

Legislation Text

File #: #18-217, Version: 1

PREPARED BY: CHARLES CHING

DATE OF MEETING: 06/04/18

SUBJECT:

RESOLUTION OF THE SAN PABLO LOCAL SUCCESSOR AGENCY APPROVING AND AUTHORIZING EXECUTION OF A PURCHASE AND SALE AGREEMENT WITH THE SAN PABLO ECONOMIC DEVELOPMENT CORPORATION PERTAINING TO THE MISSION PLAZA PROPERTY (APNS 413-352-017, 413-352-013 AND 413-352-012) FOR \$1,750,000 WITH \$400,000 PAID AT ESCROW AND A PROMISSORY NOTE FOR THE BALANCE

CITY MANAGER RECOMMENDATION

Adopt Resolution

COMPLIANCE STATEMENTS

Economic Development is adopted policy item under FY 2018-21 City Council Priority Workplan, effective November 1, 2017.

CEQA Compliance Statement

Pursuant to the California Environmental Quality Act (CEQA), the proposed action is not a project requiring environmental review. The proposed purchase and sale agreement does not provide for any particular development of the property. Following acquisition, if an application for a development project or new use is submitted, then, environmental review may be required at that time.

BACKGROUND

The property that is the subject of the proposed action is one of the remaining properties owned by the San Pablo Local Successor Agency (the "LSA"). It is to be sold in accordance with the Long Range Property Management Plan, dated December 11, 2013 (the "LRPMP") adopted by the LSA (attached). As described in the LRPMP, the Mission Plaza property was acquired by the former San Pablo Redevelopment Agency (the "former RDA") in 2009 for a proposed mixed-use project that would require assemblage with an adjacent privately-owned parcel and would consist of ground-floor retail and 80 housing units for international students at Contra Costa College and surrounding institutions. The former RDA was dissolved before that project could move forward.

The Mission Plaza property consists of three parcels, two of which are vacant, and one that is occupied by a small retail building containing four tenants. The property, containing approximately 36,787 square feet, is located at 14501, 14535 and 14555 San Pablo Avenue (APNs 413-352-017, 413-352-013 and 413-352-012).

The LRPMP provides that the LSA will actively market the Mission Plaza property to the neighboring property owner, Contra Costa College, and/or other private developer to build student housing or, if determined to be infeasible after 3 years of negotiation, to sell the property on the open market. The LSA has not been successful marketing the Mission Plaza property for the student housing project as

originally contemplated and it has now been nearly five years since preparation of the LRPMP. However, the San Pablo Economic Development Corporation (the “EDC”) desires to purchase the property, and a proposed Purchase and Sale Agreement (the “PSA”) has been prepared.

Under the terms of the proposed PSA, the EDC will purchase the Mission Plaza property (the “Site”) for the sum of \$1,750,000 (the “Purchase Price”). As part of the transaction, the EDC will provide a down payment of \$400,000 and LSA will carry a Promissory Note (the “Note”) secured by a Deed of Trust on the Site at a rate of 4% compounded annually. The EDC will be obligated to make annual interest only payments and the entire Note will be due and payable in 12 years from the date of the Note. A condition of the EDC’s purchase is that prior to the close of escrow, the LSA shall undertake and complete certain repairs to the Site estimated at approximately \$150,000. The repairs include the following: (a) roof replacement at an estimated cost of \$45,000; (b) parking lot resurfacing and sealcoat/stripping at an estimated cost of \$40,000; (c) replacement of HVAC at an estimated cost of \$50,000; and (d) exterior painting at an estimated cost of \$15,000. In the alternative, the EDC may elect to perform the repairs, in which case the LSA will assign the funds therefor to the EDC, together with a contingency of 15%, at the time of close of escrow from property management funds maintained by the property management firm, New Way Property Management.

The Purchase Price was determined based on staff’s analysis of the attached broker’s opinion of value (“BOV”) obtained from Dakin & Dakin Commercial Real Estate Services (“Dakin”) and the LSA’s Long Range Property Management Plan. The BOV evaluates four sales comparables for 14501 San Pablo Avenue and four sales comparables for 14535 and 14555 San Pablo Avenue. None of the sales comparables are located in the City of San Pablo. For 14501 San Pablo Avenue, the BOV identifies a low value of \$1,476,225 and a high value of \$1,772,317. For the combined parcels 14535 and 14555 San Pablo Avenue, the BOV identifies a low value of \$177,689 and a high value of \$200,979. In October 2013, the LRPMP estimated a value of \$1,006,204 for all three parcels based on sales comparables at that time, including one in the City of San Pablo. All of the parcels were originally acquired in 2006 for a mixed-use project that required assembly with an adjacent privately-owned parcel. The parcels at 14535 and 14555 are individually limited in size and would need to be combined for appropriate development. The property at 14501 San Pablo Avenue has been declining, has one vacancy now and two tenant leases expiring in the near future.

Furthermore, the BOV recognizes that current ownership is not subject to Ad Valorem Taxes; although, a possessory interest tax can be imposed for revenue-generating uses. A non-public agency buyer will be subject to Ad Valorem taxes at an estimated rate of 1.2616% of the Purchase Price which may impact the operating income of the Mission Plaza Property.

Given those conditions and the need to sell the property, staff established the purchase price for all three parcels at the low values set forth in the BOV, adjusted up slightly to an even \$1,750,000. Approval of the PSA by the LSA is subject to approval by the Oversight Board, which was established under State law and is comprised of representatives of the City, former redevelopment agency employees and the taxing entities within the boundaries of the former redevelopment agency (<http://www.sanpabloca.gov/1463/Oversight-Board-AgendasMinutes>).

Government Code Section 65402 provides that if a general plan has been adopted, no real property shall be disposed of if the general plan applies thereto until the location, purpose and extent of such disposition has been submitted to and reported upon by the Planning Commission as to conformity with the general plan. On May 29, 2018, the San Pablo Planning Commission adopted Resolution 18

-07 (attached) finding that the disposition of the Mission Plaza property conforms to the City of San Pablo's General Plan (<http://www.sanpabloca.gov/DocumentCenter/View/9424/May-29-2018---Special-Meeting-Agenda>)

The City Manager/Executive Director of the LSA also serves as the uncompensated Executive Director for the EDC and the Mayor/LSA Board Member Calloway serves as an uncompensated Board Member of the EDC. Those interests are publicly disclosed and in an abundance of caution, both the City Manager/Executive Director and Mayor have indicated that they are not participating in the transaction on behalf of the City/LSA.

FISCAL IMPACT

The PSA provides for the sale of the Site for \$1,750,000, payable as follows: (a) cash or certified check in the amount of \$400,000 at the close of escrow; and (b) a promissory note in the amount of \$1,350,000 with simple interest at the rate of 4% per annum, annual payments to be interest-only and the entire balance due and payable twelve years from the date of the Note. The PSA also provides for the making of certain repairs by the LSA or the assignment of property management funds to the EDC prior to the close of escrow as described above. The property management firm, New Way Property Management, currently holds approximately \$700,000 of funds allocable to maintenance and operation of the Site; funds not used for the repairs or assigned to the EDC will be returned to the LSA by New Way Property Management.