses both Properties:</b>	Yes	No	Potentially	Yes
<b>Anticipated TOT (Year 1):</b>	\$920,656	Not Provided	Not Provided	\$550,000 - \$675,000
* requires TOT sharing agreement				

After careful review and scoring of the development proposals, the evaluation committee, comprised of Real Property Services, Economic Development, Planning, and Convention Bureau Management staff, unanimously concluded that the Greens proposal is the most responsive to the noted RFQ and interviewed them on October 23, 2017, which confirmed the evaluation committee's conclusion regarding the proposed development.

Greens has successfully built, renovated and repositioned over fifty-five (55) real estate properties, including fifteen (15) hotel properties, in its 30-year history. Hotel development examples include, but are not limited to: Comfort Inn – St. George, Utah; Country Inn – Chandler, Arizona; Best Western Desert Oasis – Ehrenberg, Arizona; Quality Inn – Needles, California; Hampton Inn – Parker, Arizona; Quality Inn – San Diego, California; and Super 8 – Chandler, Arizona.

In addition, as noted above, the RFQ specifically sought hotel development proposals that incorporate and adaptively reuse the historic former downtown Fire Station No. 1 for future generations to enjoy. The Greens proposal fully complies with this requirement by adaptively reusing the entire historic structure as the lobby and restaurant for the Hilton Hotel. Moreover,

Greens estimates the cost associated with preserving, adaptively reusing, and adequately parking the historic structure is \$435,000.

Also, as required by the RFQ, the successful proposer must provide, during construction, the City with eight (8) temporary parking stalls within two blocks of the site, at the proposers, sole cost and expense, for the exclusive use of the City's Fire department. Following completion of the construction, the RFQ further stipulated that the successful proposer must provide the City with an exclusive easement for eight (8) parking stalls, at no cost to the City, in perpetuity, within the hotel parking structure. Greens estimates the cost associated with this requirement is \$315,000.

Lastly, with the Development Committee's consent, staff will prepare a Purchase, Sale and Development Agreement with Greens to include the purchase price, proposed use, deposit requirement, due diligence period, schedule of performance, and conditions and restriction for final consideration by City Council.

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

### **FISCAL IMPACT:**

Future development of Lot 27 would result in an estimated parking revenue loss to the Parking Authority of approximately \$5,600 annually. Additionally, \$250,000 will be reduced from the Purchase Price to repay the City's Liability Fund for funds expended in recapturing the former Downtown Fire Station No. 1 from Encore.

However, should the Development Committee approve the Greens proposal, the City and Parking Authority may receive \$750,000 (upon the close of escrow) for both properties, less miscellaneous, title, escrow and closing costs anticipated not to exceed \$10,000. Also, upon completion, the City can expect additional revenue, over the first five (5) years as a result of the proposed project, to the General Fund as follows:

Year	Transient Occupancy Tax	Sales Tax	Property Tax
1	\$920,656	\$469,481	\$49,500
2	\$989,153	\$486,176	\$50,490
3	\$1,008,936	\$504,238	\$51,499
4	\$1,029,115	\$522,613	\$52,530
5	\$1,049,696	\$541,687	\$53,580
<b>Total:</b>	<b>\$4,997,556</b>	<b>\$2,524,195</b>	<b>\$257,599</b>

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

Attachment:	Presentation
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