

OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY

BOARD REPORT

MEETING DATE: November 5, 2015

NEW BUSINESS

TITLE: APPROVING THE SALE OF THE CONVENTION CENTER NORTH PARKING LOT IDENTIFIED AS PROPERTY NO. 4 ON THE LONG RANGE PROPERTY MANAGEMENT PLAN, (APN 508-034-012, 508-034-013, 508-034-014) TO THE CITY OF PALM SPRINGS IN THE AMOUNT OF \$2,211,896.

INITIATED: Department of Community & Economic Development

RECOMMENDATION:

Adopt Resolution No. _____, "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY APPROVING THE SALE OF THE CONVENTION CENTER NORTH PARKING LOT, IDENTIFIED AS PROPERTY NO. 4 ON THE LONG RANGE PROPERTY MANAGEMENT PLAN, (APN 508-034-012, 508-034-013, 508-034-014) TO THE CITY OF PALM SPRINGS IN THE AMOUNT OF \$2,211,896."

BACKGROUND AND ANALYSIS:

The Redevelopment Dissolution Act calls for the Successor Agency, under the direction of the Oversight Board, to dispose of real property it received from the Dissolved RDA either for limited public uses, or for disposition into the private market expeditiously and with a view toward reasonably maximizing value, with the disposition proceeds ultimately made available for distribution to the affected taxing entities.

On May 8, 2014, the Oversight Board reviewed this item and approved the sale of the Convention Center North Parking Lot to the City of Palm Springs at the value determined in the Long Range Property Management Plan (LRPMP), \$2,211,896, with the proceeds of the sale to be remitted to the County of Riverside for distribution to the taxing entities.

Subsequently, the City Council asked for a review of the RDA property disposal process through the law firm of Kane, Ballmer and Berkman. The Independent Legal Report noted that City Staff should have provided a ten-day notice, not a three-day notice prior to the approval, and distribute additional material to the Oversight Board including appraisals and associated agreements between the developer and the City to replace existing parking that will be displaced from the project.

The City has been working with this developer since 2006, to develop the parcel prior to the recession of 2008 and the RDA Dissolution Act. A detailed chronology is attached for the Board's review.

Throughout the years, the City has obtained three appraisals on the parcels, as follows:

July 2006 (pre-2008 recession)	\$4,675,000
December 2011	\$2,773,000
February 2014	\$3,400,000

This report is to provide additional detailed background information on the property and the evolution of development plans and agreements that have been ongoing since 2006.

The Convention Center North Parking Lot consists of three parcels with a total land area of 7.8 acres. The parcels were acquired by the City of Palm Springs from various Indian Allottees in 1991. The purchase price of the three combined parcels was \$2,405,000.

In 2002, the Convention Center was expanded and reoriented with the front doors facing west to take advantage of the spectacular mountain views. The larger and improved Convention Center created a need for additional hotel rooms. By 2005, there were several hotel and residential projects being proposed near the Convention Center including hotel development on sites used as Convention Center parking lots.

In 2007, the City transferred the subject property to the Community Redevelopment Agency for the amount of \$4,675,000. Importantly, the Agency did not pay the City for the land, rather, issued a promissory note to the City for the purchase price to be paid over time. However, in March 2011, in anticipation of the state dissolution of the RDA's and because the City had a prior agreement with the developer on this site, the City took back the parking lot property and cancelled the promissory note issued to the RDA. It should be noted that between 2007 and 2011, the RDA only made interest payments to the City on the promissory note of \$716,000, and the principal was forgiven.

As the State modified the RDA Dissolution Act during its implementation (HSC Section 34181), the California Department of Finance reversed the transfer of the Convention Center lot back to the City, for it to remain an RDA property for dissolution (even though the RDA did not pay for the property, which was fully paid for through the City's General Fund).

In March, 2013, in accordance with the RDA requirement for the City/Successor Agency to dispose of former RDA properties, and pursuant to the City's previous agreement with the developer, the City Council approved a Purchase and Sale Agreement with CDI Ventures, LLC. The terms of the agreement require the Developer to pay \$2,000,000 to acquire the Convention Center North Parking lot (which would be remitted to the State), in addition to \$675,000 to the City for assisting in assemblage of an adjacent 2.9 acre Allottee property to the north allowing for density requirements for the Dolce Hotel

project and ultimately to offset the additional payment of \$211,896, which the City would have to pay (honoring the previously agreed sale price between the developer and City). Further, the developer would also pay \$2,000,000 to the City, which would specifically be used to replace the loss of Convention Center parking from the hotel project. Importantly, as noted above, even though the RDA only paid \$716,000 in interest payments for this property, the taxing agencies would be receiving \$2,000,000. Moreover, the total value the developer is paying for the property, \$4,675,000 (\$2,000,000 for the land and \$2,675,000 for City parking and assistance), exceeds the 2014 appraisal of \$3,400,000.

The agreement has been amended from time to time, refining details of the development and updating the completion schedule. The agreement and all amendments are attached for review by the Oversight Board. A further amendment (Amendment No. 4) to extend the construction schedule timelines and outline construction of the new parking garage in accordance with the State SCIP program, is proposed to be approved by the City Council at its meeting of November 4, 2015. A verbal update on the approval will be provided to the Oversight Board at the meeting.

The approved development will be comprised of the construction of a 200-room hotel, 50 residential units, and a parking structure at the northeast corner of Avenida Caballeros and Amado Road. The original 10.47 acre development site was comprised of 7.8 acres of Successor Agency owned parcels and a 2.65 acre parcel owned by the Bureau of Indian Affairs to be acquired by the developer. As part of Amendment #4 of the Purchase and Sale Agreement to be considered by the City Council, the project now will only consist of the 7.8 acres of Successor Agency owned parcels.

The proposed sale is consistent with the Dissolution Act and traditional redevelopment activities. Currently, as public parking, the property does not generate tax revenues for any of the taxing entities (County, State, School Districts, City, College of the Desert). The City's Financial Advisor has estimated that when the hotel resort is developed, annual tax revenue will be approximately \$1,450,000, with a twenty-year projected tax revenue for all taxing entities of \$29,000,000.

With the recent passage of SB107 (a further modification to the original RDA Dissolution Act), public parking lots are now considered an exclusive use for governmental purposes. Thus, if the Oversight Board or the California Department of Finance does not approve the sale, or modifies the developer's obligation to replace the loss of Convention Center parking, the City will not be in a position to proceed with the project and it will likely remain a parking lot, creating no tax revenue for any of the taxing jurisdictions.

In conclusion, Staff is recommending the Board approve the sale of the parcels to the City of Palm Springs in the amount of \$2,211,896 (per the value contained in the March 25, 2014, Department of Finance approval of the Long-Range Property Management Plan) to be transmitted to the County Auditor Controller for dissemination to the taxing agencies. The City in-turn will sell the property to the developer in the amount of

\$2,000,000 for the land and an additional \$2,675,000 payment to the City for the new Convention Center Parking Structure.

Attachments:

1. Proposed Resolution.
2. Chronological History of the Property
3. Appraisal July 2006, \$4,675,000
4. Appraisal December 2011, \$2,773,000
5. Appraisal February 2014, \$3,400,000
6. Development Agreement with Re: Loft Partners
7. Amendment No. 1 to Agreement with Re: Loft Partners
8. Purchase and Sale Agreement with CDI Ventures
9. Services and Parking Agreement with CDI Ventures
10. Amendment No. 1 to Agreement with CDI Ventures
11. Amendment No. 2 to Agreement with CDI Ventures
12. Amendment No. 3 to Agreement with CDI Ventures
13. Pending Amendment No. 4 to Agreement with CDI Ventures
14. Ten-day Public Notice