



City of Arts & Innovation

Financial Performance and Budget Committee

TO: FINANCIAL PERFORMANCE AND BUDGET COMMITTEE MEMBERS DATE: FEBRUARY 12, 2021

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARDS: ALL

SUBJECT: REVIEW VARIOUS CITY-OWNED PROPERTIES AND DETERMINE WHICH PROPERTIES SHOULD BE RECOMMENDED TO CITY COUNCIL TO BE RETAINED, LEASED, OR DECLARED AS SURPLUS TO SELL TO PRIVATE ENTITIES OR COMMUNITY CORPORATIONS TO 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 determine which properties should be recommended to City Council to be retained, leased, or declared as surplus to sell to private entities or community corporations to generate sale revenue or reduce operating costs in order to address the CalPERS challenge and financial impacts associated with COVID-19.

RECOMMENDATIONS:

That the Financial Performance and Budget Committee:

1. Review the attached list of seven City-owned properties to determine which specific properties, if any, should be recommended to City Council to be retained, leased, or declared as surplus to sell to private entities or community corporations to generate sale revenue or reduce operating costs in order to address the CalPERS challenge and financial impacts associated with COVID-19; and
2. Direct staff to present the list of properties recommended by the Financial Performance and Budget Committee to City Council for consideration to take appropriate action on the properties.

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 sale revenue

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

On July 8, 2020, staff provided information to the Financial Performance and Budget Committee on 20 City-owned properties with potential economic benefit to either generate sale revenue or reduce operating costs to the General Fund. Out of those 20 properties, staff recommended 10 properties be considered for surplus declaration. The Financial Performance and Budget Committee directed staff to present the list of 20 properties to the Budget Engagement Commission (BEC) for their recommendation and then return to the Financial Performance and Budget Committee for further consideration.

On September 10, 2020, as directed, staff presented a list of 22 City-owned properties to the Budget Engagement Commission to determine which specific properties, if any, should be recommended to City Council to be declared as surplus for staff to sell as a possible solution to generate sale revenue to address the CalPERS Challenge and financial impacts associated with COVID-19. It should be noted that two properties controlled by Public Works/Parking Authority (Parking Lots 1 and 16) were separated from the Museum of Riverside and the existing Main Library and were shown as separate properties. As such, there were 22 properties for the BEC's consideration instead of the 20 properties that were originally presented to the Financial Performance and Budget Committee on July 8, 2020. Following discussion, the Budget Engagement Commission recommended that 15 properties be retained by the City and seven properties be considered for sale and directed staff to present those properties with their recommendations to the Financial Performance and Budget Committee prior to seeking City Council approval to take action on the recommendations.

On October 14, 2020, staff presented a list of 22 City-owned properties to the Financial Performance and Budget Committee to determine which specific properties, if any, should be recommended to City Council to be declared as surplus for staff to sell as a possible solution to generate sale revenue to address the CalPERS Challenge and financial impacts associated with COVID-19. The Financial Performance and Budget Committee directed staff to return to the Financial Performance and Budget Committee in January 2021 to present the seven properties as recommended by the Budget Engagement Commission to be considered for sale along with any additional updated information from staff on the status of these properties.

DISCUSSION:

In an effort to respond to the unfunded pension obligations and financial impacts associated with the COVID-19 pandemic, the Community & Economic Development Department staff originally compiled a list of 22 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.

Properties to be Considered for Sale

Of the 22 City-owned properties that have been identified, pursuant to the Budget Engagement Commission and Financial Performance and Budget Committee's direction, the following seven

properties listed below are to be considered for surplus declaration to be sold:

PROPERTY NAME	LOCATION	CURRENT USE	LOT SIZE
Parking Garage 1	3743 Orange (between Mission Inn & University Ave.)	Parking Facility (170 stalls)	19,765 sf
Parking Garage 2	3851 & 3865 Orange St. (across from Post Office)	Parking Facility (155 stalls)	18,923 sf
Brockton Arcade Parking Lots	Near intersection of Magnolia Ave. & Nelson St.	Parking Lots (34 stalls)	25,127 sf
Lot adjacent to the Casa Blanca Library	2965 Madison Ave.	Vacant Land	63,597 sf
Magnolia & Van Buren Parking Lot	Near intersection of Magnolia Ave. & Van Buren Blvd.	Parking Lot (89 stalls)	23,323 sf
8700 Cypress Avenue	Located at intersection of Cypress Ave. & Challen Ave.	Community Garden	40,946 sf
Riverside Golf Course	1077 N. Orange St.	Former Golf Course	119 acres

Staff is looking for feedback and direction on the seven 7 properties listed above, with specific recommendations on each as to whether the properties should be retained, leased, or sold to either a private entity, community corporation, or perhaps some other alternative method.

Properties to be Retained by City

As a point of reference, the Budget Engagement Commission recommended the following 15 properties be retained by the City.

PROPERTY NAME	LOCATION	CURRENT USE	LOT SIZE
A1 Grit	1901 Massachusetts Avenue	Homeless Shelter	108,464 sf
Parking Lot 3	3850 10 th Street	Parking Lot (60 stalls)	13,504 sf
Parking Lot 18	3944 Market Street	Parking Lot (42 stalls)	17,424 sf
980 & 1006 Dalton Road	980 & 1006 Dalton Road @ Alamo Street	G-TV studio & museum storage warehouse	24,821 sf
Downtown Main Library	3581 Mission Inn Avenue	Existing Main Library	48,787 sf
Parking Lot 1	3581 Mission Inn Avenue	Parking Lot (88 stalls)	31,799 sf
Garage 3	3741 & 3775 University Avenue (behind Cal Tower)	Parking Facility (292 stalls)	23, 522 sf
Garage 6	9 th & Orange Streets	Parking Facility (538 stalls)	41,898 sf
Museum of Riverside	3580 Mission Inn Avenue	Museum	19,602 sf
Parking Lot 16	3756 Orange Street	Parking Lot (26 stalls)	11,761 sf

Riverside Municipal Auditorium & Parking Lot 41	3456 & 3485 Mission Inn Avenue	Auditorium & Parking Lot 41 (9 stalls)	50,094 sf
Magnolia Retail Center/Police Department	10530 – 10560 Magnolia Avenue	Retail stores and parking lot supporting Police Dept.	483,849 sf
Fairmount Golf Course	2681 Dexter Drive	Golf Course	1,960,200 sf
Fox Performing Arts Center & Garage 7	3801 Mission Inn Avenue, 3605 & 3663 Market Street	Fox Theaters, Food & Game Lab, and Garage 7 (400 stalls)	50,378 sf
Riverside Convention Center	3637 5 th Street	Convention Center	143,410 sf

Staff does not have any current appraisals for the list of seven properties considered to be sold but believes that the sale of at least one of these properties could generate substantial revenue to go toward the City's General Fund.

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.

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, Sale of City-Owned Real Property. If the property is developed with 10 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.

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 to the General Fund associated with the sale of any property identified on this report, depending upon the final sale price less outstanding debt, if

any, for any specific properties that are sold. If the property sold 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 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 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/City Treasurer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Kristi J. Smith, Interim City Attorney

Attachments:

1. List of City-Owned Properties to be Considered for Sale
2. Aerial Site Maps
3. Presentation