

REPORT TO THE SUCCESSOR AGENCY



DATE: March 21, 2017

TITLE: *(Successor Agency)*
Resolution Approving Purchase and Sale Agreement and Joint Escrow Instructions with Jay H. Lee for Real Property Located Between 4th Street and 5th Street along Palm Drive

Prepared by: Linda Kelly, Finance Manager

Reviewed by: Robert Lee, Deputy City Attorney

RECOMMENDATION

Adopt a Resolution of the Successor Agency approving a Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency to the former Desert Hot Springs Redevelopment Agency and Jay H. Lee with respect to the Real Property located between 4th Street and 5th Street along Palm Drive, Desert Hot Springs, California (APNs 639-212-019, -020, -021, -022, and -023) and approving certain related actions.

BACKGROUND

Pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Desert Hot Springs Redevelopment Agency was dissolved February 1, 2012. Consistent with the provisions of the HSC, the City Council of the City of Desert Hot Springs (the "City") previously elected to serve in the capacity of the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency"). The Oversight Board for the Successor Agency ("Oversight Board") has been established pursuant to HSC § 34179 to assist in the wind-down of the dissolved redevelopment agency.

On May 15, 2015, the Department of Finance ("DOF") approved the Successor Agency's Long Range Property Management Plan ("LRPMP") and notified the Successor Agency that pursuant to HSC § 34191.3, the approved LRPMP shall govern, and supersede all other provisions relating to the disposition and use of all the real property assets of the former redevelopment agency. The approved LRPMP, which addresses the disposition and use of the real property assets held by the Successor Agency, includes 44 parcels of land grouped into sixteen (16) separate sites, of which four (4) sites have already been sold or transferred to the City, leaving twelve (12) sites (3 sites zoned general commercial and 9 sites located within the City's Vortex Specific Plan) to be sold pursuant to the approved LRPMP. In addition to these twelve (12) sites, the Successor Agency has two (2) surplus residential properties that are required to be sold, thereby creating a total of fourteen (14) sites to be sold (the "Successor Agency Properties").

DISCUSSION

The Successor Agency is the owner of that certain real property consisting of approximately 0.83 acres of vacant land located between 4th Street and 5th Street along Palm Drive, Desert Hot Springs, California (APNs 639-212-019, -020, -021, -022, and -023) (the "Property") and within the LRPMP, the Property is: identified as Site No. 7 of the LRPMP; (ii) described as a vacant commercial site; (iii) designated for future development; and (iv) more fully described in Exhibit "A," which is an excerpt from the LRPMP, and is included as Exhibit "A" to the attached Resolution.

On November 15, 2016, the Successor Agency approved an agreement with NAI Capital (the "NAI Agreement") to list and sell certain real property assets of the Successor Agency, all of which were subsequently listed for sale. As a part of the NAI Agreement, NAI has agreed to

prepare a Broker's Opinion of Value (the "BOV") for each Successor Agency property that is sold. In response to NAI's listing, on February 10, 2017, Mr. Jay H. Lee offered to purchase the Property for \$115,000 (the "Purchase Price") (a copy of the offer letter is attached to the Resolution as Exhibit "B"). To determine whether the Purchase Price is fair and reasonable, the Successor Agency requested NAI to prepare a BOV, to confirm if the Purchase Price offered by Mr. Lee is fair and reasonable. Based on past practice, the DOF has acknowledged that BOVs are an acceptable method and basis for confirming that the value of real property being sold by a successor agency is fair and reasonable. On February 17, 2017, the Successor Agency received the BOV from NAI indicating its opinion that the market value of the Property is currently \$108,464 (the "BOV Market Value"). In consideration that the Purchase Price offered by Mr. Lee for the Property exceeds the BOV Market Value by \$6,536, or 6.0%, it may be concluded that the purchase price offered by Mr. Lee for the Property is fair and reasonable, as more fully described within the BOV for the Property, a copy of which BOV is attached to the Resolution as Exhibit "B."

Approval of the attached Resolution will approve the Purchase and Sale Agreement and Joint Escrow Instructions (the "Purchase and Sale Agreement") between the Successor Agency and Mr. Lee with respect to the Property, a form of which is attached to the Resolution as Exhibit "D," and authorize certain related actions.

Consistent with the provisions of the HSC and the LRPMP, the effectiveness of the Purchase and Sale Agreement is subject to the approval of the Oversight Board and the DOF. Due to the Successor Agency's current cash-flow insolvency condition, the Oversight Board and the DOF will be requested to permit the Successor Agency to retain the net land sales proceeds for the purpose of funding enforceable obligations authorized on a Recognized Obligation Payment Schedule.

The attached Resolution has been reviewed with respect to applicability of the California Environmental Quality Act (the "CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, § 15000 *et seq.*, hereafter the "Guidelines") and the City's environmental guidelines. The proposed sale of the Property is exempt under CEQA, the Guidelines and the City's environmental guidelines, as a "common sense exemption," which provides that activities that cannot possibly have a significant effect on the environment are exempt from CEQA. 14 Cal Code Regs §15061(b)(3).

FISCAL IMPACT

The Purchase Price offered for the Property is \$115,000. The Successor Agency is requesting that the DOF permit the Successor Agency to retain the net land sales proceeds for the purpose of funding enforceable obligations authorized on a Recognized Obligation Payment Schedule.

EXHIBIT(S)

- 1) Resolution Approving Purchase and Sale Agreement and Joint Escrow Instructions for the property located between 4th Street and 5th Street along Palm Drive, Desert Hot Springs, California
- 2) Narrative for Site Number 7 – Excerpted from the DHS Long Range Property Management Plan (Exhibit A to Resolution)
- 3) February 10, 2017 Letter from Mr. Lee - Offer to Purchase the Property (Exhibit B to Resolution)
- 4) February 17, 2017 Brokers Opinion of Value prepared by NAI Capital (Exhibit C to Resolution)
- 5) Purchase and Sale Agreement and Joint Escrow Instructions between the Successor Agency and Mr. Lee (Exhibit D to Resolution)