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Title: Consider Extension of Exclusive Negotiation Agreement for 887 Fulton Street between Noyan Frazier Capital LP and the City of Fresno a municipal corporation and in its capacity as Housing Successor.

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Attachments: 1. Letter of Request Noyan Frazier.pdf, 2. First Amendment to Exclusive Negotiation Agreement.pdf

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REPORT TO THE CITY IN ITS CAPACITY AS HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO AND FRESNO REVITALIZATION CORPORATION

April 9, 2020

FROM: MARLENE MURPHEY, Executive Director

SUBJECT

Consider Extension of Exclusive Negotiation Agreement for 887 Fulton Street between Noyan Frazier Capital LP and the City of Fresno a municipal corporation and in its capacity as Housing Successor.

RECOMMENDATION

It is recommended that the City of Fresno (COF) and Housing Successor (FHS) consider approval of the First Amendment to the Exclusive Negotiation Agreement for 887 Fulton Street also known as the Berkeley Building.

EXECUTIVE SUMMARY

The exclusive good faith negotiation period (ENA) for the Berkeley Building will expire on April 11, 2020. The Developer, Noyan Frazier LP is requesting a one-year extension to the ENA to negotiate and enter into a Development and Disposition Agreement with construction to commence no later than December 31, 2021.

BACKGROUND

Disposition and Development Agreement - Phase 1

Pursuant to a request for proposal for development of the South Stadium Project Area, Noyan Frazier Capital LP was selected as the Developer. The resulting Disposition and Development Agreement (DDA) of March 15,

2016 focuses on Phase 1 development. Phase 1, known as The Park, is a .79 acre site at the northwest corner of Inyo and Fulton Streets that will be developed into a multi-story mix of affordable and market rate housing over ground floor retail. The DDA deadline to commence construction on Phase 1, in alignment with the Housing and Community Development (HCD) funding deadline, is November 20, 2020.

Exclusive Negotiation Agreement - Phase 4

Section 4.12 of the DDA identifies and provides for exclusive good faith negotiations (ENA) with the Developer for four potential future phases of development in the South Stadium Project Area. The four potential phases have narrowed to one phase referred to as Phase 4. Phase 4 is located at the southwest corner of Fulton and Kern Streets at 887 Fulton Street otherwise known as the Berkeley Building. The site is owned by the Housing Successor.

Phase 4 development intends to create an integrated mix of uses that complement the multi-family housing and retail in Phase 1 and enhance the stadium area as an entertainment destination. The DDA proposes in Phase 4 the adaptive reuse of the Berkeley building's 33,750 square feet for retail use including restaurants and potential outdoor dining on the ground floor and office on the second floor.

Request for Extension

The ENA expires April 11, 2020 and is inclusive of two extension periods granted since the original commencement date of March 15, 2016. The Developer has submitted a letter requesting that the exclusive negotiation period be extended one year to April 11, 2021 in which to negotiate a DDA; and, through a DDA to meet conditions to close and begin construction no later than December 31, 2021. The attached Letter of Request is further summarized below.

- The building has progressively deteriorated and requires extensive remediation work;
- Developer has spent significant time in due diligence and has an understanding and knowledge of steps needed to bring about environmentally safe occupancy and adaptive reuse;
- Developer has spent in excess of \$50,000 for architectural renderings along with investigation of the site with remediation experts and interior demolition firms;
- Developer has prepared a preliminary budget for remediation, structural repairs and reuse;
- Developer has consulted with City staff and is exploring feasibility for other uses on the second floor including residential with consideration to the buildings age and character; and,
- Developer has toured the building with prospective tenants and the owner of the Fresno Grizzlies to assess marketability and support.

Proposed Terms of Extension

In response to the request, staff has prepared a First Amendment to the ENA.. The terms are as follows:

- Negotiation Period extended one year from April 11, 2020 to April 11, 2021.
- Extension Fee of \$5,000 to be paid within 10 days of execution.
Note: The Fee is to include an updated appraisal estimated at \$4,000 and to help offset operation and maintenance costs Over the last four years operation and maintenance costs have totaled about \$30,000 and continue to increase.
- DDA must be negotiated, drafted and presented for approval to Council prior to expiration of negotiation period.
- Conditions to consider DDA for approval will include receipt of pro forma; sources and uses budget; and proof of necessary financing.
- DDA conditions precedent to close will include receipt of evidence of development entitlements; combined monies from funding sources not less than the total development amount or amount which

City/FHS determines is necessary to complete the project and such funds are deposited into escrow and escrow is in a position to close no later than December 31, 2021.

- Developer shall present a report to Council within six months approval of the first amendment no later than October 9, 2020.
- Material Default under the DDA as amended including failure to close escrow on Phase 1 by November 20, 2020 will result in termination of ENA for Phase 4.

Options for Consideration

1. Deny the request for extension of ENA. Should the request be denied, the new Surplus Land Act (SLA) will be triggered. The SLA requires the City declare the property surplus land at a public meeting, give notice and proceed in accordance with SLA and city ordinances..
2. Approve the Request for Extension with Conditions. Since this is an extension of an existing ENA entered into prior to September 30, 2019 it is grandfathered in under the prior version of the SLA so long as the property conveys by December 31, 2022 otherwise the updated SLA is triggered.

Noyan Frazier Capital LP's work product (estimates, drawings etc.) knowledge and effort relative to the project site and area has value to be considered. Moreover, from the perspective of the larger South Stadium area, the value of new development expected to be created by Noyan Frazier LP's Phase 1 arguably affords the Developer with leverage to strengthen the viability and synergy of Phase 4 to the benefit of both the Developer and Community.

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The Exclusive Negotiation Fee will help to offset hard costs from independent sources (e.g. utilities, appraisals etc).

Attachments:

- Letter of Request
- First Amendment to Exclusive Negotiation Agreement