



Renaissance Plaza Purchase and Sale Agreement and Construction Loan

Background

- On March 14, 2017, the City Council approved an Option Agreement with Ayala@210LLC for a City owned site (portions acquired from the Successor Agency and the County Flood District).
- The commercial development is anchored by Cracker Barrel, Sonic, and a major chain hotel situated on an 8-acre site situated east of Ayala Avenue and north of Renaissance Parkway/Easton Avenue.



Site Map



CITY OF RIALTO

Entering a Second Century of Progress



PLANT PALETTE

Symbol	Botanical Name	Common Name	WUCOLS Region 4
TREES			
	<i>Albizia 'Marian'</i>	Strawberry Tree	Low
	<i>Chitalpa L. 'Lee Adams'</i>	Desert Willow	Low
	<i>Gelsora parviflora</i>	Australian Willow	Low
	<i>Lagerstroemia indica</i>	Crape Myrtle	Med
	<i>Olea europaea 'Willow'</i>	Frutless Olive	Low
	<i>Platanus occidentalis 'Bloodgood'</i>	London Plane Tree	Med
	<i>Quercus ilex</i>	Holly Oak	Low
	<i>Salixia cordata</i>	Baldcane Box	Med
	<i>Ulmus parvifolia</i>	Chinese Elm	Low
	<i>Washingtonia robusta hybrid</i>	Mexican Fan Palm	Low
	<i>Phoenix dactylifera 'Dagblat'</i>	Date Palm	Low
SHRUBS & GROUNDCOVERS			
	<i>Agave species</i>	Agave	Low
	<i>Aloe species</i>	Aloe	Low
	<i>Atriplex confertifolia</i>	Greensand Plant	Low
	<i>Baccharis virgata</i>	Greensand Plant	Low
	<i>Calliandra v. 'Little Jule'</i>	Desert Softshell	Med
	<i>Coprosma spp.</i>	Minor Plant	Med
	<i>Dianella revoluta</i>	Flax Lily	Low
	<i>Dodonaea v. 'Purpurea'</i>	Hopeweed Bush	Med
	<i>Echinops 'Milkmaid'</i>	Echinops	Low
	<i>Grevillea 'Coastal Gem'</i>	Grevillea	Low
	<i>Hebe 'Red Frost'</i>	Red Frost	Low
	<i>Lomandra 'Stellar'</i>	Desert Lomandra	Med
	<i>Muhlenbergia 'Soft Corn'</i>	Soft Corn Muhlenbergia	Med
	<i>Miscanthus sinensis</i>	Silver Grass	Med

Developer Obligations

- The Developer secured the development entitlements.
- The Developer bid the on and off-site improvements.
- The Developer entered into purchase and sale agreements with Cracker Barrel, Sonic and a hotel investor (Holiday Inn Express).
- On April 2, 2018 All-American Asphalt commenced off-site improvements to Renaissance Parkway

Development Schedule

April 2018

- Off-site construction commences
- On-site construction commences

May 2018

- Cracker Barrel/Sonic construction commence

October 2018

- Cracker Barrel and Sonic open
- Hotel acquires site and commences construction

Development Term Changes

- The Option Agreement contemplated single parcel option takedowns when the Developer contracted with specifically approved users.
- The City conditioned the Developer to improve the larger site with the first parcel acquisition, making it difficult to obtain construction financing when the City would not subordinate its remaining land to the construction lender.
- The City and the Developer negotiated a revised transaction wherein the City: (1) conveys the Site to the Developer; and, (2) provides construction financing for the horizontal site improvements.

Purchase Price Change

- The Option Agreement established a sales price of \$3,805,000 for all six parcels (the appraised fair market value).
- The City's extensive public investment in the Site improvements triggered an obligation to pay prevailing wages on the horizontal construction.
- The revised terms reduce the base purchase price by the negotiated prevailing wage mark-up of \$405,000 and additional \$100,000 contingency, reducing the aggregate price to \$3,300,000.

Purchase Price Change

Original Pricing

	Parcel SF	Cost per SF	Total Purchase Amount
Parcel 1 (Cracker Barrel)	99,785	\$ 12.00	\$ 1,197,420
Parcel 2 (Sonic)	38,215	\$ 14.25	\$ 544,564
Parcel 3 (Multi-Tenant Building FRONT)	41,949	\$ 12.00	\$ 503,388
Parcel 4 (Multi-Tenant Building WEST)	41,948	\$ 11.50	\$ 482,402
Parcel 5 (Multi-Tenant Building EAST)	30,147	\$ 11.50	\$ 346,691
Parcel 6 (Hotel)	81,216	\$ 9.00	\$ 730,944
TOTAL Current Pricing	333,260	\$ 11.42	\$ 3,805,408

Revised Pricing

	Parcel SF	Cost per SF	Total Purchase Amount
Parcel 1 (Cracker Barrel)	99,785	\$ 10.41	\$ 1,038,000
Parcel 2 (Sonic)	38,215	\$ 12.36	\$ 472,000
Parcel 3 (Multi-Tenant Building FRONT)	41,949	\$ 10.41	\$ 437,000
Parcel 4 (Multi-Tenant Building WEST)	41,948	\$ 9.97	\$ 418,000
Parcel 5 (Multi-Tenant Building EAST)	30,147	\$ 9.97	\$ 301,000
Parcel 6 (Hotel)	81,216	\$ 7.81	\$ 634,000
TOTAL Revised Pricing	333,260	\$ 7.81	\$ 3,300,000

Variance between Original and Revised **\$ (505,408)**

Purchase & Sales Agreement

- Purchase and Sale Agreement replaces the Option Agreement.
- The City will carry back a purchase money note totaling \$3,300,000 for Parcels 1 through 6 secured by a First Deed of Trust on the Site.
- The Loan will carry an interest rate of 4%, but the City will waive interest if the project is completed on time.
- The loan matures on March 31, 2020. The Developer can extend the maturity for up to two years by depositing 1% of the total purchase amount for each year.

Purchase & Sales Agreement

- The Developer does not make any payments until conveyance to an end user.
- The City shall grant partial releases upon payment of the land purchase price for each parcel.
- The Grant Deed contains covenants regarding specific uses for respective parcels (i.e. restaurants, etc.). The priority sales are as follows:
 1. Cracker Barrel and Sonic (2) parcels
 2. Hotel (1) parcel
 3. Multi-Unit (3) parcels

Construction Loan

- The Developer obtained a preliminary proposal for \$2,430,000 from Green Mountain for the on-site improvements based upon prevailing wages.
- The improvements include grading, walls, driveways, landscaping, and utilities in the common areas.
- Staff proposes funding up to \$3,700,000 for the on-site improvements, signs, engineering consultants, City permits, and contingency (\$500,000).
- The City will place the Construction Loan proceeds in an escrow for disbursement upon eligible expenditures.

Construction Loan Terms

- The City Construction Loan secured by a Second Deed of Trust subordinate only to the Purchase Money Loan.
- The interest rate is 6% per annum on outstanding balances, repayable from project revenues.
- The Construction Loan matures on March 31, 2020. The Developer may extend the maturity total two years to March 31, 2022 if the Purchase and Sale Agreement is extended.

Loan Repayment

- With each closing, 50% of Net Proceeds paid to reduce the Developer's Unsecured Loan of \$626,000 (for pre-development costs) and 50% paid to reduce the City's Construction Loan.
- After the Unsecured Loan is repaid, the City receives 100% of the Net Sale Proceeds (and other project related revenues) to repay the Construction Loan.
- After the Construction Loan is repaid, the City and the Developer equally share the first \$200,000 of profits. Thereafter, the City receives 30% and the Developer receives 70% of profits.
- The Developer will receive \$350,000 for general project management portioned out over six closings.

- **Cost Overruns.** The construction cost may increase due to unforeseen conditions that may result in losses for both the Developer and City.
- **Downturn in the Economy.** If a recession were to occur before sale of all parcels, it may depress property values.
- **Cracker Barrel, Sonic and/or Hotel investor Terminate.** If for some unforeseen reason a user terminate the deal, the Developer will need to find another user which may cause the loan to remain outstanding for a longer duration.
- **Developer is unable to build the entire site.** If the Developer is unable to develop the entire site after completing the on-site improvements, the City continues to own the site but a new developer may offer less for the land, resulting in a write-down.

Budget Impact

- Upon full build-out, the City will realize approximately **\$150,000** per year in new general fund revenues (sales taxes, property taxes and utility taxes). The City anticipates approximately **\$315,000** annually from transient occupancy tax if the hotel is developed.
- Staff proposes to utilize General Fund reserves of **\$3,700,000** for the Construction Loan.
- The City Council previously appropriated General Fund reserves of \$3,003,000 to acquire the site. Adding the Construction Loan increases the total General Fund reserve funding for the project to **\$6,703,000**.

General Fund Repayment

If the Developer utilizes the entire \$3,700,000 Construction Loan, Staff expects the City to receive approximately **\$7,145,000** that exceeds by about **\$444,000** the \$6,703,000 expended from the General Fund, as follows:

- **\$297,000** gain for the land purchase price of \$3,300,000 against costs of \$3,003,000.
- **\$147,000** in construction loan interest received if the entire \$3,700,000 loan is utilized.

In addition, the City may receive between **\$135,000** to **\$250,000** in project profits as contingent interest.

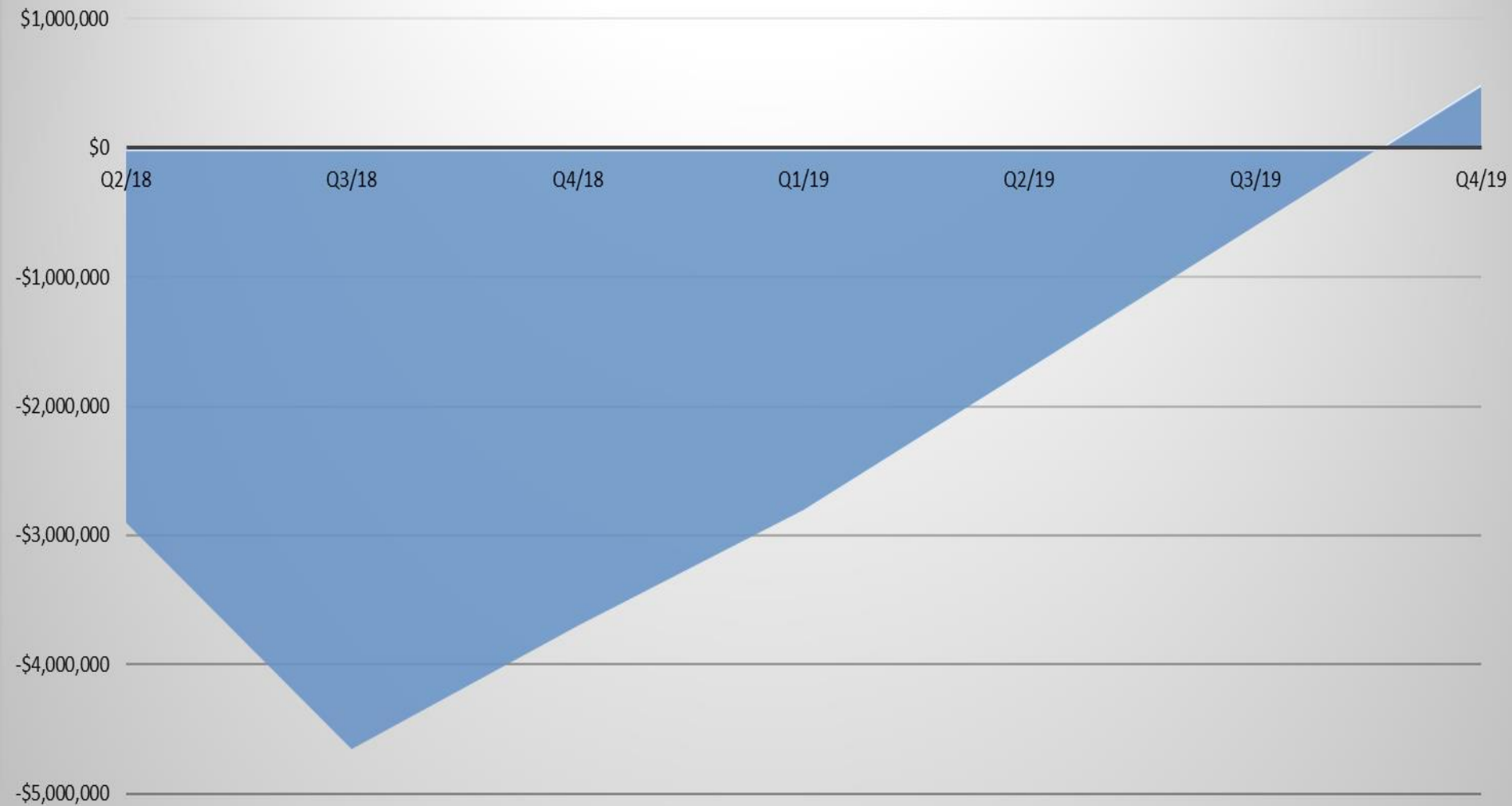
Repayment Table

	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Totals*
Land Transaction								
Parcel Number Sales	1/2		6	3		4	5	
Land Purchase Investment	\$ (3,003,000)			\$	-	\$ -		\$ (3,003,000)
Land Sales Proceeds	\$ 1,510,000	\$ -	\$ 634,000	\$ 437,000	\$ -	\$ 418,000	\$ 301,000	\$ 3,300,000
Net Land Cashflow	\$ (1,493,000)	\$ -	\$ 634,000	\$ 437,000	\$ -	\$ 418,000	\$ 301,000	\$ 297,000
Construction Loan								
Other Construction Expenditures	\$ (1,796,000)	\$ (1,874,000)	\$ (30,000)	\$ -	\$ -	\$ -	\$ -	\$ (3,700,000)
Construction Loan Repayment	\$ 487,260	\$ 300,000	\$ 873,454	\$ 1,173,172	\$ -	\$ 772,143	\$ 241,325	\$ 3,847,354
Construction Loan Cashflow/Interest	\$ (1,308,740)	\$ (1,574,000)	\$ 843,454	\$ 1,173,172	\$ -	\$ 772,143	\$ 241,325	\$ 147,354
								\$ -
Quarterly Cashflow	\$ (2,801,740)	\$ (1,574,000)	\$ 1,477,454	\$ 1,610,172	\$ -	\$ 1,190,143	\$ 542,325	
Cumulative Cashflow	\$ (2,801,740)	\$ (4,375,740)	\$ (2,898,286)	\$ (1,288,114)	\$ (1,288,114)	\$ (97,971)	\$ 444,354	\$ 444,354
<u>Revenue</u>								
Land Sales Proceeds								\$ 3,300,000
Construction Loan Repayment								\$ 3,847,354
Total Revenue								\$ 7,147,354
<u>Expenses</u>								
Land Purchase Investment								\$ (3,003,000)
Construction Expenditures								\$ (3,700,000)
Total Expenses								\$ (6,703,000)
Over/(Under)								\$ 444,354

* Based on the developer utilizing the entire \$3,700,000 Construction Loan

Repayment Chart

Cumulative Cashflow



Recommendation

- Approve a (1) Purchase and Sale Agreement to convey City parcels and a (2) Construction Loan Agreement for \$3,700,000 between the City of Rialto and Ayala@210LLC.
- Adopt a City Budget Resolution appropriating reserves for the Construction Loan funding.
- Authorize the City Attorney to make non-substantive technical changes to the Purchase and Sale Agreement and the Construction Loan Agreement.