

Attachment 8

Purchase and Sale Agreement Council Report



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Administrator

SUBJECT: Resolution Approving the Agreement of Purchase and Sale and Escrow Instructions between City Ventures Homebuilding, LLC, and the City of Commerce, for Land in the City of Commerce, California

MEETING DATE: July 16, 2019

RECOMMENDATION:

The City Council will consider for adoption the proposed Resolution approving the Agreement to Sell Land and Escrow Instructions between City Ventures Homebuilding, LLC, and the City of Commerce, for Land in the City of Commerce, California, and authorize the Mayor to sign the agreement on behalf of the City.

BACKGROUND:

Pursuant to ABX1 26 (as subsequently amended and codified in Health & Safety Code Section 34170 *et seq.*, the “Dissolution Law”) enacted in June 2011, the Commerce Community Development Commission (the “Commission”), and all other redevelopment agencies (“RDA”) throughout the state, were dissolved as of February 1, 2012. As part of the “Dissolution Law”, housing set-aside dollars for the primary purpose of building housing were also dissolved, leaving cities with the challenging task of building housing with limited financial resources.

On April 6, 2010, the City Council adopted a Housing Overlay Zone (HOZ) to accommodate the City 2014-2021 total RHNA allocation and AB 1233 carryover, the City has identified the Housing Opportunity overlay area to facilitate and encourage the development of residential uses. The Overlay designation includes a cluster of industrial properties totaling 44.3 acres, within the Rosewood Planning Area, that the City would like to see transition to residential and mixed use development. The housing overlay serves as an opportunity to transform existing commercial/industrial sites into residential housing. Moreover, the City has been studying the Washington Boulevard corridor for economic development opportunities such as; housing, dining, mixed-use development, retail, and neighborhood services.

As the City works towards enhancing this vision, several City owned properties, within the HOZ, have been identified for housing development. The sale of these properties allows for the City to begin creating the vision that can encompass quality of life amenities that

the City of Commerce residents can enjoy. In addition, the construction of a proposed housing project would be consistent with the current zoning and the City's General Plan. It would also satisfy a vital need for housing, not only in the community, but in the region.

ANALYSIS:

In October 2018, the City of Commerce began engaging developers on the housing opportunities that exist within the HOZ. In January 2019, the City of Commerce entered into an Exclusive Negotiation Agreement with City Ventures Homebuilding, LLC, to pursue a housing project on City owned property. The project consists of 135 residential units and would be the City's first housing development in several decades. The City has been in negotiations and has come to an agreement with City Ventures Homebuilding, LLC, to sell three City owned parcels to City Ventures Homebuilding, LLC, at current market value and verified with an appraisal, for the lump sum of \$9,944,000.

The sale of real property consists of three properties, which are briefly described as follows:

- Property 1 – 5550 Harbor Street (North Annex Building) The site was formerly home to the Orange Whip Corporation. The property was acquired in 1988 for a public purpose – to provide community and city services to the residents. That function was transitioned to city hall in 2004 citing seismic issues. A storage component existed in the warehouse portion of the structure and has been vacant for quite some time.
- Property 2 – 5625 Jillson Street (Provisor Building) The property was acquired in 1992 for a public purpose – to provide community and city warehousing services to the residents. The facility currently houses City files, staff, and purchasing items among other things. The sale of the Provisor Building is contingent on the City's ability to move its current use to a temporary facility and subsequently to a new facility that staff is currently working on.
- Property 3 – 5555 Jillson Street (Transportation Center) Formerly a Coast Detergent Facility. The property was acquired in 1991 to be the future site of a transportation and fleet servicing facility. It currently provides necessary storage and repair facilities for the City's public transportation vehicles. The sale of the Transportation Center is contingent on the City's ability to move its current use to a temporary facility and subsequently to a new facility that staff is currently working on.

Environmental Analysis

An appropriate environmental review of the proposed housing development and analysis will be required pursuant to the requirements of the California Environmental Quality Act ("CEQA") to analyze the potential environmental impacts of a proposed project before it is considered by the City's Planning Commission and City Council.

ALTERNATIVES:

1. Approve staff recommendation

2. Decline staff recommendation and provide further direction

FISCAL IMPACT:

The sale of the City owned properties will generate \$9,944,000 towards the General Fund. Said purchase is consistent with the results of the appraisal that was prepared by the Developer and reviewed by the City.

Recommended by: Rene Bobadilla, Assistant City Manager
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Edgar P. Cisneros, City Administrator

ATTACHMENTS:

1. Resolution
2. Agreements of Purchase and Sale and Escrow Instructions for the Properties

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE APPROVING A PURCHASE AND SALE AGREEMENT

WHEREAS, Pursuant to ABX1 26 (as subsequently amended and codified in Health & Safety Code Section 34170 et seq., the “Dissolution Law”) enacted in June 2011, the Commerce Community Development Commission (the “Commission”), and all other redevelopment agencies (“RDA”) throughout the state, were dissolved as of February 1, 2012. As part of the “Dissolution Law”, housing set-aside dollars for the primary purpose of building housing were also dissolved, leaving cities with the challenging task of building housing with limited financial resources; and

WHEREAS, on April 6, 2010, the City Council adopted a Housing Overlay Zone to accommodate the City 2014-2021 total RHNA allocation and AB 1233 carryover, the City has identified the Housing Opportunity overlay area to facilitate and encourage the development of residential uses; and

WHEREAS, the housing overlay serves as an opportunity to transform existing commercial/industrial sites into residential housing. Moreover, the City has been studying the Washington Boulevard corridor for economic development opportunities such as; housing, dining, mixed-use development, retail, and neighborhood services; and

WHEREAS, as the City works towards enhancing this vision, several City owned properties, within the HOZ, have been identified for housing development. The sale of these properties allows for the City to begin creating the vision that can encompass quality of life amenities that the City of Commerce residents can enjoy. In addition, the construction of a proposed housing project would be consistent with the current zoning and the City’s General Plan. It would also satisfy a vital need for housing, not only in the community, but in the region; and

WHEREAS, in October 2018, the City of Commerce began engaging developers on the housing opportunities that exist within the HOZ. In January 2019, the City of Commerce entered into an Exclusive Negotiation Agreement with City Ventures Homebuilding, LLC, to pursue a housing project on City owned property. The City has been in negotiations and has come to an agreement with City Ventures to sell three City owned parcels to City Ventures, at current market value and verified with an appraisal, for the lump sum of \$9,944,000; and

WHEREAS, the sale of real property consists of three properties. 5550 Harbor Street (North Annex Building) The site was formerly home to the Orange Whip Corporation. The property was acquired in 1988 for a public purpose – to provide community and city services to the residents. That function was transitioned to city hall in 2004 citing seismic issues. A storage component existed in the warehouse portion of the structure and has been vacant for quite some time. 5625 Jillson Street (Provisor Building) The property was acquired in 1992 for a public purpose – to provide community and city warehousing services to the residents. The facility currently houses City files, staff, and purchasing items among other things. The sale of the Provisor Building is contingent on the City’s ability to move its current use to a temporary facility and subsequently to a new facility that staff is currently working on. 5555 Jillson Street (Transportation Center) Formerly a Coast Detergent Facility. The property was acquired in 1991 to be the future site of a transportation and fleet servicing facility. It currently provides necessary storage and repair facilities for the City’s public transportation vehicles. The sale of

the Transportation Center is contingent on the City's ability to move its current use to a temporary facility and subsequently to a new facility that staff is currently working on; and

WHEREAS, City staff has prepared two Agreements of Purchase and Sale and Joint Escrow Instructions ("Purchase Agreements") whereby the City sells approximately 5.68 acres of land to City Ventures Homebuilding, LLC; and

WHEREAS, an appropriate environmental review of the proposed housing development and analysis will be required pursuant to the requirements of the California Environmental Quality Act ("CEQA") to analyze the potential environmental impacts of a proposed project before it is considered by the City's Planning Commission and City Council.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMMERCE DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The Agreements of Purchase and Sale and Joint Escrow Instructions for sale of 5.68 acres of land to City Ventures Homebuilding, LLC, hereby approved in substantially the form attached hereto.

Section 2. The City Administrator is authorized to execute any and all documents necessary to implement the City's approval of the Agreements of Purchase and Sale and Joint Escrow Instructions.

PASSED, APPROVED and ADOPTED this 16th day of July 2019.

John Soria
Mayor

ATTEST:

Lena Shumway
City Clerk