



STAFF REPORT

DATE: NOVEMBER 20, 2018
TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS
FROM: BILL SMITH, CITY MANAGER
PREPARED BY: ARTHUR MORGAN, ECONOMIC DEVELOPMENT MGR
SUBJECT: A PUBLIC HEARING TO CONSIDER THE ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON APPROVING THE SALE OF CITY PROPERTY AT WALIN STREET AND BARTON ROAD (0164-242-06) PURSUANT TO A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF COLTON AND ICO REAL ESTATE GROUP, INC.

RECOMMENDED ACTION

Staff recommends that the City Council take the following action:

Adopt Resolution No. R-119-18, making findings that the Public Interest and Convenience require a sale of City-owned property pursuant to a Disposition and Development Agreement (“DDA”), substantially in the form attached; by and between the City and ICO Real Estate Group, Inc. (“Developer”).

BACKGROUND

In April, 1989, the City purchased parcel APN# 0164-242-06 (“Property”) with the intent of constructing a Fire Station. Ultimately, that Station was built in another location. In 2011, staff was in discussions with adjacent property owners of medical offices and facilities to purchase the Property. The adjacent owners wanted to purchase the site for parking, but were not willing to pay the appraised value (\$370,000) that the Site could command due to its C-2, or General Commercial zoning.

Since 2011, staff has been working with a real estate broker to find a developer for the Property. The site is south of and behind the lots facing Washington; therefore, not visible to traffic on Washington, making it a lower-quality site for retail. Barton Road is a less-travelled road, and

on a much higher grade than the lot, which would make a commercial project facing Barton Road less feasible as well.

In June 2018, Developer met with staff to seek market rate housing construction opportunities. Staff presented the Property to Developer to consider as a possible housing opportunity, due to lack of interest as a commercial site, and the Property adjacency to residential on the west. Though a Zone Change and General Plan Amendment are required, the Developer expressed an interest in entering into a DDA with the City to develop that site.

On August 21, 2018, the Council authorized staff to begin negotiations with Developer for purchase and development of the 0.85 acre parcel on Walin Street at Barton Road as market rate housing. The Developer is aware of necessary actions, such as a Zone Change and General Plan Amendment, and the cost estimate attached to those actions. Developer is aware of the recent appraisal update, with a residential value of \$148,000 for the 0.85 acre site. Developer has expressed his wish to purchase the land and has agreed to build a residential development. The structure of sale and development of the property will be completed through a DDA with the Developer.

The California Government Code authorizes the City Council to sell the City Parcel pursuant to a DDA upon the City Council adopting a Resolution of Intent (Resolution R-108-18 adopted on October 16, 2018), finding that the public interest and convenience require the sale and declaring the intention to sell the Property. The Government Code requires the following for conveyance of a property for non-public purposes:

1. The Resolution of Intent must fix a time for hearing protests to the sale of the Property, which is set for November 20, 2018;
2. Provide for publication of notice of the hearing in the Colton Courier, published on November 8, 2018;
3. Fix the time when the City will take final action regarding the City Parcel conveyance, said final action scheduled for November 20, 2018; and
4. Provide an accurate description of the property to be conveyed on all public documents related to this action.

The Government Code also requires that the DDA be presented to the City's Planning Commission for its report on whether the conveyance of the Property from the City to Developer is in conformance with the City's General Plan. An Informational Report was presented to the Planning Commission, explaining that a General Plan Amendment and a Zone Change are required before a Finding of Consistency with the General Plan is possible. That Informational Report was presented at the regular Planning Commission meeting of November 13, 2018. The Commissioners are aware that the project will return to the Planning Commission when the Developer applies for a Zoning Change and General Plan amendment along with the Commission's consideration of the Project and the DDA, when the legislative actions are adopted.

Developer's proposal calls for the purchase of the Site, comprised of approximately 0.85 acres. The proposed development is the creation of an approximately seven (7) small lot subdivision for the

construction of seven (7) compact single family homes. Incorporating the above terms, a DDA by and between the City and the Developer has been prepared for consideration by the City Council.

ISSUES/ANALYSIS

The DDA is the sale and development agreement by and between the City and the Developer. That agreement will govern the actions necessary to apply for the General Plan Amendment and the Zone Change, which Developer has agreed will be processed solely at his cost. These actions are necessary for development of a residential development. The Developer will close escrow on the Property upon entitlement approval and subject to the terms of the DDA.

Salient Points of the DDA

1. The Purchase Price for the approximate 0.85 acres is \$148,000 (assuming residential zoning is in place) and includes a \$25,000 deposit. The balance is to be paid at the close of escrow.
2. Escrow opens immediately after the signing of the DDA by all parties.
3. Developer is responsible for the costs of the General Plan Amendment and Zone Change processes.
4. Developer has a 120 day Due Diligence Period, pursuant to conditions in the DDA.
5. Escrow costs are to be split between City (50%) and Developer (50%), known as “standard split”. City’s portion will be taken from the sale proceeds.
6. There is no real estate broker involved in this transaction, so no broker fees will be paid as part of this transaction.
7. Close of Escrow to occur when Project Entitlements are in place.
8. Project Completion must occur within 12 months after the Close of Escrow.

If there are no protests at the public hearing, the City Council may approve the DDA. If the City receives any protests, written or oral, prior to the close of the public hearing, the City Council may overrule the protests by a 4/5 vote of the City Council.

FISCAL IMPACTS

The book value of the land is \$21,172.34. Gross sale proceeds are \$148,000. Pursuant to the DDA, escrow costs of the City, estimated at \$5,000, will be paid from the gross sale proceeds so the City will realize a Gain from the Sale of Land in the amount of \$121,827.66. With the

amount of time necessary for the zone change and general plan amendment, the sale will most likely occur within Fiscal Year 2019-20.

When the Property is developed and the homes are sold, each home will be on the property tax rolls and create property tax revenue for the City.

ALTERNATIVES

1. Provide alternative direction to staff.

ATTACHMENT

1. Attachment "A" - Aerial of City-owned Property
2. Attachment "B" - Resolution R-119-18 with Disposition and Development Agreement attached as Exhibit "C"