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Title: Actions pertaining to the sale of APN 468-255-11 & 468-255-15 consisting of approximately a 53,040 SF Retail Building commonly referred to as the City-owned portion of the former Gottschalks building and a 214,292 SF parking structure commonly referred to as the Spiral Garage to Brixton Capital AC LLC for \$1,700,000:

1. Adopt a finding of Categorical Exemption pursuant to Section 15332/Class 32 of the California Environmental Quality Act (CEQA) Guidelines.
2. Approve the Disposition and Development Agreement with Brixton Capital AC LLC for the sale of APN 468-255-11 & 468-255-15 consisting of approximately a 53,040 SF Retail Building commonly referred to as the City-owned portion of the former Gottschalks building and a 214,292 SF parking structure commonly referred to as the Spiral Garage for \$1,700,000 (District 3)

Sponsors: Office of Mayor & City Manager

Indexes:

Code sections:

Attachments: 1. FINAL 830 Fulton Mall Disposition and Development Agreement 11-30-18.pdf, 2. CategoricalExemption_803 Van Ness.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|---------------------|--------|
| 12/6/2018 | 1 | City Council | approved as amended | Pass |

REPORT TO THE CITY COUNCIL

December 6, 2018

FROM: WILMA QUAN-SCHECTER, City Manager
Office of the Mayor & City Manager

BY: LAURA GLORIA, Deputy City Manager
Office of the Mayor & City Manager

SUBJECT

Actions pertaining to the sale of APN 468-255-11 & 468-255-15 consisting of approximately a 53,040 SF Retail Building commonly referred to as the City-owned portion of the former Gottschalks building and a 214,292 SF parking structure commonly referred to as the Spiral Garage to Brixton Capital AC LLC for \$1,700,000:

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California Environmental Quality Act (CEQA) Guidelines.

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RECOMMENDATIONS

Staff recommends that the City Council adopt a finding of Categorical Exemption pursuant to Section 15332/Class 32 of the California Environmental Quality Act (CEQA) Guidelines and approve the Disposition and Development Agreement (DDA) with Brixton Capital AC LLC (Buyer) for the sale of APN 468-255-11 & 468-255-15)consisting of approximately a 53,040 SF Retail Building commonly referred to as the City-owned portion of the former Gottschalks building and a 214,292 SF parking structure commonly referred to as the Spiral Garage for \$1,700,000.

EXECUTIVE SUMMARY

Club One Casino has operated at their location on Van Ness and Tulare since 2010 and is a downtown institution that provides the City of Fresno with a steady revenue stream through parking revenues and cardroom gross receipts fees. The operator of the facility approached the City of Fresno with a full appraised purchase price offer for the City-owned property located on Fulton Street consisting of the City-owned portion of the former Gottschalks Building and Spiral Garage for a proposed relocation and expansion of Club One Casino. The Gottschalks building has been vacant since 1988, the Spiral Garage operates at a negative balance, and both buildings have several million dollars' worth of deferred maintenance. The proposed DDA sets the terms for the sale of the property for \$1,700,000 to Brixton Capital AC LLC and includes several aggressive milestones for development including a reversion clause in the case of an incomplete project. With the reopening of Fulton Street, the location is an ideal home for the proposed use and long-time proven operator, Club One Casino.

BACKGROUND

Club One Casino is a 51-table casino located at the corner of Van Ness Avenue and Tulare Street in downtown Fresno that offers live games and tournaments, card rooms, a 24-hour restaurant, a full bar, and event center. Club One Casino also offers a variety of non-gaming events like pay-per-view UFC and boxing, karaoke, and private parties. The operator of the facility approached the City of Fresno with a letter of interest for the purchase of the City-owned property consisting of a 53,040 SF Retail Building commonly referred to as the City-owned portion of the former Gottschalks building and a 214,292 SF parking structure commonly referred to as the Spiral Garage for a proposed relocation and expansion of their current operation. Pursuant to the Asset Management Act, the City enlisted the assistance of its Asset Managers to assist with negotiations and optimize financial return. After a thorough review of the market comparisons, a purchase price of \$1,700,000 less customary escrow fees and a 6% broker commission consistent with the Council Approved Asset Management First Amendment (approved March 1, 2018) was agreed upon.

The Gottschalks building has been vacant since 1988, the Spiral Garage operates at a negative balance, and both buildings have several million dollars' worth of deferred maintenance. In order to ensure that the property is developed in a manner that complements the City's recent investments in

Downtown such as the opening of Fulton Street, the DDA is linked to an aggressive performance schedule which keeps the property in escrow until the Buyer receives all the required entitlements, permits, and approvals required for the construction of the project; includes a safeguard that reconveys the land to the City if the Buyer does not deliver a completed project; includes a \$50,000 liquidated damages provision in favor of the City in the event Buyer defaults on the close of Escrow; and requires that the Buyer execute a mutually acceptable parking license agreement with the Fresno Grizzlies and its affiliates.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Categorical Exemption set forth in CEQA Guidelines Section 15332 as Infill Development. Furthermore, Staff has determined that none of the exceptions to the Categorical Exemptions set forth in CEQA Guidelines, section 15300.2 apply to this project.

LOCAL PREFERENCE

Local preference was not considered because this agreement does not include a bid or award of a construction or services contract.

FISCAL IMPACT

Sale proceeds of \$1,700,000 less customary escrow fees and a 6% broker commission will be deposited into the Asset Sale Reserve Fund (10310) per the Reserve Management Act.

Attachment:

Disposition and Development Agreement
Environmental Assessment (EA) No. P18-02769