



City of Arts & Innovation

Successor Agency to the Redevelopment Agency of the City of Riverside

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 8, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 2
DEPARTMENT

**SUBJECT: ADOPTION OF A RESOLUTION RE-APPROVING A FIRST AMENDMENT TO
THE UNIVERSITY VILLAGE CENTER EIGHTH IMPLEMENTATION AND
AMENDMENT AGREEMENT RE UNIVERSITY VILLAGE DEVELOPMENT TO
REVISE THE SCOPE OF DEVELOPMENT FOR BUILDING "K" TO INCLUDE AN
EXTENDED STAY HOTEL AS AN OPTION**

ISSUE:

Adoption of a resolution re-approving a First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development to revise the scope of development for Building "K" to include an extended stay hotel as an option.

RECOMMENDATION:

That the Successor Agency:

1. Adopt the attached resolution re-approving a First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development to revise the scope of development for Building "K" to include an extended stay hotel as an option; and
2. Recommend that the Countywide Oversight Board adopt a separate resolution re-approving a First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development to revise the scope of development for Building "K" to include an extended stay hotel as an option.

BACKGROUND/LEGISLATIVE HISTORY:

Pursuant to Assembly Bill No. x1 26, as modified by Assembly Bill No. 1484 and as further modified by Senate Bill No. 107, which added Parts 1.8 and 1.85 to Division 24 of the Health and Safety Code ("Dissolution Act"), the Redevelopment Agency of the City of Riverside was dissolved on February 1, 2012 and the Successor Agency to the Redevelopment Agency for the City of Riverside ("Successor Agency") was vested with all authority, rights, powers, duties and obligations of the Agency, including the subject Agreement.

In the early 1990's, the subject site, a 16-acre site located at the entryway to the University of California, Riverside (UCR), was dominated by a stand-alone auto dealership and a gas station that had been abandoned. The properties, along with other local underutilized properties, became a magnet for transients, drug use, prostitution and other serious crime activities. The area was quickly becoming the highest crime area in the City at that time.

To revitalize the University Corridor/Sycamore Canyon Project Area, the former Redevelopment Agency acquired properties, removed underutilizing uses, and facilitated private investment by entering into various Disposition and Development Agreements for development of a mixed-use project, known as University Village. Today, University Village, located at the northeast corner of University and Iowa Avenues, has been transformed into an active, pedestrian-oriented center with a multi-tenant mixed-use complex, including student housing, a movie theater and various office, retail and restaurant spaces. University Village has served as a catalyst for the rebirth of University Avenue, attracting UCR students and community residents, creating jobs, and generating neighboring private investment.

In 1995, the former Redevelopment Agency for the City of Riverside entered into a Disposition and Development Agreement (DDA) with University Village, LLC for the development of the University Village shopping center (see map below). Since its creation and approval, this original DDA has had multiple amendments. The most recent amendment was approved on October 2, 2004, referred to as the University Village Center Eighth Implementation and Amendment Agreement Re University Village Development (4-Party Agreement). The 4-Party Agreement was between the former Redevelopment Agency, the City of Riverside, UR Village, LLC (formerly University Village, LLC), and the University Campus Hotel, LLC (formerly Monroe Indio, Inc.).

Since 2004, the properties owned by University Village, LLC (as shown in “blue” below) were acquired by UR Village, LLC and the only remaining vacant land (as shown in “red” below), known as Building “K” or commonly referred to as “Pad K”, was acquired by University Campus Hotel, LLC from Monroe Indio, Inc. for development of an extended stay hotel.

University Campus Hotel, LLC proposes to develop an extended stay hotel on the 0.82-acre vacant land site within the University Village shopping center. The proposed extended stay hotel project will consist of 126-guest rooms, over 10,000-square-feet of restaurant lease space and associated required parking spaces (Project). A total of 255 parking spaces are required for the Project. Of this amount, 96 parking spaces will be constructed and available on-site within a two-level subterranean parking garage, 12 asphalt surface parking spaces currently located along the project frontage, and 147 parking spaces in the University Village parking structure made available via the approved University Village Center Grant of Easement Agreement (University Village Parking Structure) between the City of Riverside and UR Village, LLC (formerly University Village, LLC). The Project was approved by the Riverside City Council on June 5, 2018.

On August 28, 2018, the Successor Agency Board approved the First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development. Shortly thereafter, on November 1, 2018, the Countywide Oversight Board

approved a resolution approving the same and forwarded the resolution to the Department of Finance (DOF) for final review and consideration.

On December 11, 2018, the DOF notified Successor Agency staff that it was denying the amendment because, as described, it does not meet the requirements of HSC section 34181 (e), which directs the Successor Agency to determine whether existing contracts should be terminated or renegotiated to reduce liabilities and increase revenue for the various taxing entities.

As mentioned below, renegotiating the existing contract to allow for a third option to develop an extended stay hotel is advisable since it will increase property tax revenue for the various taxing entities. Termination of the existing contract is not an option since it would be detrimental to the various taxing entities by allowing an existing vacant lot to remain vacant for a longer period of time, thereby delaying any new additional property tax revenue associated with development of the existing Pad K site.

The Project site location is highlighted in red as shown in the aerial map below.



DISCUSSION:

Since the scope of development for Building “K” in the 4-Party Agreement approved in 2004 was only limited to either development of a retail and office or residential project, the purpose of the attached First Amendment to University Village Center Eighth Implementation and Amendment Agreement Re University Village Development is to revise the scope of development to include

the approved extended stay hotel project as a third option. Without this third option, the site may remain as vacant land since there has been no demand for development under the existing allowable uses.

University Campus Hotel, LLC anticipates construction of the hotel to commence within 90 days following approval of the attached First Amendment to University Village Center Eighth Implementation and Amendment Agreement Re University Village Development by the Countywide Oversight Board and the Department of Finance. Construction of the extended stay hotel could be completed within 18 months from the commencement date.

Moreover, to address the DOF's above-noted concerns, the proposed amendment will facilitate the development of the Building "K" property as an extended stay hotel. The Building "K" site is currently undeveloped land, which generates approximately \$15,843 in total annual property tax revenue for the various taxing entities. By approving the proposed amendment, which will facilitate the development of an extended stay hotel on the site, estimated property tax revenue to the various taxing entities will substantially increase as follows based upon a total hard construction cost of approximately \$44 million dollars for the Project:

Taxing Entities	Current Property Tax Revenue	Projected Property Tax Revenue	Difference
County of Riverside:	\$4,583	\$131,851	\$127,268
County Regional Parks:	\$69	\$1,994	\$1,925
County Flood Control:	\$520	\$14,951	\$14,431
Superintendent of Schools:	\$468	\$13,464	\$12,996
Riverside Unified School District:	\$6,798	\$195,598	\$188,800
Riverside Community College:	\$829	\$23,854	\$23,025
Western Municipal Water District:	\$221	\$6,361	\$6,140
Metropolitan Water District:	\$58	\$1,680	\$1,622
City of Riverside:	2297	\$66,090	\$63,793
Total:	\$15,843	\$455,843	

With the above-noted estimated increase of approximately \$450,000 in annual property tax revenue to the taxing entities in mind, staff recommends that the Successor Agency Board adopt a resolution re-approving a First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development to revise the scope of development for Building "K" to include an extended stay hotel as an option, which will increase property tax revenue to the various taxing entities. Staff also recommends that the Successor Agency Board also recommend that the Countywide Oversight Board adopt a separate resolution re-approving a First Amendment to the University Village Center Eighth Implementation and Amendment Agreement RE University Village Development to revise the scope of development for Building "K" to include an extended stay hotel as an option, which will increase property tax revenue to the various taxing entities when the Project is fully developed.

FISCAL IMPACT:

Should the noted amendment be approved, the General Fund can expect an estimated increase in property tax revenue in the amount of \$66,090 annually, in addition to any Transient Occupancy Tax revenue also generated by the extended stay hotel development.

Prepared by: David Welch, Interim Community & Economic Development Deputy
Director

Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment: Resolution