



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 25, 2021

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARDS: ALL WARDS
DEPARTMENT

SUBJECT: ADOPTION OF A RESOLUTION TO DECLARE SIX CITY-OWNED
PROPERTIES AS SURPLUS PROPERTY AND AUTHORIZE THE MARKETING
AND SALE OF THESE PROPERTIES PURSUANT TO ASSEMBLY BILL 1486

ISSUE:

Adoption of a Resolution to declare six City-owned properties as surplus property as shown on Attachment 2 to either generate sale revenue or reduce operating costs to address the CalPERS challenge and financial impacts associated with COVID-19 and authorize the marketing and sale of these properties pursuant to Assembly Bill 1486 and in accordance with the City's Administrative Manual 8.003.00 for the Disposition and Sale of City-Owned Real Property.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution to declare the six City-owned properties as surplus property as shown in Attachment 2 to either generate sale revenue or reduce operating costs to address the CalPERS challenge and financial impacts associated with COVID-19;
2. Authorize the marketing and sale of these properties pursuant to Assembly Bill 1486 and in accordance with the City's Administrative Manual 8.003.00 for the Disposition and Sale of City-Owned Real Property; and
3. Direct staff to perform an extensive community engagement process in the next 18 to 24 months for the future use of the Fairmount Golf Course property, and present the results to the Budget Engagement Commission, which would then formulate a recommendation to City Council on whether the property should be retained, leased, or sold.

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) 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 that could generate sale revenue to the General Fund.

On July 8, 2020, staff provided information to the Financial Performance and Budget Committee on twenty (20) City-owned properties with potential economic benefit to either generate sale revenue or reduce operating costs to the General Fund. Out of those twenty (20) properties, staff recommended ten (10) properties be considered for surplus declaration. The Financial Performance and Budget Committee directed staff to present the list of twenty (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 twenty-two (22) potential 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 Review 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. Furthermore, for the Fairmount Golf Course, the BEC recommended that staff perform an extensive community engagement process in the next 18 to 24 months for the future use of the property, and present the results to the Budget Engagement Commission which would then formulate a recommendation to City Council on whether the property should be retained, leased, or sold.

On October 14, 2020, staff presented a list of twenty-two (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 (7) properties listed below 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.

On February 12, 2021, staff provided information to the Financial Performance and Budget Committee to present the seven City-owned properties listed below to be retained, leased, or declared as surplus to sell to private entities or community corporations to either generate sale revenue or reduce operating costs to address the CalPERS challenge and financial impacts associated with COVID-19. The Financial Performance and Budget Committee recommended that staff present the list of seven properties to City Council to be declared as surplus to either generate sale revenue or reduce operating costs to address the CalPERS challenge and financial impacts associated with COVID-19.

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 twenty-two (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 twenty-two (22) City-owned properties that have been identified, pursuant to the Budget Engagement Commission and Financial Performance and Budget Committee's direction, the following six 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)	20,174 sf
Parking Garage 2	3851 & 3865 Orange St. (across from Post Office)	Parking Facility (155 stalls)	18,666 sf
Brockton Arcade Parking Lots	Near intersection of Magnolia Ave. & Nelson St.	Parking Lots (71 stalls)	25,415 sf
Lot adjacent to the Casa Blanca Library	2965 Madison Ave.	Vacant Land	63,536 sf (1.5 acres)
Magnolia & Van Buren Parking Lot	Near intersection of Magnolia Ave. & Van Buren Blvd.	Parking Lot (154 stalls)	48,554 sf (1.1 acres)
8700 Cypress Avenue	Located at intersection of Cypress Ave. & Challen Ave.	Community Garden	41,073 sf
*Former Riverside Golf Course	1077 N. Orange St.	Vacant Land (Cross Country Running)	5,270,760 sf (121 acres)

*The former Riverside Golf Course was originally included with the above list of seven properties to be considered for surplus declaration. However, the former Riverside Golf Course will be presented separately and combined with the Ab Brown Sports Complex and Pellissier Ranch sites to be declared as exempt surplus property for issuance of a Request for Proposals for a Master Developer to facilitate the development vision of the Northside Specific Plan.

Properties to be Retained by City

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

PROPERTY NAME	LOCATION	CURRENT USE	LOT SIZE
A1 Grit	1901 Massachusetts Avenue	Homeless Shelter	108,464 sf (2.5 acres)
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 (1.1 acres)
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 (1.2 acres)
Magnolia Retail Center/Police Department	10530 – 10560 Magnolia Avenue	Retail stores and parking lot supporting Police Dept.	483,849 sf (11.1 acres)
**Fairmount Golf Course	2681 Dexter Drive	9-Hole Golf Course	1,960,200 sf (45 acres)
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 (1.2 acres)
Riverside Convention Center	3637 5 th Street	Convention Center	143,410 sf (3.3 acres)

Staff does not have any current appraisals for the list of six properties considered to be sold. 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.

**At the September 10, 2020 Budget Engagement Commission meeting, there was discussion about the future use of the Fairmount Golf Course. With City Council consent, and as recommended by the BEC, staff will conduct community engagement meetings to provide potential development visions, ideas and/or designs for future uses of this property and then return to the BEC for a recommendation to City Council on whether the property should be retained, leased, or sold.

The disposition process for the sale of surplus property was 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. During this period, proposals must include at least 25% of the residential units to be restricted to “affordable rent to lower income households”. 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 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.

The Parks, Recreation and Community Services Director, Public Works Director, and General Services Director all concur with the recommendations in this staff report.

FISCAL IMPACT:

At this stage, there is no known 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.

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. Resolution
2. List of City-Owned Properties
3. Aerial Site Maps
4. Legal Descriptions
5. Presentation