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Title: RESOLUTION -Regarding the disposition of property of approximately 1.38 acres at 1911 Merced and 1900 Tuolumne Street (APN(s) 466-206-50T and 466-206-51T) (Council District 3) (Successor Agency action only)

Sponsors: Oliver L. Baines III

Indexes:

Code sections:

Attachments: 1. Resolution of Successor Agency 11-3-16.pdf, 2. Purchase and Sale Agreement.pdf

Date	Ver.	Action By	Action	Result
11/3/2016	2	City Council	approved	Pass

REPORT TO THE CITY COUNCIL AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO

November 3, 2016

TO : President Paul Caprioglio and Members of the Fresno City Council and the Successor Agency to the Redevelopment Agency

FROM: OLIVER L. BAINES III,
Member of the Fresno City Council,
Representing District Three
Chair, Successor Agency to the Redevelopment Agency

SUBJECT

RESOLUTION -Regarding the disposition of property of approximately 1.38 acres at 1911 Merced and 1900 Tuolumne Street (APN(s) 466-206-50T and 466-206-51T) (Council District 3) (Successor Agency action only)

RECOMMENDATION

It is recommended that the Successor Agency approve a Resolution regarding the Disposition of Property of approximately 1.38 acres at 1911 Merced and 1900 Tuolumne Street (APN(s) 466-206-50T and 466-206-51T)

EXECUTIVE SUMMARY

The recommended Resolution adopts an approval of the Oversight Board's sale of the above referenced parcels (commonly referred to as Parking Lot 2) to Tutelian & Co., Inc., and requests that the Oversight Board consider and approve such sale at its next meeting.

BACKGROUND

Under the Dissolution Act of the former Redevelopment Agency, the Successor Agency prepared a Long-Range Property Management Plan (LRPMP), which addresses the disposition and use of the real properties of the former Redevelopment Agency. The plan was adopted by the Oversight Board on July 7, 2014 and was approved by Department of Finance on December 16, 2015. The LRPMP proposes disposition of Parking Lot 2 through an RFP or Auction process. Based on its adopted Property Disposition Guidelines (PDG) and its prior sale approvals, the Oversight Board has considered sales of parcels through Open Market Solicitations as satisfying the LRPMP requirements.

Parking Lot 2 currently supports parking for significant tenants of the Grand 1401 Building (the historic former PG&E building owned by Tutelian & Co., Inc., and its principles). Those tenants include consultants to the High Speed Rail Authority who were solicited by the City to locate staff offices in Downtown Fresno. Based on the uses and needs of the Grand 1401 Building, Tutelian & Co., Inc. has long expressed an interest in acquiring Parking Lot to support its tenancies. However, the efforts to conduct negotiations were stymied by the dissolution of the former RDA. Under the resulting dissolution statutes, the Successor Agency could not conduct dispositions of its properties until after various activities were completed, including the adoption and approval by the Department of Finance of the LRPMP.

When the LRPMP was adopted, many properties were scheduled to be sold to persons who had expressed long-standing interest in acquiring the sites. Such arrangements included: (i) the sale to Boos Development of 731 E. California Avenue; (ii) the sale to FD Partners, LLC of 4007, 4017, 4025, 4061 and 4071 Ventura Avenue; (iii) the sale to Bitwise Industries, LLC of 730 Van Ness Avenue; (iv) the sale to the Moose Lodge of 5025 East Dakota Avenue; and, (v) the sale to DFP Ltd. LP of APN 467-071-05T. Despite the longstanding interest of Tutelian & Co., Inc. in Parking Lot 2, its sale to Tutelian & Co., Inc. was not directly scheduled in the LRPMP in the fashion that other similar buyers were accommodated.

As a result of that circumstance Tutelian & Co., Inc. made an offer to purchase Parking Lot 2 based on discussions it held with City officials and based on then current open market solicitations being conducted for Parking Lot No. 2. That offer, together with offers for several other properties, was initially considered by the Oversight Board at a meeting in February 2016. The purchase price offered by Tutelian & Co., Inc. was \$521,000.00. At that time, the appraised value for Parking Lot 2 was \$510,000.00. The Oversight Board considered, but did not act on that proposal, in part, because the City Manager submitted an offer, subject to City Council Approval, to have the City purchase Parking Lot 2 for a purchase price of \$520,000.00.

At that same February 2016 meeting the Oversight Board approved several other sales based on the fact that those sales had been previously approved by the Successor Agency and based on the fact that Open Market Solicitations in support of those sales that had been conducted in prior periods. Those sales included approval of the sale of: (i) APN 452-301-25T, -26T, -27T and -30T to Mathews Harley-Davidson; (ii) the northwest corner of Fresno and H Streets to APEC International, LLC

(owners of the Fresno Hotel property); and, (iii) Lot #6 to the City of Fresno.

Pursuant to directions of the Oversight Board issued at its February 2016 meeting, the Successor Agency Executive Director updated appraisals for the remaining properties and enhanced the Open Market Solicitations for all parcels by posting for sale signs on all properties, and updating the advertisement materials for the properties published on LoopNet. The updated appraisal for Parking Lot 2 confirmed that the fair market value had declined from \$510,000.00 to \$420,000.00.

Four parcels were then sold at the June Meeting of the Oversight Board based on the previously initiated Open Market Solicitations. Parking Lot 2 was not among the properties then scheduled for sale. Several parcels did not receive any offers. The Oversight Board was frustrated that all properties did not receive prior written offers. It therefore voted to have further sales conducted in an auction process. That action (which was not previously posted on the Oversight Board's agenda), did not address the fact that there was a then pending written offer from Tutelian & Co., Inc. to purchase Parking Lot 2 at a price that was substantially above its current appraised value.

Based on the June meeting direction to conduct auction sales, the Successor Agency further updated published marketing information for all parcels (including Parking Lot 2) to reference that properties would be sold at future auctions. The Oversight Board then began to conduct auction sales of remaining Successor Agency Parcels.

At the September 15, 2016 joint meeting of the City Council and Successor Agency, Resolutions 2016-173 and SA-34 were adopted which confirmed that the City did not intend to exercise any rights of refusal to purchase Parking Lot 2, and requested that the Oversight Board consider the sale of Parking Lot 2 to Tutelian & Co., Inc.

The Oversight Board did not take action on those Resolutions at its September meeting because there was insufficient time to add that item to its September meeting agenda. At the October meeting, the Oversight Board deliberated a proposal to consider a sale of Parking Lot 2 pursuant to a Disposition and Development Agreement, which had the effect of postponing any advertisement of an auction proceeding for that site. It is anticipated the Oversight will evaluate a potential sale of Parking Lot No. 2 (or methods to conduct its sale) at its meeting scheduled for November 16, 2016.

The attached Resolution confirms the Successor Agency's approval of Parking Lot No. 2 to Tutelian & Co., Inc., and recommends that the Oversight Board approve such sale. The Resolution is proposed based on the following considerations: (i) the value and benefits that Parking Lot 2 holds for Downtown tenancies in the Grand 1401 (a significant historical asset for Downtown); (ii) the fact that Tutelian & Co., Inc. have expressed interest in developing a substantial project (including a parking structure) at the site, when the existing parking uses by the High Speed Rail Consultants will accommodate such development); (iii) the fact that the use and development of Parking Lot 2 by Tutelian & Co., Inc. will provide an asset that improves local government tax rolls; (iv) the fact that Tutelian & Co., Inc. have demonstrated experience in developing several properties in Downtown Fresno, including Downtown parking structures; (v) the fact that prior Open Solicitation advertisements have been conducted for the sale of Parking Lot 2 by the Successor Agency; (vi) the fact that Tutelian & Co., Inc. has been engaged in longstanding negotiations, supported by written offers, to purchase Parking Lot 2 (including times when times when Open Market Solicitations procedures were pending); and, (vii) the fact that there is a present longstanding offer from Tutelian & Co. Inc., to purchase Parking Lot 2 for a purchase price of \$521,000.00, which is significantly higher than the property's current appraised price of \$420,000.00.

ENVIRONMENTAL FINDINGS

LOCAL PREFERENCE

N/A

FISCAL IMPACT

N/A

Attachments :

Resolution
Purchase and Sales Agreement (Revised) October 16, 2016