



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 7, 2020

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 2
DEPARTMENT

SUBJECT: PURCHASE, SALE, AND DEVELOPMENT AGREEMENT WITH MELROSE, LLC FOR THE SALE OF APPROXIMATELY 1.413 ACRES OF VACANT CITY OWNED SURPLUS LAND LOCATED AT THE NORTHWESTERLY CORNER OF SYCAMORE CANYON BOULEVARD AND STATE ROUTE 60 NORTH OF CENTRAL AVENUE FOR THE SALE PRICE OF \$370,000

ISSUE:

Approve a Purchase, Sale, and Development Agreement with Melrose, LLC for the sale of approximately 1.413 acres of vacant City owned surplus land located at the northwesterly corner of Sycamore Canyon Boulevard and State Route 60, north of Central Avenue, for the sale price of \$370,000.

RECOMMENDATIONS:

That the City Council:

1. Approve a Purchase, Sale, and Development Agreement with Melrose, LLC for the sale of approximately 1.413 acres of vacant City owned surplus land located at the northwesterly corner of Sycamore Canyon Boulevard and State Route 60, north of Central Avenue, for the sale price \$370,000; and
2. Approve the use of the proceeds as follows: in accordance with the Pension Funding Policy, 50% shall be set aside for the City's Unfunded Accrued Liability and the remaining 50% is for Public Works equipment replacement funding.
3. Authorize the City Manager, or his designee, to execute the Agreement with Melrose, LLC 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.

BACKGROUND:

On August 6, 2019, the City Council declared City owned vacant land as surplus consisting of Caltrans' former right-of-way located between Sycamore Canyon Boulevard and State Route 60 (Property). The Property was previously Caltrans land relinquished to the County of

Riverside prior to the City's annexation of the area in 2015 (Annexation 118) and it is no longer needed by the City.

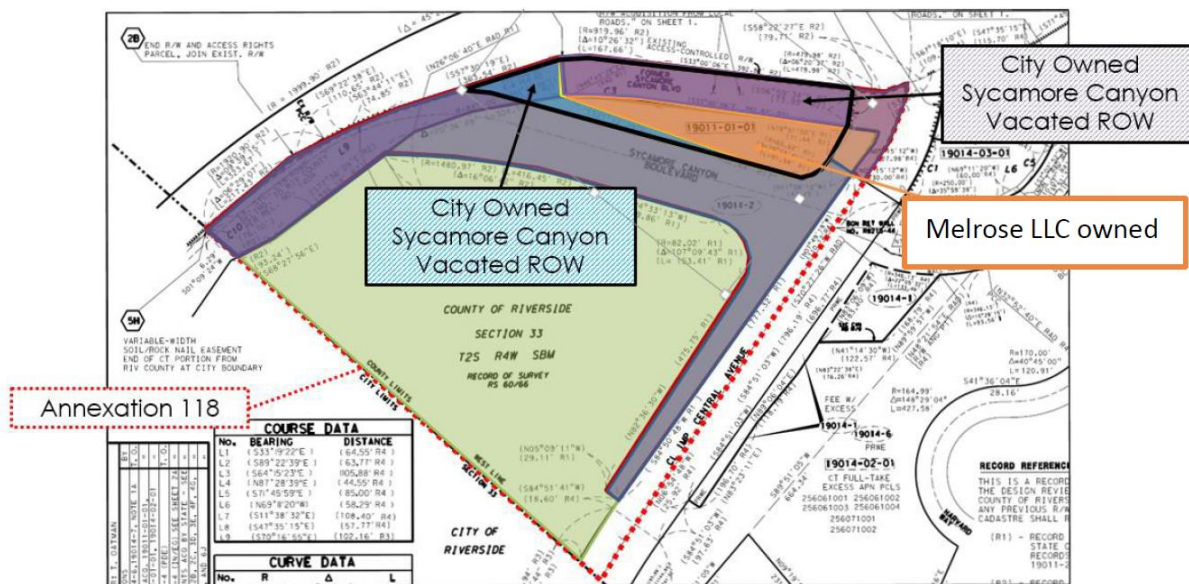
In August of 2017, Melrose, LLC (Buyer) acquired the 2.19-acre Caltrans parcel adjacent to the Property and subsequently, submitted planning applications for a drive-thru restaurant, a vehicle fuel station with a convenience store, and an automated vehicle wash facility on the former Caltrans site as well as on the Property (Project).

On April 18, 2019, the Planning Commission considered a proposal from the Buyer to develop the Project and on June 11, 2019, City Council upheld the Buyer's appeal of the Planning Commission's denial of its proposals for a Zoning Code Amendment (P18-0028), Tentative Parcel Map (P18-0034), Conditional Use Permits (P18-0031 & P18-0032), and Design Review (18-0033). The Property shall be shown as vacated on the Tentative Parcel Map.

DISCUSSION:

The Property is zoned CG – Commercial General. The northerly property line runs adjacent to SR60. Sycamore Canyon Boulevard and Central Avenue street improvements are complete. As such, Public Works no longer needs the Property.

The Property is shown as City Owned Sycamore Canyon Vacated right-of-way (ROW) on the map below highlighted in blue and purple.



No interest was received from any Public Agencies during the 60-day offering period which expired on October 15, 2019, as required by government Code Section 54220, et seq.

The Property was appraised by an independent third-party appraiser which concluded to a value of \$370,000. The Buyer accepted the appraised value for the Property and the terms of the attached Agreement.

The Buyer is a real estate developer headquartered in San Diego. Its projects range from full-service gas station facilities and commercial developments to single and multi-family residential

developments. The Buyer estimates its total project costs to be from \$10 million to \$12 million and anticipates generating between 70 to 90 jobs once the Project is completed. Construction of the Project is scheduled to start in 2020 subject to approval of building permits.

The Agreement allows the Buyer to have up to 12 months, plus a twelve 12 month extension if necessary, from the Effective Date of the Agreement to complete its due diligence review of the Property, obtain development entitlements, and close escrow. The Buyer shall have up to three months from the close of escrow to commence construction and 18 months to complete construction, with exception of the drive-thru restaurant.

Staff has reviewed and determined that the sale price of \$370,000 for the Property represents the current fair market value of the Property and recommends entering into the Purchase, Sale, and Development Agreement. The Buyer shall be responsible for all costs for obtaining project development entitlements.

The Public Works Director concurs with the recommendations in the staff report.

FISCAL IMPACT:

The Property is City owned and is being sold for \$370,000 less all title, escrow, and miscellaneous related closing costs in an amount not to exceed \$10,000. The estimated net proceeds from the sale in the minimum amount of \$360,000 shall be deposited into the General Fund– Sale of Land and Buildings account number 0000101-380010. In accordance with the Pension Funding Policy, 50% of these one time revenue proceeds shall be set aside for the City's Unfunded Accrued Liability and the remaining 50% is for Public Works equipment replacement funding.

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

Attachment: Purchase, Sale, and Development Agreement