



*City of Arts & Innovation*

# Financial Performance and Budget Committee Memorandum

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**TO: FINANCIAL PERFORMANCE AND BUDGET COMMITTEE MEMBERS      DATE: JULY 8, 2020**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT      WARDS: ALL**

**SUBJECT: REVIEW VARIOUS CITY-OWNED PROPERTIES AND DETERMINE IF ANY SHOULD BE RECOMMENDED TO CITY COUNCIL TO DECLARE AS SURPLUS TO EITHER GENERATE SALE REVENUE OR REDUCE OPERATING COSTS TO ADDRESS THE CALPERS CHALLENGE AND FINANCIAL IMPACTS ASSOCIATED WITH COVID-19**

**ISSUE:**

Review various City-owned properties and recommend to City Council which specific properties, if any, should be declared as surplus for staff to sell as a possible solution to either generate sale revenue or reduce operating costs to address structural deficits like the CalPERS Challenge and financial impacts associated with COVID-19.

**RECOMMENDATIONS:**

That the Financial Performance and Budget Committee:

1. Review the attached list of City-owned properties to determine which specific properties, if any, should be recommended to City Council to declare as surplus for staff to sell as a possible solution to either generate sale revenue or reduce operating costs to address structural deficits like the CalPERS Challenge and financial impacts associated with COVID-19; and
2. Direct staff to prepare a list of properties recommended by the Financial Performance and Budget Committee for City Council consideration to approve and authorize staff to market them for sale in accordance with the City's Administrative Manual Section 8.003.00 - Disposition and Sale of City Owned Real Property.

**BACKGROUND:**

On July 10, 2019, staff provided information to the Finance Committee on three City-owned properties with high liquidation value for possible consideration to sell to generate revenue that could be useful to help address the CalPERS Challenge. These three properties were as follows: 1) the Fox Entertainment Plaza (Fox Theater, Showcase, Box, Food Lab and Parking Garage 7); 2) the Riverside Municipal Auditorium; and 3) the Riverside Convention Center. The Finance Committee directed staff to return to the Finance Committee with a comprehensive list of City-owned properties with sale potential that could generate revenue for the General Fund.

**DISCUSSION:**

Prior to declaring a specific site as surplus property, the City should carefully review each property to determine its potential economic benefit and whether the City has an existing need or a potential future need for each site before it makes a determination to sell a specific property if it is no longer needed for City use.

Staff has identified a list of 20 City-owned properties (Attachment 1) and recommends that the

PROPERTY NAME	LOCATION	CURRENT USE	LOT SIZE
Parking Garage 1	3743 Orange (between Mission Inn & University)	Parking Facility (170 stalls)	19,765 sf
Parking Garage 2	3851 & 3865 Orange (across from Post Office)	Parking Facility (155 stalls)	18,923 sf
Brockton Arcade Parking	Near intersection of Magnolia Ave. & Nelson St.	Parking Lot (34 stalls)	25,127 sf
Lot adjacent to the Casa Blanca Library	2965 Madison Ave.	Vacant Land	63,597 sf
Magnolia & Van Buren Parking	Near intersection of Magnolia Ave. & Van Buren Blvd.	Parking Lot (89 stalls)	23,323 sf
8700 Cypress	Located at intersection of Cypress and Challen Ave.	Community Garden	40,946 sf
Fairmount Golf Course	2681 Dexter Dr.	Golf Course	45 acres
Riverside Golf Course	1077 N. Orange St.	Golf Course	119 acres
Fox Performing Arts Center & Garage 7	3801 Mission Inn Ave., 3605 & 3633 Market St.	Fox & Box Theaters, Food & Game Lab, Parking Garage 7 (400 stalls)	50,378 sf
Riverside Convention Center	3637 5 <sup>th</sup> Street	Convention Center	3.3 acres

following 10 properties be considered for surplus declaration to be sold.

Staff does not have any current appraisals for these properties but believes that the sale of some of these properties could either generate substantial revenue or reduce operating costs to positively impact the City's General Fund. Successor Agency and Housing Authority properties were intentionally omitted since the Successor Agency already has a list of properties identified

to be sold pursuant to its Long-Range Property Management Plan and the Housing Authority typically decreases its land value to \$1 to facilitate development of affordable housing units on their sites.

The disposition process for the sale of surplus property has recently been changed with the passage of Assembly Bill 1486 (AB 1486) on October 9, 2019. After City Council declares a property as surplus and prior to disposing or participating in negotiations with prospective buyers, a written notice of availability must be sent to affordable housing developers who have registered with the State's Department of Housing and Community Development (HCD). Also, per California Government Code Section 54220, et seq., staff will notify other public agencies of the sale of the subject property for a 60-day period. However, the affordable housing developers will have the "first right of refusal" or priority consideration for all City-owned land that has been declared surplus. If there is no interest from a developer or public agency, staff will market the subject property to sell it at fair market value in accordance with the City's Administrative Manual 08.003.00, Disposition and Sale of City-Owned Real Property. If the property is developed with ten or more residential units, then 15% of the total project's units must be restricted to "affordable rent to lower income households" as required by AB 1486.

Lastly, prior to agreeing to any terms for disposing of City-owned properties, the City must provide HCD with a description of the notices of availability sent and negotiations conducted with any responding entity. HCD shall have 30 days after receipt to submit written findings if it deems that the City is in violation of the surplus property statutes.

In an effort to respond to the unfunded pension obligations, the Community & Economic Development Department has compiled a list of potential City-owned properties to be considered for sale to effectively secure the solvent financial future of the City, its employees, and its retirees while ensuring the delivery of public services and stewardship of public resources.

The Parks, Recreation and Community Services Director, Public Works Director, General Services Director, Museum Director, Housing Authority Manager, and Riverside Public Utilities General Manager all concur with the recommendations in this report.

### **FISCAL IMPACT:**

There could be a positive fiscal impact associated with the sale of any property identified in this report, depending upon the final sale price less outstanding debt, if any. Furthermore, the sale of some of these properties could eliminate management agreements that would reduce annual operating costs to the General Fund. If the property was originally purchased with tax exempt debt, even if no debt currently exists on the property, any sale proceeds generated must be treated like bond proceeds. The funds from any debt related property can go to purchase other facilities that do not have a private use or they can be used to call outstanding bonds. Any transactions falling in this category would need to be carefully tracked as they are subject to Internal Revenue Service (IRS) audit.

Proceeds from property that was not acquired with debt or acquired with taxable bond proceeds can have a positive impact to the General Fund. Due to the uncertainty of a successful sale of property, any revenues generated in this category are classified as unanticipated one-time revenues and are not included in the budget. Per the City's pension funding policy, unanticipated one-time revenues shall be prioritized at a rate of 50% of the revenue alongside other critical

needs to make a one-time payment to CalPERS to pay-off a portion of the City's Unfunded Actuarial Liability to save on interest payments, reduce annual payments, and lower annual operating expenses. Conversely, the City can prioritize the revenue at 100% to the CalPERS challenge issue.

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

Attachments:

1. City-Owned Property List
2. Site Maps
3. Presentation