



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 8, 2018

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

SUBJECT: PURCHASE AND SALE AGREEMENT WITH EMPIRE PHARMACY HEALTH CARE SYSTEMS, INC. FOR THE SALE OF APPROXIMATELY 1.10 ACRES OF CITY-OWNED VACANT LAND LOCATED ON THE SOUTHWEST CORNER OF COLUMBIA AVENUE AND CHICAGO AVENUE FOR THE SALE PRICE OF \$365,000

ISSUE:

Approve a Purchase and Sale Agreement with Empire Pharmacy Health Care Systems, Inc. of Riverside, for the sale of approximately 1.10 acres of City-owned vacant land located on the southwest corner of Columbia Avenue and Chicago Avenue for the sale price of \$365,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase and Sale Agreement with Empire Pharmacy Health Care Systems, Inc. for the sale of approximately 1.10 acres of City-owned vacant land located on the southwest corner of Columbia Avenue and Chicago Avenue, identified as portions of Assessor's Parcel Numbers 210-043-002, 210-043-005, 210-043-006, 210-043-007, 210-043-008, 210-043-009, 210-043-040, 210-043-041, and 210-043-042 ("Property") for the sale price of \$365,000;
2. Authorize the City Manager, or his designee, to execute the Purchase and Sale Agreement with Empire Pharmacy Health Care Systems, Inc., 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; and
3. Increase the estimated annual revenues in the amount of \$355,000 in account 0000101-380010, Sale of Land & Buildings (General Fund) and appropriate \$177,500 to account 4110100-462200, Machine and Equipment (Public Works).

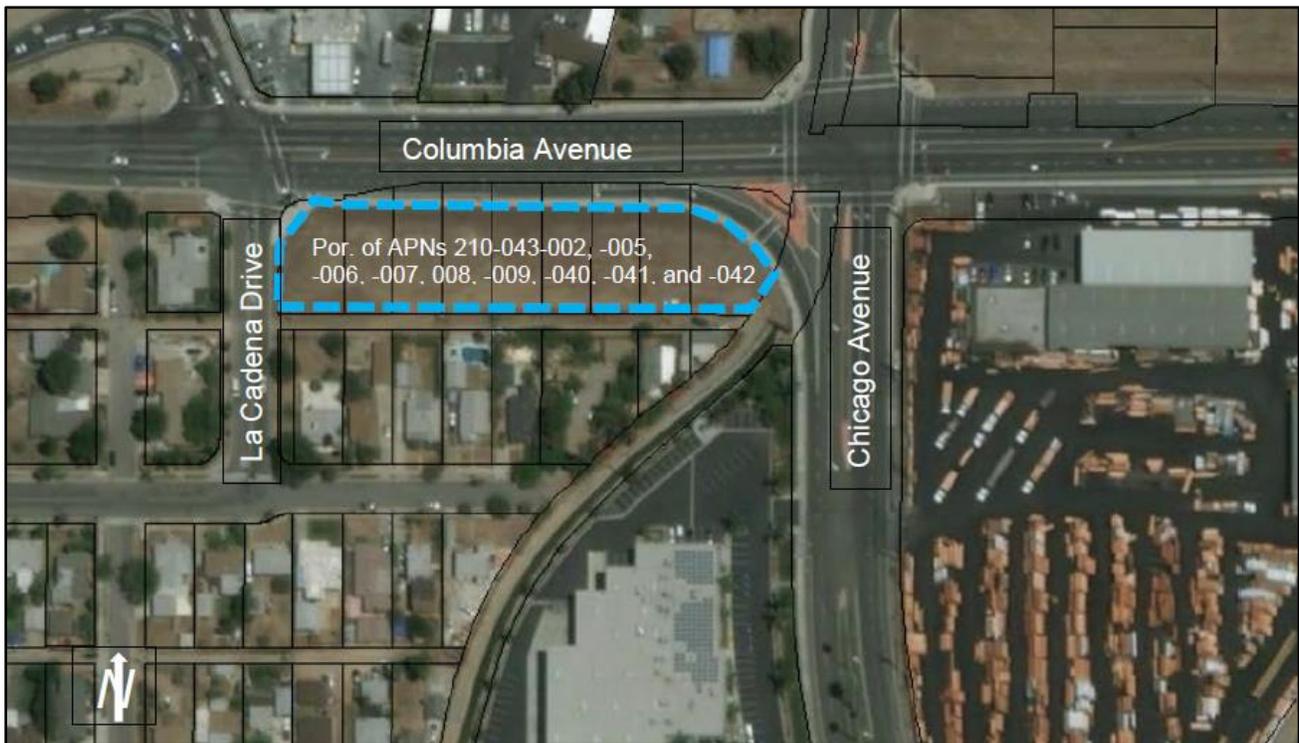
BACKGROUND:

In 2007 and 2008, the Public Works department acquired numerous properties along Columbia Avenue from east La Cadena Drive to Iowa Avenue for the Columbia Avenue Grade Separation Project. The Property is comprised of the remnant portions of nine (9) adjoining parcels no longer needed by Public Works.

On March 17, 2015, the City Council City declared the Property surplus. No interest was received from any Public Agencies following the 60-day offering period as required by government Code Section 54220, et seq.

DISCUSSION:

The Property is adjacent to the Hunter Business Park Specific Plan; zoning is single-family residential and the General Plan designation is medium density residential. The appraised value of the Property is \$350,000 based upon its highest and best use for industrial development.



Three offers were received for the Property:

1. Buyer: Westates Holdings, LLC
Purchase price: \$350,000
Proposal: Electric charging and fueling station

2. Buyer: Empire Pharmacy Health Care Systems, Inc.
Purchase price: \$365,000
Proposal: Relocation of owner-occupied pharmacy; additional retail tenant spaces

- 3. Buyer: AHD, LP
- Purchase price: \$377,880 (\$402,000 less a 6% broker commission)
- Proposal: Express car wash

Westgates Holding, LLC. advised staff they were no longer interested in the Property and as such, the remaining two purchase offers were considered by staff from the City’s Planning Division. After review, it was concluded that a commercial development including pharmacy services, as well as retail opportunities, was the most desirable proposed use.

Since its creation in 2013, Empire Pharmacy Health Care Systems, Inc. (Empire) has developed into a regional pharmacy practice servicing both medical providers and patients throughout the Inland Empire. Empire is growing and desires to relocate from its current address at 1340 Massachusetts Avenue, which is located next to the now closed Kmart Store and Stater Bros. Market shopping center on the westerly side Iowa Avenue, with plans to increase its staff from 13 to 45 employees.

Proposed terms with Empire include:

Purchase Price	Cash Deposit	Close of Escrow	Project Completion
\$365,000	\$18,500 Non-refundable 180 days from effective date of Agreement	24 months from effective date of Agreement	24 months from Close of Escrow

Empire is aware a zone change and general plan amendment is required for its proposed 13,000 square foot retail development of the Property and estimates investing in excess of \$2.5 million dollars in the project. The expansion of its pharmacy practice may include medical and urgent care services and will bring services and employment opportunities not currently available to the area. Real Property Services staff recommends entering into the Agreement with Empire for a sale price that is \$15,000 more than the appraised value of \$350,000, for a total of \$365,000.

Use of One-Time Revenues

The proposed sale of land represents one-time net revenues to the General Fund of approximately \$355,000; the land is no longer needed for the Public Works Department’s Columbia Avenue grade separation project.

The City has a fiscal policy on the use of one-time revenues, whereby those funds should be used for one-time items including special projects, debt retirement, capital expenditures and other purchases that will reduce operating costs. The Public Works Department has a need to replace capital equipment that is past its useful life. Staff recommends the appropriation of 50% of the net proceeds (\$177,500) to a capital replacement account for the future purchase of equipment. The new equipment, such as a backhoe/trailer combination, dump truck or graffiti eradication equipment, will decrease maintenance costs, decrease down time, and will increase employee efficiency.

The Public Works Director and Chief Financial Officer/City Treasurer concur with the recommendations.

FISCAL IMPACT:

The Property is City owned and is being sold for \$365,000 less miscellaneous closing costs, title, and escrow fees anticipated not to exceed \$10,000. In conformity with the City's one-time revenue fiscal policy, the estimated net proceeds from the sale in the amount of \$355,000 shall be deposited into the General Fund Account Number 0000101-380010 and \$177,500 will be appropriated to account 4110100-462200 for future Public Works Department capital needs.

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: Purchase and Sale Agreement