



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 5, 2020

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARDS: ALL
DEPARTMENT

SUBJECT: SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT WITH GREENS INV 10, LLC FOR THE DISPOSITION OF CITY-OWNED HISTORIC FORMER DOWNTOWN FIRE STATION NO. 1, LOCATED AT 3466 MISSION INN AVENUE, AND PARKING AUTHORITY-OWNED PUBLIC PARKING LOT NO. 27, LOCATED AT 3398 MISSION INN AVENUE

ISSUE:

Approve a Second Amendment to the Purchase and Sale Agreement with Greens Inv 10, LLC for the disposition of City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue, and Parking Authority-owned Public Parking Lot No. 27, located at 3398 Mission Inn Avenue.

RECOMMENDATIONS:

That the City Council:

1. Approve the Second Amendment to the Purchase and Sale Agreement with Greens Inv 10, LLC for the disposition of City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue, and Parking Authority-owned Public Parking Lot No. 27, located at 3398 Mission Inn Avenue; and
2. Authorize the City Manager, or his designee, to execute the Second Amendment with Greens Inv 10, LLC, including making minor and non-substantive changes.
3. Approve the use of one-time revenue generated from the sale of Downtown Fire Station No. 1 located at 3466 Mission Inn Avenue to offset the expected fiscal year 2019/20 General Fund deficit.

BACKGROUND:

On May 8, 2018, the City Council approved a Purchase and Sale Agreement with Greens Inv 10, LLC ("Greens") for the disposition of City-owned former Downtown Fire Station No. 1, located at 3466 Mission Inn Avenue, and Parking Authority-owned Public Parking Lot 27, located at 3398 Mission Inn Avenue, for the sale amount of \$1,000,000 to facilitate development of a Hilton Hotel.

On October 27, 2018, the City Council approved a First Amendment to the Purchase and Sale Agreement with Greens, which allowed Greens to construct an AC Marriott Hotel (or similar hotel franchise that is acceptable to the City) instead of a Hilton Hotel.

DISCUSSION:

In late March of 2020, Greens made a request for a Second Amendment to allow for the following changes and additions to the original Purchase and Sale Agreement and the 1st Amendment:

	Original PSA/1st Amendment	Proposed PSA 2nd Amendment
Intention:	Adaptive reuse of the former downtown Fire Station No. 1 and development of an AC Marriott Hotel.	Replace "AC Marriott Hotel" with "dual branded AC/Residence Inn by Marriott Hotels".
Concurrent Development:	Both properties must be concurrently developed.	Development, construction, and rehabilitation of the historic fire station no. 1 shall only apply to the development, construction and rehabilitation of the "façade" of the station. Greens shall identify a user/tenant for the station within one year from opening of the hotels. Greens shall also complete construction of tenant improvements and obtain a Certificate of Occupancy for the user/tenant within two years from the opening of the hotels.
Escrow Closing:	Escrow shall close approximately 720 days from the Effective Date of the original PSA (estimated to be July 31, 2020).	Escrow closing date shall be on or before May 15, 2020. Greens shall obtain all project entitlements by December 31, 2020, with an additional three-month extension granted at the sole discretion of the City Manager.
Start of Construction:	180 days from Close of Escrow (est. to be January 27, 2021).	360 days from Close of Escrow (est. to be July 26, 2021).
Public Parking Lot 27:	Not contemplated - new addition.	After close of escrow, Greens shall permit the Parking Authority to continue to operate and maintain 3398 Mission Inn Avenue as Public Parking Lot No. 27 (including collection and receipt of all associated revenue and assumption of all associated liabilities) at the cost of \$1 per year, until such time as Greens is ready to begin construction of the hotels. Greens further agrees to provide the Parking Authority with a ninety-day notice prior to commencement of construction of the hotels.

Moreover, the Greens Inv 10, LLC team has informed staff that they are creating a new wholly

owned subsidiary (Greens Ehrenberg, LLC) to purchase the properties and staff has no objection.

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

FISCAL IMPACT:

The City's Pension Funding Policy requires that:

Unanticipated one-time revenues or settlements shall be prioritized at a rate of 50% of the revenue alongside other critical needs to make a one-time payments to CalPERS to pay-off a portion of the City's UAL to save on interest payments, reduce annual payments, and lower annual operating expenses. Payments would be incorporated into the City's annual budget for City Council consideration and will only be utilized if the general fund is not projected to end the year at a deficit.

Due to the significant fiscal impact of COVID-19, the General Fund is expected to end fiscal year 2019/20 in a deficit position. Consequently, the proceeds from the sale of Downtown Fire Station No. 1 located at 3466 Mission Inn Avenue are not recommended for allocation to the Section 115 Pension Trust but are recommended to be recorded in the General Fund to offset the projected deficit.

The Chief Financial Officer concurs with this recommendation.

Upon Close of Escrow, approximately \$750,000 (less miscellaneous, title, escrow and closing costs) will be deposited into General Fund account no. 0000101-380010 (Sale of Land and Buildings) and approximately \$250,000 (less miscellaneous, title, escrow and closing costs) will be deposited into Parking Authority account no. 0000570-380010 (Sale of Land and Buildings).

Prepared by:	David Welch, Community & Economic Development 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:	Second Amendment to Purchase and Sale Agreement with Greens Inv 10, LLC
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