



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 7, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: PROPOSALS FOR THE DEVELOPMENT OF APPROXIMATELY 7.6 ACRES OF CITY-OWNED PROPERTY COMPRISED OF PUBLIC PARKING LOT 33, THE LANDSCAPE PLAZA FRONTING THE RIVERSIDE CONVENTION CENTER, AND THE FORMER UTILITIES PLAZA BUILDING, IDENTIFIED AS ASSESSOR PARCEL NO.'S 213-11-001, -011, -012, -013, -015, -016, AND -017, GENERALLY LOCATED ALONG ORANGE STREET BETWEEN 3RD AND 5TH STREETS; SELECT THE GREENS GROUP AND GRIFFIN|SWINERTON JOINT PROPOSAL FOR THE DEVELOPMENT OF A MIXED-USE HOTEL, RESIDENTIAL, RETAIL, OFFICE, CONVENTION CENTER EXPANSION, PUBLIC AMPHITHEATER, AND NEW PARKING GARAGE PROJECT

ISSUE:

Review and consider the merits of two separate development proposals received from 1) the Greens Group and Griffin|Swinerton and 2) Sonnenblick Development for the development of approximately 7.6 acres of City-owned property comprised of Public Parking Lot No. 33, the landscape plaza fronting the Riverside Convention Center, and the former Utilities Plaza Building, identified as Assessor Parcel No.'s 213-11-001, -011, -012, -013, -015, 016, and -017, generally located along Orange Street between 3rd and 5th Streets; and select the Greens Group and Griffin|Swinerton joint proposal for the development of a mixed-use hotel, residential, commercial, office, convention center expansion, public amphitheater, and new public parking garage project.

RECOMMENDATIONS:

That the City Council:

1. Review and consider the merits of two separate development proposals received from 1) the Greens Group and Griffin|Swinerton and 2) Sonnenblick Development for the development of the Property;
2. Select the Greens Group and Griffin|Swinerton joint proposal for the development of a mixed-use hotel, residential, retail, office, convention center expansion, public amphitheater, and new parking garage project;
3. Direct staff to negotiate a Purchase, Sale and Development Agreement with the Greens Group for the private development portion of the Property; and

4. Direct staff to negotiate a Lease and Lease-Back Agreement with Griffin|Swinerton for Option 1: 100,000 square foot (gross) expansion of the convention center, public amphitheater, and the construction of a new 1,036 stall public parking garage for the P3 development portion of the Property.

BACKGROUND:

On March 6, 2018 and July 10, 2018, the City Council declared Public Parking Lot No. 33, the landscape plaza fronting the Riverside Convention Center, and the former Utilities Plaza building, located at 3460 Orange Street, as surplus for potential development of a mixed-use hotel, residential, commercial, parking garage, and convention center expansion project.

On September 12, 2018, staff issued a Request for Proposals (RFP) (attached) seeking a mixed-use hotel, residential, commercial and convention center expansion under a Public, Private, Partnership (P3) development project on the Property. On November 27, 2018, the City Council directed staff to issue an amendment to the RFP allowing a second option for development proposals, which would not require the inclusion of a hotel or convention center expansion component and extended the proposals deadline from December 18, 2018 to January 28, 2019.

As shown below in red, the Property consists of the former Utilities Plaza building (currently occupied by Encore Education Corporation until its lease expires on July 31, 2020), all of Public Parking Lot No. 33, and the landscape plaza fronting the westerly side of the Riverside Convention Center.



DISCUSSION:

On January 28, 2019, the RFP deadline, staff received two development proposals from 1) Greens Group and Griffin|Swinerton and 2) Sonnenblick Development. The proposals are summarized in the table below:

	Greens Group and Griffin Swinerton	Sonnenblick, LLC
Proposed Development:	Mixed-used hotel, residential, retail, office and convention center expansion	Mixed-used hotel, residential, retail, office and convention center expansion
Hotels:	<ul style="list-style-type: none"> Hilton branded (full service): 208 rooms Element by Marriott (extended stay): 168 rooms Total: 376 rooms 	<ul style="list-style-type: none"> Cambria Suites by Choice Hotels (full service): 150 Keys Residence Inn by Marriott (extended stay): 150 keys Total: 300 rooms
Residential:	146 units (105 apartment units, 41 condominiums)	85 units (all apartments)
Office:	220,000 square feet	30,000 square feet
Retail:	63,000 square feet	145,800 square feet
Amenities:	Public amphitheater	Veteran's memorial
Subterranean Parking:	2,071 stalls (5 levels)	1,100 (2 levels)
New Parking Structure:	Option 1: 1,036 stalls Option 2: 1,493 stalls	927 stalls
Convention Center Expansion:	Option 1: 100,000 sq. ft. (gross) Option 2: 150,000 sq. ft. (gross)	100,000 Square Feet (gross)
Architect:	CallisonRTKL (Los Angeles)	Ruhnau Clarke (Riverside)
Purchase Price:	\$4 million (\$23.66 / square foot) based upon the 3.88 acre private portion of the Property	None - 75 year lease for \$1 per year
P3 Terms:	<ul style="list-style-type: none"> 30-Year Ground Lease to Griffin Swinerton (P3 area only) 30-Year Leaseback to the City (City retains control) Griffin Swinerton finances and constructs convention center expansion, new parking garage and public amphitheater Annual Lease Rate: \$6 million for Option 1 and \$9 million for option 2 (\$180 - \$270 million over term of the lease) City maintains control 	<ul style="list-style-type: none"> 30- Year Ground Lease to Sonnenblick, LLC (Convention Center expansion area only) Annual Lease Rate: \$3 million (\$90 million over the course of the lease) Sonnenblick, LLC finances and constructs convention center expansion and new parking garage
Estimated	<ul style="list-style-type: none"> Est. New Tax Revenue: \$4 	<ul style="list-style-type: none"> Est. New Tax Revenue: \$3.2

(Est.) New General Fund Revenue	million <ul style="list-style-type: none"> • Est. Parking Revenue: \$5.3 million • Est. New Convention Center Revenue: \$245,000 • Est. Initial Revenue Total: \$9.5 million • Est. Total Revenue Over Life of Lease: Approximately \$511 million for Option 1 and \$525 million for Option 2 	million <ul style="list-style-type: none"> • Est. Parking Revenue: None • Est. New Convention Center Revenue: Not Provided • Est. Total: \$3.2 million • Est. Total Revenue Over Life of Lease: Approximately \$96 million
Est. Project Timeline:	<ul style="list-style-type: none"> • New Parking Structure: open in mid 2021 • Convention Center Expansion: open in late 2022 • Private Development: open in early 2023 	<ul style="list-style-type: none"> • New Parking Structure: to be completed first - no timeline given • Convention Center Expansion: July 1, 2022 • Private Development: July 1, 2022

Both projects are exceptional and either one would be a great addition to the City of Riverside. Staff understands that the City Council and the public demand an objective and deliberative selection process. This is one of the most significant developments of our recent history. As such, the RFP included a clear process to maximize objectivity to arrive at a recommendation to City Council. The process is outlined on page 16 of the RFP. Communication was directed to one person, Nathan Freeman, as outlined on page 16, to maximize objectivity.

After careful review and scoring of the development proposals, the RFP evaluation committee, comprised of staff from the City's Community & Economic Development, Public Works, Parks, Recreation and Community Services, Finance, and General Services Departments, unanimously concluded that the Greens Group and Griffin|Swinerton joint development proposal is the most responsive to the RFP. The evaluation committee also interviewed both proposers on March 13, 2019, which confirmed the evaluation committee's conclusion.

The Greens Group and Griffin|Swinerton joint proposal is a coordinated approach to develop "Riverside Alive" on the private development portion of the Property (as show in green on the maps below), with a development plan which maximizes density on the site with a diverse mix of highly desirable and synergistic uses which will transform the urban fabric of downtown, coupled with the construction, under a proposed P3, of 100,000 square feet gross (Option 1) or 150,000 square feet gross (Option 2) of new convention center space, a public amphitheater space, and a 1,036 (Option 1) or 1,493 (Option 2) new public parking garage on the P3 Development portion of the Property (as shown in red on the maps below of the Property).



The Greens Group and Griffin|Swinerton team, in conjunction with HVS Convention Sports and Entertainment Facilities (HVS), has thoroughly analyzed the existing Riverside Convention Center and has concluded that there is great potential to increase its existing size. Per HVS, the existing Convention Center is approximately 108,177 gross square feet, with approximately 50,396 square feet of usable space (excluding back of house, office space, lobby space, etc.). As such, the Greens Group and Griffin|Swinerton has proposed the following expansion options:

- Option 1: expand the Convention Center by 100,000 square feet (gross) and construct a 1,036 stall public parking garage and public amphitheater. When combined with the existing Convention Center's 50,396 square feet of usable space, the Option 1 expansion would yield approximately 100,000 square feet of usable space, which would be large enough to operate two simultaneous events as well as attract much larger conferences/conventions.

The estimated cost to the City, under a Lease/Leaseback Agreement, as detailed below, for Option 1 is approximately \$6 million per year for 30 years.

- Option 2: expand the Convention Center by 150,000 square feet (gross) and construct a 1,493 stall public parking garage and public amphitheater. When combined with the existing Convention Center's 50,396 square feet of usable space, the Option 2 expansion would yield approximately 150,000 square feet of usable space, which would position the convention center among the State's top convention centers.

The estimated cost to the City, under a Lease/Leaseback Agreement, as detailed below, for Option 2 is approximately \$9 million per year for 30 years.

The Convention Center expansion, construction of a new public parking garage, and the proposed public amphitheater space are proposed to be funded and built under a P3 model, which has been utilized by municipalities across the country. Under the P3 model, the City would lease the P3 portion of the Property (as shown in red on the maps above) to Griffin|Swinerton for 30 years for \$1.00 per year. Griffin|Swinerton will then obtain financing and build the P3 development, with constant oversight and coordination with City staff, at the lowest available tax-exempt interest rate in the market. Simultaneously, the City and Griffin|Swinerton will also enter into a separate 30 year "Lease-Back" Agreement, with the lease payment being equal to the debt service that Griffin|Swinerton must pay for financing the P3 development. After 30 years, the P3 development reverts back to the City. During the term of the Lease-Back Agreement, the City will retain operation and management control (including any financial proceeds) of the P3 development.

With the entirety of the aforementioned in mind, staff recommends that the City Council direct staff to negotiate a Purchase, Sale and Development Agreement with the Greens Group for the private development portion of the Property. Additionally, staff recommends that the City Council direct staff to negotiate a P3 Agreement with Griffin|Swinerton for Option 1 (as defined above): 100,000 square foot (gross) expansion of the convention center, the construction of an outdoor public amphitheater, and the construction of a new 1,036 stall public parking garage.

The General Services Director, Public Works Director and the Finance Director have reviewed this report and concur with the recommendations.

FISCAL IMPACT:

Upon close of escrow, approximately \$4 million, less miscellaneous title, escrow, and closing costs, will be distributed proportionally to the City's Parking Fund and the General Fund - with the majority of the proceeds to be deposited with the Parking Fund.

Additionally, it is estimated that the General Fund will net, under the staff-recommended Option 1 (as defined above), approximately \$9.5 million annually in new tax revenue, parking revenue, and convention center proceeds.

Moreover, the estimated cost to the General Fund for the annual lease payment to Griffin|Swinerton, under the staff-recommended Option 1, is approximately \$6 million annually (or approximately \$180 million over the term of the lease). This annual lease cost would be offset by additional annual revenue to the General Fund – as described above.

Lastly, there will be operational costs (in a to-be-determined amount) to the General Fund associated with programming and management of the amphitheater area, which will be negotiated as part of the Purchase and Sale Agreement with the Greens Group.

Prepared by:	David Welch, Community & Economic Development Director
Certified as to availability of funds:	Edward Enriquez, Chief Financial Officer/Treasurer
Approved by:	Al Zelinka, FAICP, City Manager
Approved as to form:	Gary G. Guess, City Attorney

Attachment:

1. Request for Proposals
 - a. Amendment #1 to RFP
2. Presentation