

REPORT TO THE OVERSIGHT BOARD



DATE: June 20, 2018

TITLE: Resolution Approving Purchase and Sale Agreement and Joint Escrow Instructions With Richard A. Feenstra for Real Property Located at 66071 and 66079 Pierson Boulevard (APNs 641-021-006 and 641-021-048)

Prepared by: Linda Kelly, Finance Director

Reviewed by: Robert Lee, Deputy City Attorney

RECOMMENDATION

Adopt a Resolution of the Oversight Board to the Successor Agency to the former Redevelopment Agency of the City of Desert Hot Springs approving Purchase and Sale Agreement and Joint Escrow Instructions ("Purchase and Sale Agreement") between the Successor Agency to the former Desert Hot Springs Redevelopment Agency and Richard A. Feenstra with respect to Real Property located at 66071 and 66079 Pierson Boulevard, Desert Hot Springs, California (APN's 641-021-006 and 641-021-048) 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 March 11, 2015, the Oversight Board approved its Resolution No. OB-2015-003, approving the Successor Agency's Long-Range Property Management Plan (the "LRPMP") and on May 15, 2015, the Department of Finance ("DOF") approved the 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 0.75 acre of vacant land located at 66071 and 66079 Pierson Boulevard, Desert Hot Springs, California (APNs 641-021-006 and 641-021-048) (the "Property"). The Property, which is one of the Successor Agency Properties, is: i) identified as Site No. 5 in the LRPMP; ii) described as two (2) parcels of vacant land zoned Public Facility in Planning Area 1.02 of the Vortex Specific Plan; 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 a Broker's Opinion of Value (the "BOV") for each Successor Agency property that is sold. In response to NAI Capital's listing, on May 15, 2018 Mr. Richard A. Feenstra offered to purchase the Property for \$98,010 (the "Purchase Price") -- a copy of the offer letter (the "Offer Letter") is attached to the Resolution as Exhibit "B." In the Offer Letter, Mr. Feenstra provided the Successor Agency with certain information concerning plans to develop the Property for retail/office uses.

To determine whether the Purchase Price is fair and reasonable, the Successor Agency requested NAI Capital to prepare a BOV. 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. May 18, 2018, the Successor Agency received the BOV from NAI Capital indicating its opinion that the market value of the Property is currently \$98,010 (the "BOV Market Value"). In consideration that the \$98,010 purchase price offered by Feenstra is equal to the BOV Market Value, it may be concluded that the purchase price offered by Mr. Feenstra 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."

The Successor Agency Board approved the Purchase and Sale Agreement, a copy of which is attached to the Resolution as Exhibit "D," on June 19, 2018.

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 review by DOF. Subject to the approval of the Oversight Board and review by DOF, the Successor Agency intends to distribute the land sale proceeds to the Riverside County Auditor-Controller for distribution to the taxing entities.

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 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 DATA

The purchase price offered for the Property is \$98,010. Consistent with the provisions of the HSC, the Successor Agency intends to distribute the net land proceeds to the Riverside County Auditor Controller for distribution to the taxing entities.

EXHIBITS

- 1) Resolution Approving Purchase and Sale Agreement and Joint Escrow Instructions
- 2) Narrative for Site Number 5 – Excerpt from the DHS Long Range Property Management Plan (Exhibit A to Resolution)
- 3) May 15, 2018 Letter from Richard A. Feenstra - Offer to Purchase the Property (Exhibit B to Resolution)
- 4) May 18, 2018 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 Richard A. Feenstra (Exhibit D to Resolution)