



*City of Arts & Innovation*

# Development Committee

**TO: DEVELOPMENT COMMITTEE MEMBERS DATE: DECEMBER 20, 2018**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 2**

**SUBJECT: PROPOSED DEVELOPMENT OF APPROXIMATELY 37,460 TOTAL SQUARE FEET OF SUCCESSOR AGENCY-OWNED VACANT LAND LOCATED AT 1910 UNIVERSITY AVENUE AND 3870 OTTAWA AVENUE, IDENTIFIED AS ASSESSOR PARCEL NUMBERS 221-052-002 AND 221-061-002, FOR THE DEVELOPMENT OF A COMMERCIAL PROJECT AND PARKING STRUCTURE BY BEST INVESTMENT, LLC - DIRECT SUBMITTAL**

## **ISSUE:**

Review and recommend selection of the development proposal from Best Investment, LLC, of Riverside, CA for approximately 37,460 total square feet of Successor Agency-owned vacant land, identified as Assessor Parcel Numbers 221-052-002, located at 1910 University Avenue, and 221-061-002, located at 3870 Ottawa Avenue, for the development of a two-story commercial project and a two-level parking structure by Best Investment, LLC.

## **RECOMMENDATIONS:**

That the Development Committee:

1. Review and recommend the selection of the development proposal from Best Investment, LLC for the disposition of approximately 37,460 total square feet of Successor Agency-owned vacant land, identified as Assessor Parcel Numbers 221-052-002, located at 1910 University Avenue, and 221-061-002, located at 3870 Ottawa Avenue, to Best Investment, LLC for the development of a two-story commercial project and a two-level parking structure; and
2. Direct staff to negotiate a Purchase and Sale Agreement with Best Investment, LLC for the disposition of the Property for the development of a two-story commercial project and a two-level parking structure, to be presented to the Successor Agency, Countywide Oversight Board, and Department of Finance for final consideration and approval.

## **BACKGROUND:**

As a result of the former Redevelopment Agency's investment within the University Corridor/Sycamore Canyon Merged Redevelopment Project Area (Project Area), many neglected and developed properties with undesirable uses along University Avenue were acquired and cleared in order to provide opportunities for street-focused development featuring pedestrian-scale commercial and mixed-use projects that comply with the established Redevelopment Plan

and Implementation Plan for the Project Area, the University Avenue Specific Plan and the General Plan.

On September 5, 2006, in an effort to eliminate blighted properties, the City Council and former Redevelopment Agency authorized a Resolution of Necessity to acquire the former Big L Motel at 3870 Ottawa Avenue. The property was subsequently demolished and the site is now vacant land.

On August 31, 2007, the Redevelopment Agency acquired 1910 University Avenue for \$290,000.

On March 21, 2011, the Redevelopment Agency entered into a purchase and sale agreement with Giang Nguyen (Developer) to dispose of vacant land located at 1910 University Avenue and 3870 Ottawa Avenue (collectively the “Property”) for \$362,000 for the construction of 5,500 square feet of retail and restaurant space with surface parking at 1910 University Avenue.

Due to the depressed economy, the Developer experienced difficulty committing to the timeline of the agreement and requested a twelve-month extension to obtain entitlements and tenant commitments, which was subsequently approved by the Successor Agency Board, Oversight Board and the Department of Finance. The Developer eventually cancelled the escrow since she was unable to secure tenant commitments at anticipated market rents to make the proposed development project viable.



## **DISCUSSION**

1910 University Avenue is currently zoned Commercial Retail (CR) with a General Plan designation of Mixed-Use Village (MU-V) and is located within the University Avenue Specific Plan Sub-district 2. The current fair market value of the Property pursuant to a third-party independent appraisal is \$272,000 with a date of value of January 8, 2018.

3870 Ottawa Avenue is currently zoned Residential (R-3-1500-SP) with a General Plan designation of Mixed-Use Village (MU-V) and is located within the University Avenue Specific Plan Sub-district 2. It will require a Specific Plan amendment to accommodate the proposed parking structure, which will be the responsibility of Best Investment LLC. The current fair market value of the Property pursuant to a third party independent appraisal is \$132,500 with a date of value of January 8, 2018.

On May 14, 2018, staff issued a Request for Proposals (RFP) for development of both properties. On July 27, 2018, the RFP deadline, staff received two (2) proposals: 1) Best Investment, LLC for the development of a commercial building and a two-story parking structure; and 2) Riverside Community Health Foundation for the development of a private medical office building. The proposals are summarized in the table below:

<b>1910 University Ave</b> 20,908 SF	<b>Best Investment, LLC</b>	<b>Riverside Community Health Foundation</b>
Proposed Development:	2 Story Commercial Building	Medical Office
Project Details:	Ground Level: 13,000/SF Retail/Restaurant Second Level: Offices 12,000/ SF	Medical and Dental Offices
Project Size:	25,000/SF	5,000 to 7,000/SF
Purchase Price:	\$313,620	\$420,000

<b>3870 Ottawa Ave</b> 16,552 SF	<b>Best Investment LLC</b>	<b>Riverside Community Health Foundation</b>
Proposed Development:	Parking Structure	Parking
Project Details:	2 Levels	Overflow Parking and Community Events
Project Size:	150 Parking Stalls	16,553/SF
Purchase Price:	\$165,520	\$4,500

<b>Total</b>	<b>\$479,140</b>	<b>\$424,500</b>
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Having carefully reviewed both proposals, staff has concluded that Best Investment, LLC has the development experience, the necessary financial capacity to undertake the acquisition and development of the Property as proposed, and the highest purchase price. Furthermore, the retail/restaurant use will generate additional sales tax revenue for the City. As such, staff recommends that the Development Committee recommend selection of the proposal submitted by Best Investment, LLC.

With the Development Committee's consent, staff will prepare a Purchase and Sale Agreement with Best Investment, LLC to include the \$479,140 purchase price, proposed use, due diligence period, schedule of performance, and conditions and restrictions for final consideration by the Successor Agency, Countywide Oversight Board and Department of Finance.

### **FISCAL IMPACT:**

All sale proceeds of the Property less related title, escrow and miscellaneous closing costs will

be remitted to the Riverside County Auditor Controller's Office (ACO). The ACO will distribute the sale proceeds to the various taxing entities, including the City, and report the sale to the State Department of Finance. The City's portion of the net sales proceeds is estimated to be approximately 14 percent of the sales price less all title, escrow, and miscellaneous closing costs. Any profits realized from the sale of assets are used to pay for existing obligations, which in turn increases the amount of property tax distributed to the various taxing agencies including the City.

Prepared by:	David Welch, Interim Community & Economic Development Director
Certified as to availability of funds:	Edward Enriquez, Interim Chief Financial Officer/City Treasurer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachment:	Presentation
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