



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** NOVEMBER 6, 2018

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** KENNETH A. DOMER, CITY MANAGER

**PREPARED BY:** NICOLE BERNARD, ASSISTANT TO CITY MANAGER

**SUBJECT:** SALE OF CITY PROPERTY (APN: 073-060-16 AND 073-060-25 LOCATED ON THE NORTH SIDE OF ORANGETHORPE AVENUE BETWEEN LEMON STREET AND HARBOR BOULEVARD IN THE TWO PARCELS OF SURFACE PARKING LOT AT THE FULLERTON TOWN CENTER (COSTCO / AMC THEATERS))

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### **SUMMARY**

The City has accepted a Letter of Intent (LOI) from RED Development in which a market rate purchase offer of \$360,000 was made for two City owned parcels totaling approximately one acre. The subject parcels consists of portions of a surface parking lot at the Fullerton Town Center (Costco/AMC Theaters) located on the north side of Orangethorpe Avenue between Lemon Street and Harbor Boulevard.

### **RECOMMENDATION**

Authorize the City Manager, or his designee, to execute a Purchase and Sale Agreement (PSA), in a form to be approved by the City Attorney, and take all necessary actions to complete the sale of the property to RED Development.

Authorize the receipt of proceeds to the General Fund, and a corresponding transfer from the General Fund to the Capital Improvement Fund for Project #44695 – Residential Street Slurry Seal and Miscellaneous Rehabilitation.

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statement:

- Infrastructure and City Assets.

## FISCAL IMPACT

As a one-time revenue source, net proceeds (less expenses for costs such as property appraisal, attorney and escrow closing costs) from the property sale will be directed to fund capital improvements.

## BACKGROUND

Representatives from RED Development, the property owner of the Fullerton Town Center (Costco/AMC Theaters) located on the north side of Orangethorpe Avenue between Lemon Street and Harbor Boulevard, which completely surrounds the City's subject parcels, has been in contact with the City regarding their interest in acquiring the parcels for several years.

Previous to RED's interest in acquiring the parcels, the former property owner, Kimco Realty had submitted an LOI prior to the dissolution of the Fullerton Redevelopment Agency (RDA). At that time, due to the RDA wind down process and various requirements from the California Department of Finance (DOF) the City's ability to consider selling the parcels was required to be put on hold until a Long Range Property Management Plan was approved. During that time, the Fullerton Town Center was sold by Kimco Realty to RED Development.

Once RED Development became the owner, they also expressed interest in acquiring the parcels. The Successor Agency's Long Rang Property Management Plan was approved by DOF in December 2015 at which point the subject parcels were part of a limited set of assets eligible to be immediately transferred from the Successor Agency to the City.

In 2016 RED Development submitted a LOI to purchase the parcels for \$70,000 based upon an appraisal that had been completed in 2012. Staff requested an updated appraisal which valued the parcels at \$280,000 (valuation date of December 5, 2016). RED Development subsequently submitted a revised LOI in consideration of the updated appraised value of the parcels, however their purchase offer remained significantly lower than the appraised market value.

As a property negotiation item in closed session on February 28, 2017, the Council directed staff to reject the purchase offer due to it being significantly less than the market rate appraised value, and take a passive approach to selling the parcels to the adjacent property owner if in the future, the purchase offer was consistent with the appraised market value at that time.

Late in 2017, representatives from RED Development contacted the City and indicated that they were again interested in acquiring the parcels and were amenable to a market rate purchase price. The City paid \$2,500 to update the December 2016 appraisal which as noted above had valued the parcels at \$280,000. The updated appraisal, with a valuation date of December 21, 2017, increased the value of the combined parcels by \$80,000 for a total of \$360,000.

## DISCUSSION

In February of this year, during a closed session property negotiations item, the City Council accepted the attached LOI dated January 4, 2018 from RED Development offering to purchase the City's parcels at the full market value of \$360,000.

In the interim, RED Development requested an abandonment of the portion of Pomona Avenue that enters the shopping center. The 804-foot-long and 37-foot-wide abandonment area consists of street right-of-way and public utilities and, along with the sale of the City-owned parcels within the center, will create a uniform ownership structure to facilitate a comprehensive redesign of the center in the future. The requested abandonment was approved by the City Council on October 16, 2018.

Now that the abandonment has been processed, both parties are ready to proceed with the property sale transaction at the agreed sale price of \$360,000 upon approval by the City Council.

### Attachments:

- Attachment 1 – Signed Letter of Intent
- Attachment 2 – Draft Purchase and Sale Agreement