



# City of Rialto

## Legislation Text

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For City Council Meeting [June 12, 2018]

TO: Honorable Mayor and City Council Members

APPROVAL: Robb R. Steel, Interim City Administrator

Request the City Council 1) Approve extending the escrow period for six months to December 29, 2018 by depositing \$115,000 non-refundable with the County of San Bernardino as Seller; 2) Adopt **Resolution No. 7353** Appropriating \$4,485,000 from General Fund Reserves to acquire the 13 acre Property at the southwest corner of Casmalia Avenue and Alder Avenue; and, 3) Authorize the City Administrator to execute appropriate documentation, in a form approved by the City Attorney, authorizing the extension.

**(ACTION)**

### **BACKGROUND:**

On June 13, 2017, the City Council approved an Amended and Restated Purchase and Sale Agreement ("Agreement") between the City and the County of San Bernardino for the purchase of County property (portions of APN 1119-241-01 and 02) consisting of approximately 13.22 acres situated south of Casmalia Avenue and west of Alder Avenue ("Property"). Attached is a map showing the subdivision of the site into two parcels (**Exhibit A**) and a copy of the Agreement (**Exhibit B**).

The Property consists of two parcels: a 6.00 acre parcel beginning at Alder Avenue and going westerly ("Six Acre Parcel") and a second parcel of 7.22 acres situated west of the Six Acre Parcel ("Seven Acre Parcel"). The City acquired an option to purchase the entire site or each parcel individually. The purchase price for each parcel is \$2,300,000 or \$4,600,000 total.

The City initially intended to convey the Six Acre Parcel to Arrow United for a heavy metal recycling facility and seek a buyer for the Seven Acre Parcel. On August 25, 2017, Arrow United terminated its option to purchase the Six Acre Parcel.

On September 11, 2017, the City Council directed staff to proceed with acquisition and replace Arrow United's escrow deposit of \$115,000. On September 25, 2017, the due diligence period ended and escrow released the City's \$115,000 deposit to the County.

### **ANALYSIS/DISCUSSION:**

The City has until June 29, 2018, to either close escrow or extend escrow for an additional six months by releasing an additional \$115,000 to the County. The City needs to decide by December 29, 2018, to purchase either or both parcels. All deposits are non-refundable, but applicable to the purchase price.

The City Council approved a Professional Agreement with Kosmont Companies to initiate marketing efforts to seek RV and auto dealers. In March 2018, Kosmont provided a marketing activity update (**Exhibit C**).

In April and May 2018, staff met with two RV dealers expressing interest in the Property. The City responded with information requested by the dealers and the City continues to solicit interest in the Property.

As noted above, the City must decide by June 29, 2018, to deposit an additional \$115,000 or the Agreement ends and the City forfeits the original deposit of \$115,000. Staff proposes to appropriate \$4,485,000 from General Fund reserves to encompass the second deposit and the purchase price for both parcels. The City will replace some or all of the general fund reserves when it sells the Property to an end user. The holding period for the Property could be short-term or long-term, depending upon market conditions and the City's specific user requirements.

#### **ENVIRONMENTAL IMPACT:**

The action is an administrative activity of the City Council and the California Environmental Quality Act (CEQA) does not define it as a Project. Pursuant to Section 15378 of CEQA, a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. A Project does not include organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment, such as: (1) Government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, or (2) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

#### **GENERAL PLAN CONSISTENCY:**

The City of Rialto has identified several goals and objectives within the City's adopted General Plan through which the City looks to improve the community.

**Goal 3-1: Strengthen and diversify the economic base and employment opportunities, and maintain a positive business climate.**

**Goal 3-3: Attract, expand, and retain commercial and industrial businesses to reduce blighted conditions and encourage job growth.**

#### **LEGAL REVIEW:**

The City Attorney has reviewed and approved the staff report.

#### **FINANCIAL IMPACT:**

##### **Operating Budget Impact**

The deposit does not impact the operating budget. If the City acquires one or both parcel, then the City will incur costs to maintain the site.

##### **Capital Improvement Budget Impact**

On September 11, 2017, the City Council appropriated \$115,000 as a non-refundable deposit toward the purchase of the Property. To preserve the option to purchase, the City must deposit an additional \$115,000 prior to June 29, 2018 and deposit an additional \$4,370,000 to close by December 29,

2018.

Staff proposes to utilize General Fund reserves up to \$4,485, 000 to make the \$115,000 immediate deposit and subsequently advance the final installment of \$4,370,000 to purchase the Property in December 2018. Staff recommends transferring \$4,485,000 from the General Fund Reserve (Fund 010) and increase funding of \$4,485,000 in Account Number 010-500-4255-3001. The City will then advance the \$115,000 deposit from Account Number 010-500-4255-3001.

The City does not have any unencumbered General Fund reserves. To complete this appropriation, the City Council must approve either (1) the use of operational reserves (established at 50% of the operating budget by Resolution No. 5169) or (2) use other funds allocated for capital projects (the allocation for the Baca/Turch Park Project is the likely candidate since the schedule for that project is a few years off). Resolution No. 5169 authorizes the City Council to use the reserve fund by Council action to address budget needs from time to time at the Council's sole discretion. For FY18, the operational reserve amounts to \$38,891,949. Appropriating \$4,485,000 will reduce the operating reserve to 44.2% of the approved FY18 operating budget. When the Property sells, the City will return the proceeds to the operating reserves. The resale could occur as early as FY19, although closing will depend upon finding the appropriate user upon desirable terms.

**RECOMMENDATION:**

Staff recommends that the City Council:

- 1) Approve a second deposit of \$115,000 to extend escrow for an additional six months from June 29, 2018 to December 28, 2018.
- 2) Adopt a Budget Resolution (**Exhibit D**) appropriating reserves to fund the purchase of the Property.