



Legislation Details (With Text)

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Date	Ver.	Action By	Action	Result
11/7/2018	1	City Council	accepted	Pass

AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION AND CORONA HOUSING AUTHORITY

DATE: 11/7/2018

TO: Honorable Mayor and City Council Members
Honorable Chairman and Board of Commissioners

FROM: Management Services - Economic Development

SUBJECT:
City Council and Corona Housing Authority consideration of a Disposition and Development Agreement with Boureston Companies for the acquisition and development of 2.81 acres generally located south of Sixth street, between Sheridan Street and Belle Avenue, and north and south of Seventh street.

RECOMMENDED ACTION:

That the:

1. City Council approve and authorize the City Manager to execute the Disposition and Development Agreement with Boureston Companies for the acquisition and development of 2.81 acres generally located south of sixth Street, between Sheridan Street and Belle Avenue, and north and south of Seventh Street.

2. Corona Housing Authority approve and authorize the Executive Director to execute the Disposition and Development Agreement with Boureston Companies for the acquisition and development of 2.81 acres generally located south of Sixth Street, between Sheridan Street and Belle Avenue, and north and south of Seventh Street.

ANALYSIS:

In February 2017 the City of Corona received two unsolicited offers by two different parties for the purchase and sale of 11 Corona Housing Authority properties and one City owned parcel totaling approximately 2.62 acres. The 12 parcels are near one another but separated into two blocks located at the southeast corner of Sixth Street and Sheridan Street and the southeast corner of Seventh Street and Sheridan Street. The City and Housing Authority properties also abut Belle Avenue on the east side.

Both purchase requests were discussed with the City Council in a closed session meeting on February 15, 2017. One proposal contemplated a mixed-use project of commercial and high density residential while the other party (The Boureston Companies) indicated the use of the property would be non-housing related and the properties would be developed to accommodate community related services compatible with the newly expanded Corona Regional Medical Center located immediately south of the properties. At the close of the meeting, staff was directed to negotiate an Exclusive Negotiation Agreement with The Boureston Companies (developer). As part of the negotiation agreement, an MAI appraisal was done for the properties and site plan designs for new medical offices buildings were prepared by the developer and submitted to the city for review.

After the 180-day due diligence period and with the consent of the developer, the City moved forward with the preparation of a Disposition and Development Agreement for the subject parcels. During this time, it was discovered a privately-owned 0.19-acre parcel located at 315 W. Seventh Street would need to be acquired to create a cohesive development associated with the City and Housing Authority owned parcels. The City elected to negotiate with the owner (Corona South Main Development, L.P.) the purchase of the 0.19-acre parcel and successfully negotiated to acquire the property at the appraised value of \$77,000, increasing the total parcels owned by the City and Housing Authority to 13 parcels. All related acquisition costs associated with the purchase of the property have been reflected in the final sale price of \$1,139,989 for all 13 parcels. Development Impact Fee Credits were not negotiated as part of the Agreement.

The proposed project will include the construction of two Class A medical office buildings and associated parking on the 2.81 acres. Because the properties are physically located within two separate blocks separated by Seventh Street, the developer proposes to vacate the portion of Seventh Street between Sheridan Street and Belle Avenue and include the vacated street within the boundary of the project site. The alleys between the parcels are also proposed to be vacated and included within the project boundary. This portion of Seventh Street and the alleys between the parcels are City easements and thus when they are vacated they automatically revert to the underlying fee owners on either side of the streets/alleys. The value of such easements is not typically included in the valuation of underlying property. Moreover, as part of the City's Economic Development efforts to revitalize the Downtown area and assist in creating a larger cohesive and walkable medical campus, the City is willing to process the street vacation without requiring additional compensation in order to allow for safer pedestrian crossings within the project and additional parking necessary to develop facilities that can support the needs of intensive medical uses.

The total gross floor area of the two buildings is approximately 58,900 square feet. The construction is proposed to be phased with Phase 1 being a two-story, 32,500 square foot medical office building on the parcels closest to Sixth Street. Phase 2 is a two-story, 26,400 square foot medical office building on the southerly parcels closest to the Corona Regional Medical Center. The Agreement requires the developer to complete construction for Phase 1 and all necessary related off-site public improvements within 36 months after the close of escrow. The building associated with Phase 2 is required to be completed within 36 months of the first certificate of occupancy issued in the building for Phase 1. Given current market demand, the developer is likely to develop both Phase 1 and 2 simultaneously because of the potential lease being negotiated for the first building, which would be a single user as opposed to multiple tenants.

Should the developer breach or fail to complete Phase 1 or Phase 2 within the specified timeframe, the City and Housing Authority may elect to cause the property to revert back to City and/or Housing Authority upon written notice of intent to implement reversion procedures to the developer within 30 days following the developer's failure to satisfy either completion of Phase 1 or Phase 2. The City and Housing Authority would also be able to re-purchase the properties at the price it was sold without interest or any increase.

Although the parcels owned by the Corona Housing Authority are not planned to be used for affordable housing, the Housing Authority has still determined that the development of the project pursuant to this Agreement is in the best interests of the Housing Authority and the health, safety and welfare of the City's taxpayers and residents in that it will facilitate the development of much needed medical services to the community. Also, the proceeds from the sale of Housing Authority properties will be deposited in the Housing Authority's funds which are used to provide housing for persons and families of low and moderate income at other locations within the City.

PLANNING AND HOUSING COMMISSION ACTION:

The proposed Disposition and Development Agreement went before the Planning and Housing Commission on October 22, 2018 and was recommended for approval.

COMMITTEE ACTION:

The Infrastructure Committee at its meeting on July 31, 2017, was presented the site plan for the two medical office buildings, which included the partial vacation of Seventh Street within the project area, the vacation of adjacent alleys, and on-street parking on Belle Avenue. The Committee had no objection to the proposal presented by the developer.

STRATEGIC PLAN:

This action supports the City's Strategic Plan Goal 2: Focus on the Revitalization of the Downtown Area: Sixth and Main

FISCAL IMPACT:

The purchase price for the two City owned parcels is \$285,217 and will be revenue to the General Fund, and the purchase price for the 11 parcels owned by the Corona Housing Authority is \$854,772 and will be revenue to the Housing Authority Funds. The total purchase price for all parcels is \$1,139,989 and in consideration of this agreement, the developer is required to deposit into escrow an earnest deposit in the amount of \$25,000, to be credited toward the purchase price. As consideration for the Exclusive Negotiation Agreement executed March 15, 2017 \$2,000 has been paid to the Housing Authority and the sum of \$8,000 to the City of Corona to be applicable to the acquisition price.

GENERAL FUND	
Budget Workshop May 23, 2018 - Est. Revenue Over Expenditures	\$6,626,911
Previously approved budget adjustments (net) - Note 1	(5,975,159)
Revised Estimated Revenue Over Expenditures	\$651,752
DDA with Boureston Companies (Revenue)	285,217
Revised Estimated Revenue Over Expenditures	\$936,969
Estimated Budget Balancing Measures Reserve 06/30/18	\$20,645,252
Estimated FY 2018-19 Change in Budget Balancing Measures	936,969
Estimated Budget Balancing Measures Reserve 6/30/19	\$21,582,221

Note 1 - includes additional General Fund items on the Nov. 7, 2018 Council Agenda.

Fund	07/01/18 Est. Fund Balance	Budgeted Revenues/ Sources	Budgeted Expenditures/ Uses	Fund Balance Impacts	06/30/19 Est. Fund Balance
Corona Housing Authority Fund 291	\$21,031,970	\$298,690	(\$155,203)	\$854,772 Revenue	\$22,030,229

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely approves the disposition of real property and any future development of the property will be subject to review under CEQA prior to development. Therefore, there is no possibility that approving this Disposition and Development Agreement will have a significant effect in the environment and no environmental analysis is required at this time.

PREPARED BY: RYAN CORTEZ, ECONOMIC DEVELOPMENT COORDINATOR

REVIEWED BY: JAMIE RAYMOND, CHIEF DEPUTY CITY ATTORNEY

REVIEWED BY: DEAN DERLETH, CITY ATTORNEY

REVIEWED BY: KERRY EDEN, ASSISTANT CITY MANAGER / ADMINISTRATIVE SERVICES DIRECTOR

REVIEWED BY: MICHELLE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: DARRELL TALBERT, CITY MANAGER

