



# City of Chula Vista

## Staff Report

**File#:** 15-0619, **Item#:** 16.

### CONSIDERATION OF APPROVAL OF PURCHASE AND SALE AGREEMENTS TO SELL PARCELS

- A. RESOLUTION NO. 2015-003 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA APPROVING A PURCHASE AND SALE AGREEMENT WITH MV PROPERTIES, INC. TO SELL ASSESSOR PARCEL NOS. 568-334-05, 568-334-06, 568-334-07, AND 568-334-08 FOR \$425,000.00
- B. RESOLUTION NO. 2015-004 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA APPROVING A PURCHASE AND SALE AGREEMENT WITH AMELIA, LLC TO SELL ASSESSOR PARCEL NOS. 568-351-04 AND 568-351-05 FOR \$245,000.00

### RECOMMENDED ACTION

Agency adopt the resolutions.

### SUMMARY

Assembly Bills X1 26 and 1484 and Senate Bill 107 ("Dissolution Laws") include many requirements for the dissolution of redevelopment agency activities, including the disposition of real property, other than housing assets. The Dissolution Laws generally requires the Successor Agency to dispose of assets and property of the former redevelopment agency for either 1) limited public uses or 2) disposition into the private market. Disposition is to occur expeditiously and with a view toward maximizing value, with the disposition proceeds distributed to the affected taxing entities. The property referred to in Resolution A ("Property A") is recommended to be sold for the appraised value of \$425,000 as indicated by an MAI appraisal prepared August 26, 2015. The property referred to in Resolution B ("Property B") is also recommended to be sold for the appraised value of \$245,000 as indicated by an MAI appraisal prepared August 20, 2015. SB 107 requires approval of the sale by the Oversight Board and the Successor Agency to the Redevelopment Agency.

### ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the buyers' respective proposed multi-family residential development projects, described further below, for compliance with the California Environmental Quality Act (CEQA). The Director has determined each of these projects qualifies for a Class 32 categorical exemption from CEQA pursuant to CEQA Guidelines Section 15332, as an "In-Fill Development Project." Categorically exempt projects do not have significant environmental effects. The Class 32 exemption applies to these projects because each of them is consistent with applicable general plan and zoning provisions; is less than 5 acres in area and substantially surrounded by urban uses; does not contain valuable habitat; would not result in adverse environmental impacts; and can be served by all required utilities. Furthermore, pursuant to Section 15300.2, the Director has determined that there are no cumulative impacts or unusual circumstances that would make either of these projects exceptional and limit the applicability of the exemption.

Thus, no further environmental review is required.

### **BOARD/COMMISSION RECOMMENDATION**

The Purchase and Sale Agreements for both properties were approved by the Oversight Board of the Successor Agency to the Redevelopment Agency for the Chula Vista at their November 9, 2015 meeting.

### **DISCUSSION**

The Dissolution Laws include many requirements for the dissolution of redevelopment agency activities, including the disposition of real property, other than housing assets. Health and Safety Code section 34191.5 requires Successor Agencies to prepare a Long-Range Property Management Plan ("LRPMP") within six months of receiving the Finding of Completion from the Department of Finance. The Successor Agency received its Finding of Completion on May 7, 2013. The Successor Agency was required to submit the LRPMP, for approval to the Oversight Board and Department of Finance ("DOF") that addresses the disposition and use of the real properties of the former redevelopment agency. In July 2013, the Oversight Board approved the LRPMP which was subsequently denied by the DOF. Thereafter, a second LRPMP (approved by the Oversight Board) was submitted to DOF and was approved on July 15, 2014.

On September 22, 2015, the Governor signed SB 107, which gave Successor Agencies and Oversight Boards more discretion regarding the retention or disposition of parking facilities and lots dedicated solely to public parking. Under SB 107, the Successor Agency is allowed to amend its approved LRPMP once to allow for the retention of such parking facilities/lots. However, parking facilities and lots dedicated solely to public parking do not include properties that, as of the date of transfer pursuant to the amended long-range property management plan, generate revenues in excess of reasonable maintenance costs of the properties. The LRPMP called for the sale of both of the properties addressed by this Agenda item, and staff recommends that those sales now proceed without any amendment to the LRPMP for these properties. The Successor Agency will review the remaining "parking lots" to determine if an amendment to the LRPMP is warranted. An additional change in the law under SB 107 is that the sale of property pursuant to an approved LRPMP does not have to be submitted to the DOF for approval.

In February 2015, the Successor Agency issued a request for proposal to select a realtor to assist in the sale of six parking lots identified in the LRPMP referenced below as "Property A" (four parcels) and "Property B" (two parcels). Each of the Properties to be sold is fully described in a "REAL PROPERTY PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS" attached to this staff report. Property A is located at the southwest corner of Center Street and Church Avenue. Property B is located northwest corner of Church Avenue and Madrona Street. Both properties are located in the Urban Core Specific Plan area of the City. Further, both properties are adjacent to the Third Avenue business district and existing single and multi-family residential development (see Attachment 3 Vicinity Map - Property A Center-Church and Attachment 4 Vicinity Map - Property B Church-Madrona).

Three realtors responded to the request for proposal, and South Coast Commercial was selected as the most qualified respondent.

In June 2015, South Coast Commercial commenced marketing the properties. This included listing

the property on real estate websites and directly marketing the properties to over 20,000 local and national realtors and investors.

**PROPERTY A:**

For Property A, the Successor Agency received three offers to purchase. In reviewing the offers, staff looked at several factors, including the purchase price, buyer's in-fill development experience and the consistency of the proposal with the Urban Core Specific Plan. Of the three offers, McNamara Real Estate Ventures ("MREV"), affiliated with MV Properties, Inc., a California corporation ("Buyer A") was both the highest purchase price and the most qualified respondent. MREV and Buyer A have the same principal, Keegan McNamara. Section 17(q) of the purchase agreement recommended for approval allows Buyer A to assign its interest under the agreement to either MREV, or to a new limited liability company that Mr. McNamara establishes to develop Property A.

Mr. McNamara is an experienced developer of urban infill, multi-family residential and mixed-use developments. As such, Buyer A's vision, as articulated in the MREV bid for Property A, is to develop 17 multifamily units, which is consistent with the V-1 land use designation of the Urban Core Specific Plan. The purchase price of \$425,000 equates to \$25,000 per unit, which is comparable to recent sales activity in the area. Once developed, the residential development of the subject property will return the property to the tax rolls and provide long term revenue to the taxing entities.

MREV retained Integra Realty Resources, and MAI certified appraiser. In August 2015, Integra Realty Resources determined the value of the property to be \$425,000. Staff has reviewed the appraisal and concurs with the conclusions of the appraisal. Prior to the opening of escrow, the Buyer's offer must be approved by both the Oversight Board and the Successor Agency. Once the sale has been approved, escrow will be opened and the Buyer will begin the design review process. Once the Buyer has received design review approval, the purchase will be completed within 60 days.

**PROPERTY B:**

Property B has not been used as a parking lot for over a year. The site was determined not to be suitable for public parking, and has been fenced to prohibit public access. Thus, because the property is not being used currently for public parking, it is not eligible to be retained pursuant to SB 107.

For Property B, the Successor Agency received two offers to purchase. In reviewing the offers, again staff looked at several factors, including the purchase price, buyer's in-fill development experience and the consistency of the proposal with the Urban Core Specific Plan. Of the three offers, Amelia, LLC, a California limited liability company ("Buyer B") was both the highest purchase price and the most qualified respondent. Buyer B is represented by James Brown, Principal of Public Architecture. Public Architecture is an experienced architect and developer of urban infill, multi-family residential and mixed-use developments. Buyer B's vision for the property is to develop 9 multifamily units, which is consistent with the V-1 land use designation of the Urban Core Specific Plan. The purchase price of \$245,000 equates to approximately \$27,000 per unit, which is comparable to recent sales activity in the area. Once developed, the residential development of the subject property will return the property to the tax rolls and provide long term revenue to the taxing entities.

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Buyer B retained Integra Realty Resources, and MAI certified appraiser. In August 2015, Integra Realty Resources determined the value of the property to be \$245,000. Staff has reviewed the appraisal and concurs with the conclusions of the appraisal. Prior to the opening of escrow, the Buyer's offer must be approved by both the Oversight Board and the Successor Agency. Once the sale has been approved, escrow will be opened and the Buyer will begin the design review process. Once the Buyer has received design review approval, the purchase will be completed within 60 days.

#### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the Successor Agency to the Redevelopment Agency for the Chula Vista and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Staff is not independently aware, and has not been informed by any Successor Agency for the Chula Vista Redevelopment Agency member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

#### **LINK TO STRATEGIC GOALS**

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The sale and ultimate development of the two sites supports the Economic Vitality goal as it seeks to foster opportunities for investment in Western Chula Vista.

#### **CURRENT YEAR FISCAL IMPACT**

Over the past 10 months Property A has generated approximately \$975 in parking revenue per month. The City will continue to receive revenue until the close of escrow, which is anticipated to be no later than May 31, 2016. Once title to the property transfers to MV Properties, Inc., the City will no longer collect parking revenue at this site.

Property B has been fenced off from public access and has not generated any parking revenue for over a year. Thus, there will be no loss of revenue due to the sale of this property in the current fiscal year,

#### **ONGOING FISCAL IMPACT**

Property A currently generates approximately \$975 per month in parking revenue and no property taxes. The parking revenue will no longer be generated once this property is sold. The City will offset a portion of this revenue loss through property tax revenues once the property is sold and is put back on the tax roll. The City is projected to derive a positive fiscal impact from the sale upon the completion of the development of 17 residential units that will significantly increase the amount of property taxes generated by the site.

Property B currently derives neither parking revenue nor property taxes. Property B will also generate property tax revenues to the City once it is sold and added back to the tax roll. The City is projected to generate an ongoing positive fiscal impact from the sale of Property B from increased property tax revenues once this property is fully developed and reassessed at the higher value.

#### **ATTACHMENTS**

1. Agreement - MV Properties
2. Agreement - Amelia, LLC
3. Vicinity Map - Property A Center-Church

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4. Vicinity Map - Property B Church-Madrona

*Staff Contact: Craig Ruiz, Principal Economic Development Specialist*