



City of Chula Vista

Staff Report

File#: 16-0145, **Item#:** 2.

- A. RESOLUTION NO. 2016-003 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA APPROVING A PURCHASE AND SALE AGREEMENT WITH SILVERGATE CHURCH CV, LLC, TO SELL ASSESSOR PARCEL NOS. 568-071-21 AND 568-071-22 FOR \$455,000
- B. RESOLUTION NO. 2016-004 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA APPROVING A PURCHASE AND SALE AGREEMENT WITH TIERRA DEL SOL INVESTMENTS TO SELL ASSESSOR PARCEL NO. 568-071-01 FOR \$400,000

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 require 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 former redevelopment agency-owned property referred to in Resolution A ("Property A") is recommended to be sold to Silvergate Church CV, LLC for the appraised value of \$455,000 as indicated by an MAI appraisal prepared in August 28, 2015. The property referred to in Resolution B ("Property B") is recommended to be sold to Tierra del Sol Investments, for the appraised value of \$400,000 as indicated by an MAI appraisal prepared November 24, 2015. SB 107 requires approval of the sale by the Oversight Board (which occurred on March 14, 2016) and the Successor Agency to the former Redevelopment Agency.

ENVIRONMENTAL REVIEW

Environmental Notice

Approval of the Purchase and Sale Agreement by the Successor Agency is not a Project within the meaning of section 15378 of the CEQA Guidelines. The City, as Lead Agency within the meaning of section 15367 of the CEQA Guidelines, will conduct required CEQA analysis for the development of the properties, via its Planning Commission as part of the design review process pursuant to Public Resources Code section 21151.

Environmental Determination

The Successor Agency has determined that approval of the Purchase and Sale Agreements by the

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Successor Agency is not a Project within the meaning of section 15378 of the CEQA Guidelines. The City, as Lead Agency within the meaning of section 15367 of the CEQA Guidelines, will conduct required CEQA analysis for the development of the properties via its Planning Commission as part of the design review process pursuant to Public Resources Code section 21151.

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 City of Chula Vista at their March 14, 2016 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. The Dissolution Laws generally require 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.

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, and the LRPMP was approved by DOF 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. Because the revenues for Property A exceed the maintenance costs, the property is not eligible to be retained per SB 107. Property B has been vacant for several years, and has not been used as a public parking lot at any time. The LRPMP called for the sale of Property A and Property B, and staff recommends that those sales now proceed without any amendment to the LRPMP for these properties.

In February 2015, the Successor Agency issued a request for proposal to select a realtor to assist in the sale of parcels identified in the LRPMP, including "Property A" and "Property B". 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

Property A is to be sold as fully described in a "REAL PROPERTY PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS" ("Agreement" or "PSA") attached to this staff report as Attachment 1. Property A is a parking lot located at 230 Church Avenue. The property is located in the Urban Core Specific Plan area. Further, the property is within the Third Avenue business district as well as adjacent to existing single and multi-family residential development (see "Attachment 2 - Site Map").

For Property A, the Successor Agency received four 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 their project proposal with the Urban Core Specific Plan. Of the four offers, Silvergate Church CV, LLC ("Silvergate") was both the highest purchase price and the most qualified respondent. Silvergate retained Robert E. James and Associates ("REJ"), a certified appraiser. In August 2015, REJ determined the value of the property to be \$455,000. The purchase price of \$455,000 equates to approximately \$40 per square foot, which is comparable to recent sales activity in the area. Staff has reviewed the appraisal and concurs with the conclusions of the appraiser. 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. The Successor Agency plays no role in said design review approval. Instead, the City, via its Planning Commission, is responsible for said approval.

Property B

Property B is to be sold as fully described in a "REAL PROPERTY PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS" ("Agreement" or "PSA") attached to this staff report as Attachment 3. Property B is located at 201 Third Avenue, and has been vacant for several years. The previous use on the site was a gas station that ceased operations in approximately 1988. The County of San Diego Department of Environment Health Land and Water Quality Division issued a Case Closure Summary for the site in 2002. Because the site has never been used as a parking lot, the property is not eligible to be retained per SB 107.

For Property B the Successor Agency received one offer to purchase. The offer of \$400,000 by Tierra del Sol Investments, California Corporation ("Buyer B"), was deemed acceptable (subject to the appraisal). The purchase price of \$400,000 equates to approximately \$40 per square foot, which is comparable to recent sales activity in the area at the time of the appraisal. Once developed, the development of the subject property will return the property to the tax rolls and provide long term revenue to the taxing entities.

As mentioned above, the Property B was previously used as a gas station. The buyer of the site will conduct a Phase 1 Environmental Site Assessment (ESA). The agreement for Property B, as modified by counsel for the Buyer, gives Tierra del Sol Investments certain rights not addressed in the other transactions. These may be summarized as follows: **(i)** despite the fact that the Property B's appraisal does not reflect any need for environmental remediation, Property B may have some level of environmental contamination, **(ii)** the Buyer will pay for a Phase I Environmental Site Assessment (ESA) and any additional environmental studies that the Buyer deems necessary and appropriate, **(iii)** the Buyer will remain financially responsible for its Phase I ESA in all events, **(iv)** if the Buyer decides to close, the Buyer will get a credit at closing for the costs of any additional environmental studies it performs, as well as Buyer's clean-up efforts, and the costs of regulatory approvals of Property B, **(v)** if the Buyer decides not to close based upon its investigation of the environmental condition of Property B, it will absorb the entire cost of that investigation as well as any other investigations, clean-up efforts, and regulatory approval process(es) undertaken, **(vi)** the Buyer has requested, and the Agency staff has agreed to allow the Buyer to assign its rights under the purchase and sale agreement to a third party, subject to review and approval by Agency staff, before closing.

Buyer B retained Integra Realty Resources (IRR), an MAI certified appraiser. In November 2015, IRR determined the value of the property to be \$400,000. Again, this appraised value does not account for any contamination of Property B. Staff has reviewed the appraisal and concurs with the conclusions of the appraisal. Once the sale has been approved, escrow will be opened and the Buyer will begin the design review process and other environmental studies, as set forth in the PSA. Once the Buyer has received design review approval, the purchase will be completed within 60 days. Again, the Successor Agency plays no role in said design review approval. Instead, the City, via its Planning Commission, is responsible for said approval.

DECISION-MAKER CONFLICT

For Property A, Staff has reviewed the property holdings of the City Council and has found that Mayor Salas has real property holdings within 500 feet of the boundaries of the properties which are the subject of this action. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702.2(a)(11), this item presents a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.) for the above-identified member.

Staff has also found that a potential conflict of interest may exist for Councilmember Miesen because it may be

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reasonably foreseeable that a financial effect on a business entity in which Councilmember Miesen has a financial interest may be material

For Property B, Staff has reviewed the property holdings of the City Council members and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.). However, Staff has found that a potential conflict of interest may exist for Councilmember Miesen because it may be reasonably foreseeable that a financial effect on a business entity in which Councilmember Miesen has a financial interest may be material

Otherwise, Staff is not independently aware, and has not been informed by any City Council 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

Property A currently generates approximately \$930 per month in revenue. The City will continue to receive revenue until the close of escrow, which is anticipated to be in the summer of 2016. Once the property is sold to Silvergate, the City will no longer collect the parking revenue for this site.

Property B has been vacant for over fifteen years. 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 \$930 per month in parking revenue. The parking revenue will no longer be generated once this property is sold.

Property B currently derives neither parking revenue nor property taxes. Property B will generate property tax revenue 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. Purchase and Sale Agreement - Silvergate
2. Vicinity Map - 230 Church Avenue
3. Purchase and Sale Agreement - Tierra del Sol
4. Vicinity Map - 201 Third Avenue

Staff Contact: Craig Ruiz, Principal Economic Development Specialist