



# City of Rialto

## Legislation Text

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**File #:** CC-19-751, **Version:** 1

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For City Council Meeting [August 13, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Rod Foster, City Administrator

FROM: Robb R. Steel, Assistant CA/Development Services Director

Request City Council to Approve an Exclusive Right to Negotiate an Agreement with Orbis Real Estate Partners for the Purchase of Approximately 2.84 Acres of Rialto Successor Agency Property and 0.29 acres of City owned Property at the intersection of Renaissance Parkway and Laurel Avenue.

### **BACKGROUND:**

On May 23, 2006, the former Redevelopment Agency acquired a 2.84-acre parcel (APN 0240-211-21) from the GPN Partnership for the purchase price of \$1,051,535 (the "RSA Parcel"). The City designated the vacant site as "City Disposition" in the Long Range Property Management Plan, allowing the City the option to acquire the parcel for development purposes subject to the negotiation of a compensation agreement with affected taxing entities.

On January 25, 2016, the City acquired the 0.29-acre vacant parcel via a tax sale for \$2,000 (the "City Parcel"). The parcel appears to be the ½ width of vacated Laurel Avenue north of Renaissance Parkway.

The parcel map showing the RSA Parcel and the City Parcel is attached hereto as **Exhibit A**.

The City received an unsolicited offer dated May 24, 2019 from Orbis Real Estate Partners to purchase the GPN Parcel from the Successor Agency (**Exhibit B**). The proposer offered \$2,000,000 for the 2.84-acre parcel, or \$16.17 per square foot. Orbis has also entered into a purchase agreement with the adjoining owner (Gary Dou) for 3.30 acres. The total assembled site would approximate 6.40 acres, and the developer proposes to construct a 152,000 square foot industrial building.

### **ANALYSIS/DISCUSSION:**

Orbis Real Estate Partners ("Developer") is a fully integrated real estate investment and development firm that pursues investments on the west coast (see Developer's Statement of Qualifications attached as **Exhibit C**). Orbis recently acquired a 53-acre industrial site in the City of Eastvale for proposed development of 10 buildings totaling 715,000 square feet.

The RSA has the entitlement under the approved Long Range Property Management Plan (LRPMP) to market the RSA Parcel for development purposes. The City would decline to acquire the RSA Parcel, which will then subject the RSA Parcel to the rules for Successor Agency Disposition

Properties. The rules for Successor Agency Disposition Properties require the RSA to negotiate the sales price subject to approval by the Oversight Board and the DOF. The County Auditor Controller distributes the proceeds from such sales to all taxing entities according to established formulas. Under the rules for City Disposition Properties, the City must first enter into a compensation agreement with all affected taxing entities.

The City Parcel does not require external approvals. The City will retain 100% of the proceeds of sale.

The ERN provides Orbis an exclusive right to negotiate a Disposition and Development Agreement and/or purchase and sale agreement with the City and the RSA to acquire and develop the RSA Parcel and the City Parcel. The ERN precludes the City from considering offers from another buyer. During the ERN period, Developer must prepare site plans and submit entitlement application(s) to the City Planning Division to develop the Project. Developer submitted draft site plan options attached hereto as **Exhibit D**.

An ERN confers no development rights, but is simply a good faith statement of the party's intention to negotiate agreement(s) on terms acceptable to both parties. The ERN will automatically terminate on October 23, 2019 ("ERN Deadline") if the parties have not completed agreement(s) for consideration by the City Council. If, for some reason, the City and Developer cannot enter into an agreement prior to the ERN Deadline then the City Council may consider an extension.

During the negotiation period, the primary tasks for the parties are:

1. Developer shall prepare site and other required plans for submittal as part of entitlement applications.
2. Developer shall submit required entitlement application(s) to the Planning Division to develop and operate an industrial facility. The parcels are currently zoned Corporate Center in the Renaissance Specific Plan, and must be re-designated for industrial purposes (as Freeway Incubator, Business Park or Employment).
3. Developer must comply with CEQA prior to the City Council's consideration of an agreement (s) for the development of the Project.
4. RSA shall obtain an appraisal for the RSA Parcel and the City Parcel and prepare a purchase and sale agreement between the RSA and Developer. The appraisal shall be undertaken immediately so the Developer knows the City and RSA's sales price.

The ERN grants limited site control to the Developer pending negotiation of an agreement, which grants certainty to the Developer that the City will not entertain outside offers.

#### **ENVIRONMENTAL IMPACT:**

The request is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), 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. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

### **GENERAL PLAN CONSISTENCY:**

The proposed action fulfills the following General Plan Goals and Policies related to Economic Development:

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

Policy 3-1.2: Encourage a variety of businesses to locate in Rialto, including retail, high technology, professional services, clean industries, logistics-based businesses, and restaurants/entertainment uses to promote the development of a diversified local economy.

Policy 3-1.4: Encourage the consolidation of smaller lots of industrial and commercial areas to attract larger industrial businesses or commercial projects.

The proposed project consolidates disjointed lots into a suitable development parcel for industrial development, the highest and best use of the subject parcel.

### **LEGAL REVIEW:**

The City Attorney reviewed and approved the staff report and Exclusive Right to Negotiate Agreement.

### **FINANCIAL IMPACT:**

#### Operating Budget Impact

The ERN requires the Developer to provide the City a Good Faith Deposit of \$10,000.00 that the City may utilize for professional services, if needed. The City must reimburse the Developer any unused funds from the Good Faith Deposit. The Good Faith Deposit will be deposited in Account No. 010-400-4255-7598 and professional services expenses paid from Account No. 010-500-4255-2011.

The future sale of the RSA Parcel will produce property tax distributions for the City General Fund (approximately 14% of the sales price). The future sale of the City Parcel will produce land sales proceeds for the City General Fund.

#### Capital Improvement Budget Impact

This action has no impact.

### **RECOMMENDATION:**

Staff recommends that the City Council approve the Exclusive Right to Negotiate Agreement (**Exhibit E**) by and between the City of Rialto and Orbis Real Estate Partners.