



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 12, 2021**
FROM: COMMUNITY & ECONOMIC DEVELOPMENT **WARD: 1**
DEPARTMENT
SUBJECT: RIVERSIDE ALIVE PROJECT UPDATE – PUBLIC PARKING LOT 33

ISSUE:

Receive an update on the Riverside Alive project proposed at Public Parking Lot 33.

RECOMMENDATIONS:

That the City Council:

1. Receive an update on the Riverside Alive project;
2. Select Development Option 2 to sell all of Lot 33 to the Greens Group for private development or an alternative project direction;
3. Direct staff to negotiate a Purchase and Sale Agreement with the Greens Group for Development Option No. 2 or an alternative project direction; and
4. Direct staff to negotiate a Lease/Leaseback Agreement with Griffin|Swinerton at the former Utilities Plaza site to construct a 750-stall public parking garage or an alternative project direction.

BACKGROUND:

On September 18, 2018, staff from the Community & Economic Development Department issued a Request for Proposals (RFP) seeking a mixed-use hotel and Convention Center expansion project on the site identified (in red) on the map below.

In January 2019, staff received separate development proposals from the Greens Group and Griffin|Swinerton (jointly) and Sonnenblick Development.

In May 2019, the City Council: 1) selected the joint development proposal from the Greens Group and Griffin|Swinerton to construct a mixed-use hotel, residential, commercial, office, convention center expansion, public amphitheater, and new public parking garage project; 2) directed staff to negotiate a Purchase and Sale Agreement (PSA) with the Greens Group for the private portion of the Property; and 3) directed staff to negotiate a Lease and Leaseback Agreement with Griffin|Swinerton for expansion of the Convention Center and construction of a public amphitheater and new public parking garage.

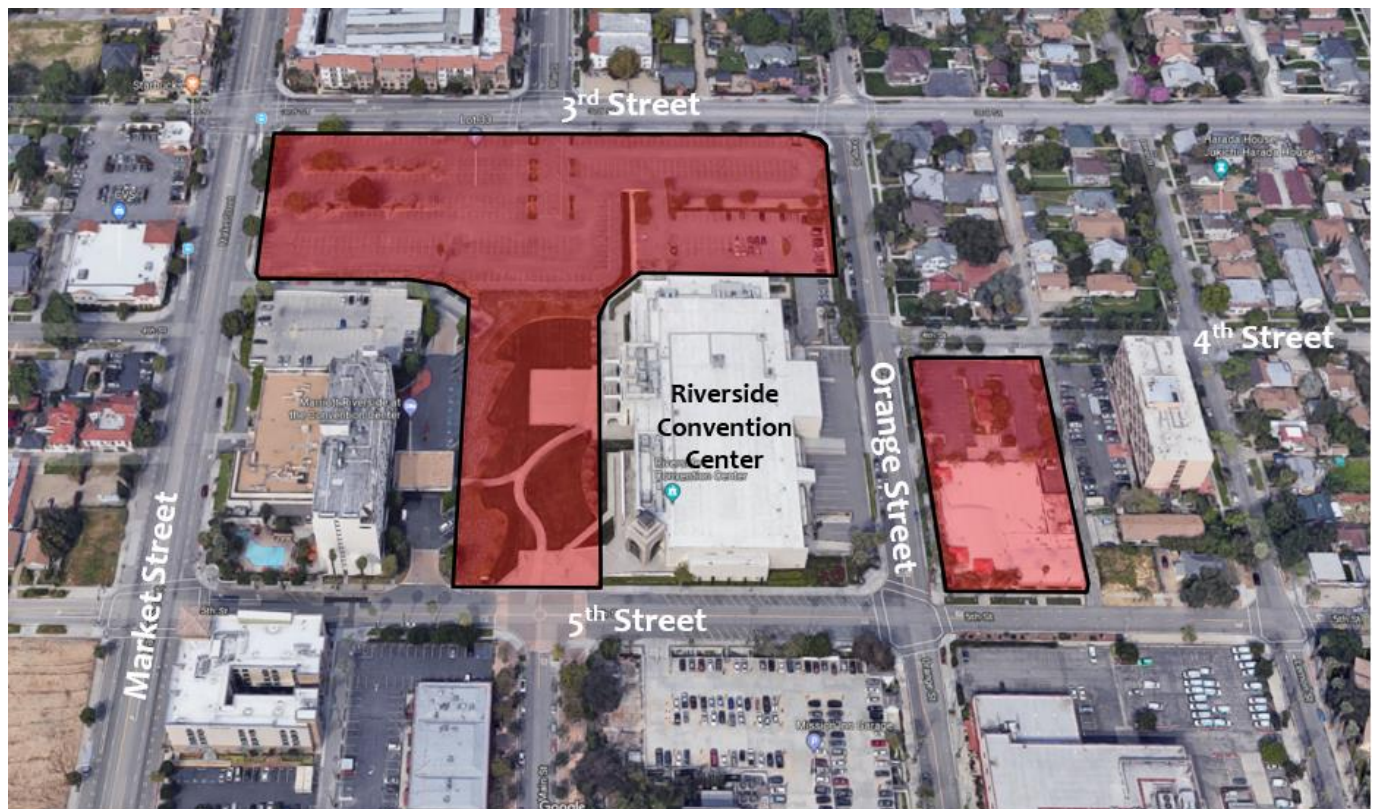
In September 2019, the City Council approved separate Exclusive Negotiation Agreements (ENA) with the Greens Group and Griffin|Swinnerton with a term of 24 months (to September 17, 2021) with one 6-month option to extend (to March 17, 2022) at the City Manager’s discretion.

In May 2020, the City Council directed staff to continue negotiations on a project that may not include a convention center expansion (given the CalPERS Challenge and COVID-19 economic impacts) and that the City’s Chief Financial Officer (CFO) concurs that it will not have a negative impact to the General Fund.

In February 2021, Griffin|Swinnerton advised staff that the City should consider refinancing the debt associated with the Convention Center, which could result in a reduced cash flow with significant savings that could be applied towards the construction of a new public parking garage.

In March 2021, staff, in consultation with Finance’s Municipal Advisors, determined that the landscaped gully (located between the Marriott Hotel and the Convention Center) is part of the Convention Center parcel and could not be sold for private development until such time as the bond has been paid off in October 2033.

In April 2021, the City Council awarded a contract to HR&A Advisors, Inc. to assist staff with strategic planning, project vetting, financial analysis, and other matters related to the formulation and execution of the City’s first ever potential Public Private Partnership (P3) project.



DISCUSSION:

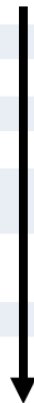
HR&A’s scope of work included the following: 1) evaluate the revised parking garage project without the Riverside Convention Center expansion and determine whether identified sources of funding align with project costs; 2) identify and assess risks related to each funding source; and 3) recommend next steps for the City to take to advance the project.

HR&A, at the conclusion of their scope of work, was able to conclude the following:

- The loss of Public Parking Lot No. 33, the likely loss of Public Parking Garage No.'s 1 and 2, and new downtown developments (such as the Cheech Marin Center for Chicano Art, Culture and Industry) necessitate additional downtown parking capacity and parking demand could further increase with a “future” expansion of the Convention Center.
- Parking income alone “is sufficient” to fund the estimated cost associated with a new 750 stall public parking garage “only if” the City commits to the following: 1) operating parking facilities 24/7; and 2) charging competitive and market appropriate rates for all downtown public parking garages.
- Fiscal revenues are heavily reliant on the Greens Groups constructing a hotel as 80% of ongoing fiscal revenues are related to the proposed hotel, largely through transient occupancy taxes.
- Linking the construction of the parking facility with the Greens Group private development project could ensure the appropriate sequence of development and safeguard against the development of a garage without subsequent mixed-use development.

With HR&A’s conclusions in mind, and in collaboration with the Greens Group and Griffin|Swinerton, staff has developed the following project options for the City Council’s review and consideration:

	Option 1 (Sell Portion of Lot 33)	Option 2 (Sell all of Lot 33)	Option 3	Option 4 (Original Proposal)
Retail:	10,000 SF	16,600 SF	Land Bank for Future Development	63,000 SF
Residential:	195 Units (209,000 SF)	623 Units (585,000 SF)		105 Units
Hotel:	210 Keys - 1 Hotel	210 Keys - 1 Hotel		376 Keys - 2 Hotels
Condominiums:	34 Units (57,000 SF)	34 Units (57,000 SF)		41 Units
Office:	23,000 SF	34,000 SF		220,000 SF
Private Parking:	614 Stalls	1,392 Stalls		
Amenities:	None	None		Amphitheater, Main Street Extension
Purchase Offer:	\$1,916, 640* (2 Acres)	\$3,900,363* (4.07 Acres)		\$3.8 Million (3.8 Acres)
Conv. Center Exp:	Future	Future		100,000 SF or 150,000 SF
Public Parking:	750 stalls in new parking garage	750 stalls in new parking garage		1,036 or 1,493 stalls in new parking garage



* Note: Subject to current fair market value appraisal.

Staff, across multiple departments, has thoughtfully and methodically reviewed each of the aforementioned development options (and considered how the COVID-19 pandemic has negatively impacted the Greens Groups’ original development proposal) and is of the opinion that Option 2, selling all of Lot 33 to the Greens Group for private development, will allow for the economic maximization of the site while still allowing for a potential/future expansion of the Convention Center towards the Hyatt Place hotel (instead of towards 3rd Street as originally planned) and includes the construction of a much-needed new public parking garage to service downtown.

Lastly, Raincross Hospitality Corporation, which currently manages the Riverside Convention Center, is of the recent perspective that a 35,000 square foot ballroom addition (and ancillary spaces) would be a sufficient expansion (for now). However, per staff’s best estimate, the cost to construct a 35,000 square foot ballroom addition would be a minimum of \$17.5 million.

Staff, however, cannot support or recommend expanding the Riverside Convention Center at this time due to the financial uncertainty associated with the Measure C ballot initiative, the CalPERS challenge, the City's structural deficit issues, and state of the economy coming out of the COVID-19 pandemic.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the Envision Riverside 2025 City Council **Strategic Priority 3 – Economic Opportunity** and, more specifically, **Goal 3.3:** Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

1. **Community Trust** – Approving the revised Riverside Alive project demonstrates that the City is a good steward of real property assets.
2. **Equity** – Approving the revised Riverside Alive project demonstrates that Riverside is equitable in distribution of services, which ensures that every member of the community has equal access to share the benefits of community progress.
3. **Fiscal Responsibility** – Approving the revised Riverside Alive project demonstrates that Riverside is a prudent steward of public funds and ensures responsible management of the City's financial and property resources.
4. **Innovation** – Approving the revised Riverside Alive project demonstrates that Riverside is innovative in meeting the community's changing needs and prepares for future collaborative partnerships and developments.
5. **Sustainability & Resiliency** – Approving the revised Riverside Alive project ensures present and future reliability and resiliency for these City-owned properties.

FISCAL IMPACT:

The fiscal impact of this action is dependent on the Development Option selected. The City could receive approximately \$1.9 million (Development Option No. 1) or \$3.9 million (Development Option 2), in sales proceeds from the Greens Group. A current fair market appraisal would be procured to determine the value of each Development Option.

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: Phaedra A. Norton, City Attorney

Attachment: Presentation