



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 19, 2024

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: PURCHASE, SALE, AND DEVELOPMENT AGREEMENT WITH PELICAN COMMUNITIES, LLC FOR THE SALE OF CITY-OWNED VACANT LAND LOCATED AT 3911 UNIVERSITY AVENUE AND 3775 FAIRMOUNT BOULEVARD, IDENTIFIED AS ASSESSOR'S PARCEL NUMBERS 214-252-019 AND 213-261-029, FORMERLY KNOWN AS THE DOWNTOWN TERMINAL PROPERTY, FOR THE DEVELOPMENT OF A MIXED-USE STUDENT HOUSING PROJECT, TOTAL SALES PRICE OF \$200

ISSUE:

Approve the Purchase, Sale, and Development Agreement with Pelican Communities, LLC for the sale of City-owned vacant land located at 3911 University Avenue and 3775 Fairmount Boulevard, identified as Assessor's Parcel Numbers 214-252-019 and 213-261-029, formerly known as the Downtown Terminal Property, for the development of a mixed-use student housing project, total sales price of \$200.

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase, Sale, and Development Agreement with Pelican Communities, LLC for the sale of City-owned vacant land located at 3911 University Avenue and 3775 Fairmount Boulevard, identified as Assessor's Parcel Numbers 214-252-019 and 213-261-029, formerly known as the Downtown Terminal Property, for the development of a mixed-use student housing project; and
2. Authorize the City Manager, or his designee, to execute the Agreement with Pelican Communities, LLC, including making minor and non-substantive changes and to sign all documents necessary to complete the transaction.

COMMITTEE RECOMMENDATION:

On December 17, 2020, the Economic Development, Placemaking, and Marketing/Branding Committee (Committee), with Chair Fierro, Vice Chair Edwards and Member Hemenway present, reviewed and considered a joint development proposal from Overland Pelican Riverside (OPR),

an affiliate of the entity Pelican Communities, LLC and unanimously directed staff to negotiate a Purchase, Sale, and Development Agreement for the development of a mixed-use student housing project for the Riverside Community College District (RCCD) to be presented to the City Council for final consideration and approval.

On October 21, 2021, the Committee, with Chair Fierro, Vice Chair Edwards and Member Hemenway present, 1) received and filed an update from staff on the subject site regarding the disassociation of RCCD from the proposed development project, and 2) directed staff not to issue a new Request for Proposals (RFP) for the subject Property and to proceed with the original development proposal from OPR to be presented to the City Council for final consideration and approval.

BACKGROUND:

On August 8, 2017, the City Council approved the surplus disposition of the Property and authorized the marketing and sale of the Property at fair market value in accordance with the City's Administrative Manual Section 08.003.00 for the Disposition and Sale of City-Owned Real Property.

On April 8, 2019, staff issued a Request for Proposals (RFP) for the development of the subject site and on July 8, 2019, one joint development proposal was received from OPR for a mixed-use student housing project for the Riverside Community College District (RCCD).

On October 9, 2019, during negotiations with OPR, Governor Newsom signed into law Assembly Bill 1486 (AB 1486) which governs the process for the disposition of surplus property. Subsequently thereafter, all public agencies are required to give a 60-day Notice of Availability (NOA) to affordable housing developers listed with the State Housing & Community Development Department (HCD), in addition to sending a notice to all public agencies, for the possible development of affordable housing.

On August 20, 2020, the Committee received an update and provided input on the potential disposition of the subject site. Staff were directed to adhere to the requirements of AB 1486. As a direct result, staff and the City Attorney's Office concluded that AB 1486 rendered the RFP null and void.

On August 21, 2020, staff sent a written NOA to the required public agencies and to all affordable housing developers who registered with HCD. On October 20, 2020 (the deadline for interested developers to respond), staff received one joint development proposal from OPR to construct a mixed-use student housing project on the subject site for RCCD.

On December 17, 2020, once the noticing period was complete, the Committee directed staff to negotiate the Agreement with OPR for a mixed-use student housing project to be presented to the City Council for consideration and approval.

On October 21, 2021, staff presented an update to the Committee and recommended that a new RFP be issued as the development proposal no longer included RCCD. The Committee directed staff not to issue a new RFP, but to instead proceed with the original proposal from OPR and continue negotiating a Purchase, Sale, and Development Agreement to be presented to the City Council for consideration and approval.

On June 16, 2022, as negotiations continued, developer concerns regarding the interpretation and application of AB 1486 to the proposed student housing mixed-use development delayed the

progression of the Agreement. Staff received a response from HCD regarding the interpretation of AB 1486 and its application to dormitory student housing projects. More specifically, whether the law applied to dormitory student housing projects, and if so, the interpretation of affordable income levels and rent limits per unit (as staff understood the law) or per bed, as understood by OPR. The State HCD response noted that the law applied, and the project should be developed per unit, not bed count, as it relates to affordable income levels and rent limits.

The developer and staff continued negotiations, but challenges remained in gaining compliance with AB 1486 and its application of affordable housing requirements. Staff continued to engage with HCD with support from Senator Roth's Office and Councilmember Edwards to revisit the interpretation of the law and its application to the development proposal. After several collaborative meetings between HCD, staff and our development partners, HCD declared the project exempt from the Surplus Land Act and AB 1486, setting a new precedence in California for all new student housing developments.

On May 2, 2023, HCD issued notice (Exhibit I) approving the development proposal, which facilitated the recommencement of negotiations for the Agreement.

DISCUSSION:

The 2.7-acre site located west of Market Street and spanning from Mission Inn Avenue to University Avenue is owned by the City of Riverside (City). Approximately half of the site was formerly occupied and leased to the Riverside Transit Agency and Greyhound Bus Lines. The other half was occupied by the Riverside Police Department and the City's Parking Authority. All former structures have since been demolished and a portion of the Property has been used for the off-street parking of the Main Library since opening in June 2021. The Main Library occupies approximately 1.02 acres of the site facing Mission Inn Avenue while the remaining approximate 1.68 acres is available for private development facing University Avenue.

The Property is located, as shown on the aerial site map below, near the intersection of University Avenue and Market Street within the Raincross District of the Downtown Specific Plan. Downtown has become a diverse, vibrant, twenty-four-hour area; where people can work, live, shop, and learn, and where arts and culture are an integral component of the urban setting. The Property represents an opportunity for the City to encourage an intense mixture of residential and retail/office space within a pedestrian-oriented environment.



Development Proposal

The joint proposal is summarized in the table below:

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| Proposed Project: | Housing: 392 student beds – 100,000 sq. ft. Retail: 12,000 sq. ft. Office: 16,700 sq. ft. Library Plaza Café: 1,950 sq. ft. Parking Garage: 335 spaces |
| Purchase Price: | \$200 plus Library Parking Negotiated |
| Library Parking: | 60 public parking stalls |
| Estimated Cost: | \$78 Million |
| Estimated Construction Jobs Created: | 200 |
| Estimated Annual Property Tax Generated: | \$575,000 |

Pelican Communities and Overland Development Qualifications

The developers bring over 75 years of combined experience, including extensive track records of successful collaboration and working in partnerships on public and private developments throughout California. Pelican is an innovative builder of unique high-quality mixed-use in-fill communities and was formed in the late 1990's for the purpose of developing site-specific mixed-use in-fill projects in highly desirable in-fill locations throughout California, with their most recent project in Riverside being the Merrill Brownstones. Overland Development brings 28 years of focused development expertise throughout the City of Riverside and has been involved in many downtown specific projects including Imperial Hardware Lofts, 9+Main Residential, Main Street Pedestrian Mall revitalization, Hilton Hampton Inn, and the current under construction Hilton Home 2 Suites.

An evaluation committee consisting of Successor Agency, Economic Development, Public Works, and Planning staff, was convened to evaluate the OPR joint development proposal. The evaluation committee carefully reviewed and considered the joint development proposal and collectively determined that OPR has sufficient development experience to undertake the acquisition and development of the Property as proposed.

To execute the Agreement, the joint development proposal will be consummated through Pelican Communities, Limited Liability Company (LLC) at the developer's request. A new LLC between both parties (Pelican Communities and Overland Development) will be established thereafter and transferred pursuant to Section 6.1.6 of the Agreement after the due diligence period.

The attached Purchase, Sale and Development Agreement includes the following key provisions:

1. Developers to purchase the Property for a total sum of \$200 in exchange for constructing and maintaining 60 proposed parking stalls that will serve the main library as an equivalent to the land value of the Property;
2. A Reciprocal (Parking) Easement Agreement is included to dedicate 60 parking stalls within the proposed mixed-use building's parking garage for the Main Library during operational hours;

3. The Project must comply with all zoning, planning, and building laws, including the applicable design standards, other Land Use Laws, the Agreements, and the applicable project entitlements in the development of the proposed Project.
4. Developers must complete all due diligence review and inspections of the Property within 120 days from the Effective Date of the Agreement;
5. Developers must submit application to the Planning Division for Design Review and project entitlements within 180 days from the effective date of the Agreement;
6. During the entitlement process, Developers shall provide required Project amenities and operational policies and procedures designed to the Seller's satisfaction to insure the safe, secure and harmonious maintenance and operation of a student housing project located within the downtown;
7. Developers must obtain all necessary entitlements and close escrow within 30 months following the effective date of the Agreement; and
8. Developers must start construction of the proposed Project within 30 days from the Close of Escrow and complete construction within 24 months from the start of construction.

Affordable Student Housing

Staff negotiated an Agreement with Pelican Communities, LLC that adheres to the requirements of AB 1486 and the Surplus Land Act. Though the development project was found to be exempt from the affordable housing requirements of the law and subsequent HCD determination, the developer wishes to provide affordable housing for the benefit of the local students and community.

The buyer has agreed to include 10% of the bed count as affordable. As such, a Regulatory Agreement has been negotiated to ensure compliance with affordable housing standards. The intention of the Regulatory Agreement is to ensure that Pelican Communities, LLC, its successors or assignees, and every successor in interest to the Property "shall use, maintain and operate the Affordable Residential Units in accordance with the terms and conditions of the Regulatory Agreement, including that the Affordable Residential Units shall only be available to Qualified Tenants at Affordable Rent as specified [in the Regulatory Agreement] for not less than fifty-five (55) years". A covenant will be recorded against the Property and should the use of the building change from student housing to other types of housing, additional affordability restrictions may be required in compliance with the law.

Land Value and Library Parking Agreement

An independent third-party appraiser concluded that the value of the Property is \$1,830,000 in its "as-is" condition. Staff has reviewed the report and determined that the appraised value for the Property represents the current fair market value.

To ensure adequate parking is maintained for the adjacent Main Library, staff have negotiated an exchange of the land value for 60 public parking stalls dedicated to the main library and its visitors. The 60 proposed parking stalls were determined to be adequate by staff and meet the City's adopted codes and parking standards. When the development project is completed, the Main Library's parking will be metered, include validation, and remain free for the first three hours, closely aligning with today's operation on site. Thereafter, those dedicated parking stalls will be available to the public for use downtown during off hours when the library is closed. The buyer

will maintain the meters and retain all revenue in exchange for ongoing maintenance and security on site. Public parking rates within the new garage of the mixed-use building shall align with adopted City parking rates, or higher, based on demand as determined by the buyer and in accordance with the terms of the Agreement.

The cost to construct and maintain the 60 parking stalls within the garage of the proposed mixed-use building will exceed the fair market value of the Property in its “as is” condition. For example, typical parking stall construction averages about \$52,000 per stall today. 60 stalls x \$52,000 = \$3,120,000 without consideration of ongoing maintenance thereafter. The buyer has agreed to pay the City the sum of \$200 as the purchase price in the Agreement and will record a Perpetual (Parking) Easement Agreement for the required main library parking to be constructed and maintained by the buyer.

Community Benefit

In addition to the newly developed parking provided for the Main Library and the monetary savings on the continued maintenance and operation of the Property, the proposed development will benefit the City by generating additional real property taxes. The development proposal will also facilitate approximately 200 construction jobs and produce more student housing and affordable student housing options for the Riverside community. Increasing student housing and affordable student housing bolsters economic growth, builds safe and sustainable communities, supports the downtown economy, promotes diversity and helps ensure equity within the local housing market.

As such, staff recommends that the City Council approve the Agreement with Pelican Communities, LLC for the disposition and development of the Property.

The Housing and Human Services Director, Library Director and Public Works Director concur with this report and its recommendation.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the following:

- **Strategic Priority 2 – Community Well-Being and Goal 2.1:** Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels; and
- **Strategic Priority 3 – Economic Opportunity and Goal 3.3:** Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** - The process of selecting the joint development proposal was accomplished through the issuance of an AB 1486 solicitation. The response was reviewed by staff to ensure transparent decision-making based on sound policy in a timely and reliable manner.
2. **Equity** – The City is supportive of racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services. Approving the development proposal and Agreement ensures every member of the community has equal

access to share in the benefits through community progress.

3. **Fiscal Responsibility** – The City is a prudent steward of public funds and ensures responsible management of the City’s financial resources while providing quality public services to all. The Property is currently underutilized. The disposition of the Property sanctions the responsible management of the City’s finances while facilitating beneficial investment in the City of Riverside.
4. **Innovation** – Facilitating the development of a mixed-use student housing project demonstrates that Riverside is inventive and timely in meeting the housing needs for all Riverside residents.
5. **Sustainability & Resiliency** – Facilitating the development of a mixed-use student housing project demonstrates that Riverside is committed to meeting the housing needs of the present without compromising the needs of the future.

FISCAL IMPACT:

The total fiscal impact of this action is \$200. The subject Property is City-owned with a value of \$1.83 million. However, in lieu of receiving the total value of the land, the City will receive 60 dedicated parking stalls to support the main library at an estimated construction cost of \$3.12 million. Title, escrow, and miscellaneous related closing costs for a total not to exceed \$10,000 shall be deducted from the \$54,900 deposit. The estimated net proceeds from the sale in the amount of \$200 shall be deposited into the Parking Fund-Sale of Land and Buildings revenue account number 0000570-380010.

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| Prepared by: | Chris Christopoulos, Community & Economic Development Deputy Director |
| Approved by: | Jennifer A. Lilley, Community & Economic Development Director |
| Certified as to availability of funds: | Kristie Thomas, Finance Director/Assistant Chief Financial Officer |
| Approved by: | Rafael Guzman, Assistant City Manager |
| Approved as to form: | Phaedra A. Norton, City Attorney |

Attachments:

1. Purchase, Sale & Development Agreement with Exhibits
2. Presentation