



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 22, 2014

FROM: COMMUNITY DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: PROPOSED PURCHASE AND SALE AGREEMENT WITH RATKOVICH PROPERTIES, LLC FOR THE SALE AND DEVELOPMENT OF THE IMPERIAL HARDWARE BUILDING AND ADJACENT TUMBLEWEED LOT, IDENTIFIED AS ASSESSOR PARCEL NUMBERS 213-271-005, 006 AND 007

ISSUE:

The issue for City Council consideration is the approval of a Purchase and Sale Agreement with Ratkovich Properties, LLC for the sale and development of the Imperial Hardware Building and adjacent Tumbleweed Lot, identified as Assessor Parcel Numbers 213-271-005, 006 and 007 (Attachment 1).

RECOMMENDATIONS:

That the City Council:

1. Approve the Purchase and Sale Agreement (Attachment 2) with Ratkovich Properties, LLC (Ratkovich) for the sale and development of the Imperial Hardware Building and adjacent Tumbleweed Lot, identified as Assessor Parcel Numbers 213-271-005, 006 and 007 (Property); and
2. Authorize the City Manager or his designee to execute the Agreement, including making minor non-substantive changes and to sign all documents and instruments necessary to complete the transaction.

BACKGROUND:

Pursuant to the Redevelopment Dissolution Statutes Assembly Bill x1 26 and Assembly Bill 1484, and now that the title transfers have been approved by the Department of Finance (DOF), the City is the owner of the Imperial Hardware Building and adjacent Tumbleweed Lot, which were transferred to the City from the former Redevelopment Agency of the City of Riverside.

On March 6, 2014 the DOF approved the Successor Agency's Amended Long Range Property Management Plan (Plan) and the Oversight Board adopted a resolution authorizing implementation of the Plan on April 10, 2014, which included approval to transfer the Property from the Successor Agency to the City for future development purposes pursuant to Health and Safety Code Section 34191.5(c)(2).

The Imperial Hardware Building is historically significant and is designated as City Structure of Merit No. 296 and is a district contributor to the National Register Eligible Mission Inn Historic District. Over more than 100 years, the Imperial Hardware Building has evolved and has been occupied by various tenants and uses. The Imperial Hardware Building's final tenant vacated the premises in the late 1980's and the building is currently being used for storage. In its current state, the building has fallen into a state of disrepair and has not been seismically upgraded. The adjacent Tumbleweed Lot is currently being used as a public parking lot under the management of the City's Public Works Department.

On April 9, 2013 the Successor Agency approved entering into an Exclusive Negotiation Agreement (ENA) with Ratkovich, a developer with extensive background in the adaptive reuse of historic structures, for the potential development of the Imperial Hardware Building and adjacent Tumbleweed Lot. The term of the ENA was 6-months with three 6-month options to extend.

Since the execution of the ENA, staff has continued to negotiate with Ratkovich, which has submitted a purchase and development proposal for the Imperial Hardware Building and adjacent Tumbleweed Lot. With this in mind, staff has developed the Agreement, which includes the following key provisions:

- Ratkovich obtaining entitlements and closing escrow within 675 days from execution of the Agreement (subject to mutually agreeable extensions);
- Ratkovich constructing a mixed-use, multi-story apartment building with leasable retail space on the ground floor within 18 months from close of escrow (subject to a mutually agreeable 3 month extension);
- Development shall comply with all zoning, planning and building laws including the design standards of the Downtown Specific Plan, however Ratkovich may apply for a parking variance and/or conditional use permit with regard to height and density;
- Ratkovich integrating and preserving the Imperial Hardware Building historic façade and extending the development onto the adjacent Tumbleweed Lot;
- Ratkovich relocating the existing Main Street Riverside fountain equipment (currently located in the northwest corner of the Tumbleweed Lot) to a mutually agreeable location;
- Ratkovich acquiring the Property for \$1, as determined by the following: the Imperial Hardware Building and Tumbleweed Lot were collectively appraised at \$495,000 in August 2012. However, the appraisal did not take into consideration the cost of preserving the historic façade and relocation of the fountain equipment. Ratkovich provided an estimate of his hard cost burden to preserve the existing façade, restore the basement and relocate the fountain pump at approximately \$970,000. If Ratkovich adds his projected soft costs, the total cost burden would be over \$1.3 million. Therefore, staff believes these mitigating factors justify a purchase price of \$1 since these costs exceed the appraised value;
- Ratkovich is prohibited from selling or transferring the property to a tax-exempt entity;
- Property shall revert to the City if deadlines for commencement and completion of construction are not met, with provisions for delays due to acts beyond the Buyer's control;
- Ratkovich may seek damages in an amount not to exceed 80% of Ratkovich's actual costs and expenses (incurred for the project) should City default on the Agreement; and
- City may terminate the agreement should Ratkovich default on the Agreement.

The proposed project will increase property taxes and provide construction and full time jobs, eliminate blight and bring additional residents to the Downtown area, which will benefit existing retailers, restaurants and other businesses. The ground floor space along Main Street Riverside and University Avenue will be designed with a commercial storefront and will be marketed to retailers, cafes and restaurant users. The proposed apartment units will be marketed to professionals currently working in the Downtown area who desire an urban lifestyle within walking distance of their office or business.

The Ratkovich team has a combined 45 years of real estate development experience and has developed residential, mixed-use and commercial projects throughout the Southern California region, with notable experience in historic districts and the adaptive re-use of historic buildings such as the Wiltern Theater, Pellissier Building and Chapman Market in Los Angeles and the Edison Lofts in Long Beach. Furthermore, Ratkovich's approach to design of the project has included (and continues to be) the engagement of key community stakeholders such as historical groups, business owners, the Pick Group and various City representatives and staff.

As such, staff recommends that the City Council approve the Purchase and Sale Agreement with Ratkovich for the sale and development of the Imperial Hardware Building and adjacent Tumbleweed Lot and authorize the City Manager or his designee to execute the Agreement including making minor non-substantive changes and to sign all documents and instruments necessary to complete the transaction.

FISCAL IMPACT:

There is no fiscal impact to the General Fund. However, should the City default under any of the terms of the Agreement, Ratkovich shall be entitled to collect damages for its reasonable and actual out of pocket costs and expenses incurred for the project, by providing written documentation of said costs and expenses, which amount shall not exceed 80 percent of the actual costs and expenses. Furthermore, the \$1 proceeds from the sale of the Imperial Hardware Building and adjacent Tumbleweed Lot will be deposited into an account to be determined by the Finance Director.

Prepared by: Emilio Ramirez, Deputy Director
for Al Zelinka, FAICP, Community Development Director

Certified as to availability of funds: Brent A. Mason, Finance Director/Treasurer

Approved by: Deanna Lorson, Assistant City Manager
for Scott C. Barber, City Manager

Approved as to form: Cristina Talley, Interim City Attorney

Attachments:

1. Site Map
2. Purchase and Sale Agreement