

REPORT TO THE SUCCESSOR AGENCY



DATE: May 2, 2017

TITLE: (Successor Agency) Resolution Approving Purchase and Sale Agreement and Joint Escrow Instructions with Howard Lee for Real Property Located at 66459-66463 and 66467- 66483 Pierson Boulevard and 12021-12055 and 12065-12105 Palm Drive (APN's 641-041-020, -023, -047, -049, -050 -051)

Prepared by: Linda Kelly, Finance Manager

Reviewed by: Robert Lee, Deputy City Attorney

RECOMMENDATION

Adopt a Resolution of the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs approving Purchase and Sale Agreement and Joint Escrow instructions between the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs and Howard Lee with respect to the Real Property located at 66459 - 66463 and 66467 - 66483 Pierson Boulevard and 12021-12055 and 12065-12105 Palm Drive, Desert Hot Springs, California (APN's 641-041-020, -023, -047, -049, -050, -051) and approving certain related actions.

BACKGROUND

Pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Redevelopment Agency of the City of Desert Hot Springs 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 Redevelopment Agency of the City of Desert Hot Springs (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 DOF approved the Successor Agency's 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 1.44 acres of vacant land located at 66459-66463 and 66467-66483 Pierson Boulevard and 12021-12055 and 12065-12105 Palm Drive, Desert Hot Springs, California (APNS 641-041-020, -023, -047, -049, -050, -051) (the "Property") and within the LRPMP, the Property is: identified as Site No. 10 of the LRPMP; (ii) described as 1.44 acres of improved land zone Retail 1.05 in the Vortex Specific Plan, that of which contains approximately 18,100 square feet of retail/commercial buildings, approximately 2,200 square feet of residential buildings, and approximately 13,000 square feet of parking; (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 Capital has agreed to prepare of a Broker's Opinion of Value (the "BOV") for each Successor Agency property that is sold. In response to NAI Capital's listing, on March 16, 2016, Mr. Howard Lee offered to purchase the Property for \$1,750,000 (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 Capital 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 March 17, 2017, the Successor Agency received the BOV from NAI Capital indicating its opinion that the market value of the Property is currently \$1,750,000 (the "BOV Market Value"). In consideration that the Purchase Price offered by Mr. Lee for the Property is \$325,000, or 19%, more than the BOV Market Value of \$1,750,000, 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 is attached to the Resolution as Exhibit "C."

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 Resolution does not constitute a "project" for purposes of CEQA, as that term is defined by Guidelines § 15378, because the Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per § 15378 (b) (5) of the Guidelines.

FISCAL IMPACT

The purchase price offered for the Property is \$1,750,000. 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
- 2) Narrative for Site Number 10 – Excerpt from the DHS Long Range Property Management Plan (Exhibit A to Resolution)
- 3) March 16, 2017 Letter from Mr. Lee - Offer to Purchase the Property (Exhibit B to Resolution)
- 4) March 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)