



# Agenda Report

## Fullerton City Council

**MEETING DATE:** JULY 16, 2024

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

**PREPARED BY:** TAYLOR SAMUELSON, SENIOR ADMINISTRATIVE ANALYST

**SUBJECT:** RECOGNIZED OBLIGATION PAYMENT SCHEDULE ENFORCEABLE OBLIGATION NUMBER 62 SALE AND PURCHASE AGREEMENT FOR MILLER PROPERTY AT 127 WEST CHAPMAN AVENUE

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### SUMMARY

Consideration of Successor Agency purchase of the Miller Property at 127 West Chapman Avenue in accordance with California Department of Finance (DOF) approved Recognized Obligation Payment Schedule (ROPS FY 2024-25 Line Item No. 62) and Successor Agency assignment of property interest to the City.

### PROPOSED MOTION

1. Authorize City Manager, or designated staff, to effectuate and complete purchase of certain real property located at 127 West Chapman Avenue, APN No. 032-212-15, as Successor Agency to the City of Fullerton, for a CBRE appraised fair market value in line with executed agreement, using approved RPTTF funds, fulfilling ROPS enforceable obligation No. 62.
2. Authorize City Manager to execute Quitclaim Deed or similar conveyance instrument, including a Certificate of Acceptance, to transfer real property at 127 West Chapman Avenue, APN No. 032-212-15, from the Successor Agency to the City of Fullerton pursuant to the Sale and Purchase Agreement to use as a public parking lot.
3. Adopt the following resolutions:

RESOLUTION NO. 2024-XXX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING TRANSFER FROM THE FULLERTON SUCCESSOR AGENCY AND ACCEPTANCE BY THE CITY OF FULLERTON OF TITLE OWNERSHIP FOR REAL PROPERTY LOCATED AT PARCEL NUMBER 032-212-15

RESOLUTION NO. SA 2024-XXX - A RESOLUTION OF THE SUCCESSOR AGENCY OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING TRANSFER FROM THE FULLERTON SUCCESSOR AGENCY AND ACCEPTANCE BY THE CITY OF FULLERTON OF TITLE OWNERSHIP FOR REAL PROPERTY LOCATED AT PARCEL NUMBER 032-212-15

#### ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Do not acquire the property and return RPTTF funding, which would require extending the Miller lease
- Other options brought be City Council.

#### STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

#### CITY MANAGER REMARKS

The City Manager recommends approval to purchase the Miller Property through the Successor Agency.

#### PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

#### FISCAL IMPACT

The purchase and title transfer have no impact on the City General Fund. The Orange County Oversight Board and DOF approved the use of RPTTF funds (FY 2024-25 ROPS, Line Item No. 62) not to exceed \$6,000,000 to acquire the property. The purchase price and payment for all costs and expenses associated with closing escrow for the property will determine the final amount. Any remaining balance from the \$6,000,000 will return to the Orange County Auditor-Controller pursuant to the Dissolution Law reconciliation process.

#### BACKGROUND AND DISCUSSION

The DOF approved distribution of Redevelopment Property Tax Trust Fund (RPTTF) funding to complete an “enforceable obligation” of the Successor Agency to the Fullerton Redevelopment Agency to acquire property located at 127 West Chapman Avenue on April 15, 2024. The property has operated under a Redevelopment Agency lease since 2004. Both parties executed a Sale and Purchase Agreement in 2004, which has triggered and becomes operative upon lease expiration on July 31, 2024. The Countywide Oversight Board and DOF have provided all approvals resulting in the

Successor Agency obligation to complete performance under the Sale and Purchase Agreement for property acquisition. Redevelopment dissolution law considers both the lease and the Sale and Purchase Agreement as “enforceable obligations”, California Health and Safety Code Section 34170 *et seq.* (Dissolution Law), enacted and primarily amended by Assembly Bill No. 1X-26 (Stats. 2011, 1<sup>st</sup> Ex. Sess., Ch. 5) (AB26), Assembly Bill No. 1484 (Stats. 2012, Ch. 26) (AB 1484) and Senate Bill No. 107 (Stats. 2015, Ch. 325) (SB 107). The DOF approved ROPS lists these agreements as approved enforceable obligations in Line-Item No. 62. City Council authorized appropriation for this purchase on January 16, 2024 with adoption of the ROPS budget for Fiscal Year 2024-25.

The Redevelopment Agency executed two separate but inter-related agreements on July 6, 2004:

1. An agreement to lease
2. A Sale and Purchase Agreement, both with contracting party Ronald F. Miller and Ronnie D. Miller, co-trustees of the Miller Family Trust (the Lease Agreement and Sale and Purchase Agreement, respectively).

The Lease Agreement, among other provisions, granted a 20-year lease from the Millers, as “Landlord,” to the Redevelopment Agency, as “Tenant,” for the property located at 127 West Chapman Avenue, a 1.2-acre parking lot. The lease term expires July 31, 2024.

The executed Sale and Purchase Agreement, among other provisions, sets forth the terms and conditions for the Redevelopment Agency (now Successor Agency) to acquire the property upon the termination of the Lease Agreement. The City maintains the property and retained liability during its use. The Public Works Department recently replaced LED lights. Public Works maintain the site as a City-owned real estate asset with the purchase of the property.

Acquiring the property under the Sale and Purchase Agreement requires mutual party consent to select a professional appraisal service provider, as well as designate a closing date. The City, acting in its capacity as Successor Agency, retained CBRE to complete a fair market value appraisal of the property. The “Purchase Price” is the “Fair Market Value” of the “Land” as of the date ninety days prior to the closing date of the escrow to facilitate the acquisition of the Property by the Successor Agency pursuant to the Sale and Purchase Agreement. CBRE completed the property appraisal with a \$5,200,000 fair market value. The Miller’s agreed to this “Purchase Price”. The parties have opened escrow and obtained a title officer to facilitate property acquisition with a July 31, 2024 targeted closing date.

The \$6,000,000 RPTTF funds approved by DOF for the purchase of the property will pay costs and fees incurred by the Successor Agency for this transaction, with the remaining balance returned to the Orange County Auditor-Controller pursuant to the reconciliation process in the Dissolution Law. The Sale and Purchase Agreement expressly authorizes the Redevelopment Agency (now Successor Agency) to assign its rights under the Sale and Purchase Agreement to the City.

The escrow would convey the property from the Miller’s to the Successor Agency immediately then convey to the City to expedite fee ownership title transfer to the City.

The proposed motion includes City Manager (or authorized designee) authorization to complete this transaction and transfer of the property, so that the City would become the ultimate owner. The Successor Agency would complete its requirements under the Dissolution Law with respect to ROPS Item No. 62.

The Successor Agency may choose to not acquire the property and return RPTTF funding, but this would force a lease extension with the Miller's, along with a potential ongoing obligation to pay lease rental payments, inconsistent with the DOFs approvals of the Sale and Purchase Agreement as an enforceable obligation and would likely result in the obligation for the Successor Agency to return the RPTTF approved for the property acquisition and potentially further jeopardize funding to dissolve and complete ongoing redevelopment obligations.

Attachments:

- Attachment 1 – Draft Resolution No. 2024-XXX
- Attachment 2 – Draft Resolution No. SA 2024-XXX
- Attachment 3 – Sale and Purchase Agreement – Miller Property
- Attachment 4 – Form of Quitclaim Deed with Certificate of Acceptance

cc: City Manager Eric J. Levitt