

ITEM 1
CLOSED SESSION

Site No. 10

(Excerpted from the [Long Range Property Management Plan](#))



Site No. 10
Pierson Blvd. & Palm Dr. Retail Shops

66459-66463 Pierson Boulevard

APNs: 641-041-049, -050, -051

66467-66483 Pierson Blvd & 12021-12055 Palm Dr.

APN: 641-041-020

12065-12105 Palm Dr.

APNs: 641-041-023, -047



- A. **Permissible Use (HSC §34191.5(c)(2)):**
Site No. 10 is the Pierson Blvd. & Palm Dr. Retail Shops (the “Retail Shops”) and is proposed to be retained by the City of Desert Hot Springs for future development pursuant to HSC §34191.5(c)(2).



B. Acquisition of Property (HSC §34191.5 (c)(1)(A) and §34191.5(c)(1)(B)):

The Retail Shops were acquired by the Agency on January 27, 2009 and January 11, 2011 for a total of \$568,000 (\$450,000 for APN 641-041-051 and \$118,000 for APNs 641-041-049 and -050); on May 17, 2010 for \$1,200,000 (APN 641-041-020); and on January 23, 2008 for \$1,625,000 (APNs 0641-041-023 and -047). In total, the Retail Shops were acquired for \$3,393,000. The Retail Shops were all acquired in order to meet the revitalization goals of City and the Agency to alleviate the existence and spread of physical and economic blight. The estimated current value (the “ECV”) of the Retail Shops is \$630,000.

C. Site Information (HSC §34191.5(c)(1)(C)):

The Pierson Blvd. Retail Shops consist of six (6) parcels (APNs 641-041-049, -050, -051, -020, -023, and -047) totaling 1.44 acres and are located at 66459-66463 Pierson Boulevard (APNs 641-041-049, and -050), 66467-66483 Pierson Boulevard and 12021-12055 Palm Drive (APN 641-041-020), and 12065-12105 Palm Drive (APNs 641-041-023, and -047). Located at 66459-66463 Pierson Boulevard are 1,400 square feet of retail shops, a 1,800 sf 2-story building for apartment rentals, and a 13,000 sf parking lot. Located at 66467-66483 Pierson Boulevard and 12021-12055 Palm Drive are approximately 9,000 sf of retail and office space, along with one residential apartment. Located at 12065-12105 Palm Drive is a 7,700 sf retail building. The Retail Shops are zoned Retail in Planning Area 1.05 (Retail 1.05) in the VSP. The VSP is used as the preferred method of detailed and systematic implementation of the City’s General Plan. The VSP – Retail 1.05 designation provides the downtown shopping destination, which compliments the Mixed-Use Core and offers a range of commercial, service, and eating establishments.

D. Estimated Current Value (HSC §34191.5 (c)(1)(D)):

To determine an ECV for the Retail Shops, in March 2014, a comparable sales analysis was conducted through the National Data Collective. The ECV was determined to be approximately \$630,000. Local factors were not taken into consideration in determining the ECV of the Retail Shops. Therefore, the actual value of the property may vary significantly from the ECV. The ECV is only a planning number and should not be relied upon as a basis for actual value. The ECV is only a rough estimate that was obtained from an on-line source where only comparable sales data are available. It is not possible to include environmental issues or any other special or unique factors into simple ECV calculations, as such data are not available from the source. As noted in the LRPMP, the real value of the property cannot be determined without an appraisal. The Successor Agency notes that in the environment of AB 1484, it may not be possible to achieve appraised values. The Successor Agency will be in charge of the process seeking to achieve successful marketing of properties, and will act with reasonable diligence. However, the constraints and environment of AB 1484 militate against maximizing prices. The actual sales prices to be realized will be a function of what a willing buyer is willing to pay under circumstances where there will be no seller financing and dispositions will be subject to Oversight Board approval. There is no reason to think that book values will be realized.

E. Site Revenues (HSC §34191.5(c)(1)(E)):

66459-66463 Pierson Boulevard (APNs 641-041-049, and -050): There is one (1) tenant renting retail space and one (1) tenant renting residential space, both on a month-to-month basis, in the Retail Shops: (i) Barber Shop (66463 #B) - \$375/month; and (ii) Robert Sammut (66459 #A) \$300/month. Annual revenue received by the Successor Agency total \$4,500. There are no



contractual obligations for the use of this revenue. The Successor Agency uses the revenue for property maintenance, as reflected in the ROPS.

66467-66483 Pierson Boulevard and 12021-12055 Palm Drive (APN 641-041-020): There are three (3) tenants renting space on a month-to-month basis: (i) Glossy Ladies Clothing (12021 Palm Drive) - \$600/month; (ii) Karen's Party Supplies (12049 Palm Drive) \$650/month; and (iii) Dr. Paul Ross (66483 Pierson Boulevard) \$650/month. Annual revenue total \$22,800. There are no contractual obligations for the use of this revenue. The Successor Agency uses this revenue for property maintenance, as reflected in the ROPS.

12065-12105 Palm Drive (APNs 641-041-023, and -047): One (1) tenant leases approximately 2,000 sf of space in the Retail Shops #2: Play Offs Sports Lounge (the "Tenant") (12105 Palm Drive) - \$2,830.50/month. On July 31, 2012, the Tenant's Lease expired and on September 12, 2012, the Successor Agency brought before the Oversight Board the Tenant's request for a 5-year extension indicating that the Tenant not only desired to enter into a new Lease, but to also wanted to expand its operations by an additional 1,330 sf. The Lease was signed by the Successor Agency on January 17, 2013 and commenced on December 1, 2012. The Lease period is for 5 years with an option for one 4-year extension. Annual revenue received totals \$33,966. There are no contractual obligations for the use of this revenue. The Successor Agency uses this revenue for property maintenance, as reflected in the ROPS.

F. History of Environmental Contamination (HSC §34191.5 (c)(1)(F)):

There is no history of environmental contamination.

G. Potential for Transit Oriented Development (TOD) and the Advancement of Planning Objectives of the Successor Agency (HSC §34191.5 (c)(1)(G)):

There is no potential for a TOD in conjunction with Retail Shops. The retention of the Retail Shops for future development advances the planning objectives of the Successor Agency and the City in order to maximize development opportunities to (i) capture appropriate retail/commercial demand that meets the community's needs and takes full advantage of emerging development and economic opportunities; (ii) create jobs; (iii) reduce blight through new construction and upgraded infrastructure; (iv) increase the City's tax base; (v) provide opportunities for private investment in the City; (vi) assure the development and implementation of the VSP maximizes the efficient use of retail/commercial lands; and (vii) establish of a mix of complimentary land uses for the redevelopment of Pierson Boulevard and Palm Drive.

H. History of Previous Development Proposals and Activity (HSC §34191.5 (c)(1)(H)):

Google Earth[®] indicates that the Retail Shops have been in existence since at least 1995. There are no previous or current development proposals or activity.

I. Sale of Property:

It is proposed that an RFP will be issued in accordance with the Successor Agency's policies and procedures for property disposition located in Exhibit "A" Section II.

The ECV of the Retail Shops is approximately \$630,000.

The following process was used in determining the ECV of the Property:



Date of estimated current value – March 2014

Value Basis – The ECV was determined by a comparable sales analysis using the National Data Collective subscription service. The ECV is approximately \$630,000. Local factors that may affect land value were not taken into consideration. Therefore, the actual value of the property may vary greatly from the ECV. The ECV is only a planning number and should not be relied upon as a basis for actual value.

Proposed sale date – TBD and subject to the Successor Agency's implementation of its policies and procedures for property disposition as shown in Exhibit "A."

Proposed sale value – TDB and subject to a fair market appraisal conducted by a licensed appraiser. The Successor Agency notes that in the environment of AB 1484, it may not be possible to achieve appraised values. The Successor Agency will be in charge of the process seeking to achieve successful marketing of properties, and will act with reasonable diligence. However, the constraints and environment of AB 1484 militate against maximizing prices. The actual sales prices to be realized will be a function of what a willing buyer is willing to pay under circumstances where there will be no seller financing and dispositions will be subject to Oversight Board approval. There is no reason to think that book values will be realized. The transfer of the Retail Shops to the City will be brought back to the Oversight Board for approval. In the event the City were to determine that it will not retain the Retail Shops for future development, any sale would be brought back to the Oversight Board for approval.

J. Implementation of the Long-Range Property Management Plan:

Following the approval of the LRPMP by the DOF, the Successor Agency will implement the LRPMP.

1. For properties to be retained for future development, implementation will include securing an HSC §34180(f)(1) compensation agreement (the "Compensation Agreement") with the affected taxing entities. The City will seek a Compensation Agreement with the affected taxing entities after the LRPMP is approved by DOF. Waiting until DOF's approval is received will ensure that the legal and staff time committed to preparing for and processing a Compensation Agreement is not wasted in the event that DOF decides not to approve the LRPMP. The City is concerned that it will not be fruitful to attempt to engage numerous taxing agencies in discussions about proceeds from the sale of properties when the timing of sale is not known and the price has not been determined. Further, this approach will also ensure that the affected taxing entities do not waste their legal and staff time reviewing a Compensation Agreement that would otherwise become mute in the event of a DOF denial. However, if DOF approves the LRPMP, then the City will prepare a Compensation Agreement and diligently seek the approval of the affected taxing entities. If the Compensation Agreement is approved, then the transfer of the property to the City will occur consistent with the provisions of the Compensation Agreement. If for any reason the Compensation Agreement is not approved by all affected taxing entities, then at City's sole discretion: (i) the property's value may be established by an independent appraiser approved by the Oversight Board and the property will be transferred to the City on that basis; or (ii) or if the City for any reason determines not to retain the Property for future



development, then the property will be sold, thus completely eliminating the need for a Compensation Agreement. If the second option is selected, then the procedure described in Section 2, immediately below, will be followed.

2. For properties to be sold, implementation will include distribution of any land sales proceeds for enforceable obligations and/or distributed as property tax to the taxing entities. Due to the vagaries associated with the sale of land, such as uncertainties concerning the timing of sale and the price that would be realized, it is not feasible to precisely state in the LRPMP how the funds will be used. In that regard, once an agreement is reached with respect to the purchase and sale of a property, the agreement will be presented to the Oversight Board for concurrence. The Oversight Board's approval will be evidenced by a resolution that will be submitted to DOF and, per the HSC, is subject to DOF's review. That resolution will include or refer to a staff report which describes with greater particularity, once more facts are known, how the proceeds of sale will be distributed. As noted in Section I – Introduction of the LRPMP, the LRPMP provides that proceeds of the sale may be used for enforceable obligations and/or distributed as property tax to the taxing entities through the County Auditor-Controller. The need to retain some or all of the proceeds of sale for enforceable obligations will depend on whether there is a short-fall in RPTTF in the ROPS cycle during which the escrow is anticipated to close. If a short-fall were to occur in the RPTTF at that time, then all or a portion of the sale proceeds should be used to fulfill an enforceable obligation with any remaining sale proceeds then distributed as property tax to the taxing entities through the County Auditor-Controller. If there is not a short-fall in RPTTF at the time of close of escrow, then land sale proceeds would be distributed as property tax to the taxing entities through the County Auditor-Controller in a manner described at the time of Oversight Board approval as to a particular property sale. Since it is impossible to foresee when and if a short-fall in the RPTTF may occur, or when the property will be sold, the use of the sale proceeds cannot be specifically determined at this time and, therefore, cannot be stated with greater particularity in the LRPMP. However, it is clear that at the time a sale takes place, the sale will be brought back to the Oversight Board and will be subject to review.