City of Needles, California
Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☒ Regular ☐ Special

Meeting Date: September 10, 2019

Title: Resolution No. 09-10-2019-SARDA
Purchase Agreement between the Successor Agency and Hooman Davoodi with respect to the real property located on Ice Plant Road (APN 0186-222-07)

Background: Pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Needles Redevelopment Agency was dissolved on February 1, 2012. On January 24, 2012, the City Council of the City of Needles elected to serve as the Successor Agency to the Needles Redevelopment Agency (the "Successor Agency") pursuant to part 1.85 of the California Health and Safety Code (the "HSC"). Pursuant to HSC § 34179, the Successor Agency previously established the Needles Oversight Board to assist in the wind-down of the former redevelopment agency through June 30, 2018, at which time it was dissolved by operation of law. Consistent with HSC § 34179 (j), on July 1, 2018 the San Bernardino Countywide Oversight Board (the "CWOB") was established to assist in winding-down the dissolved redevelopment agencies within the County of San Bernardino.

On October 14, 2015, the Needles Oversight Board approved its Resolution No. 10-14-2015-OB-SARDA, approving the Successor Agency's Long-Range Property Management Plan (the "LRPMP"). The LRPMP includes three (3) real property sites, all of which are designated to be sold. Based on matters completely unrelated to the LRPMP, on December 31, 2015, the California Department of Finance (the "DOF") did not approve the Successor Agency's LRPMP and directed the Successor Agency to sell its real property assets consistent with the applicable provisions of the HSC. Since each of the sites included within the Successor Agency approved LRPMP are designated for sale, the lack of a DOF approval does not affect or change in any way the disposition category or the required procedure for the disposition of the Successor Agency's real property assets.

The Successor Agency is the owner certain real property consisting of an approximate 28.2-acre vacant lot (1,228,828 Square Feet) located on Ice Plant Road, Needles California (APN 0186-222-07) (the "Property"). Within the Successor Agency approved LRPMP, the Property is: i) identified as Site No. 1; ii) zoned general commercial; and iii) more fully described in Exhibit "A" to the attached Resolution, which is an excerpt from the LRPMP.

On August 31, 2018, Hooman Davoodi (the "Buyer") originally offered to purchase the Property for $1,338,947 (a copy of offer of purchase letter is included as Exhibit "B" to the attached Resolution). On September 11, 2018 City Council directed staff to negotiate the sale of the

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Property based on its appraised value. Thereafter, Capital Realty Analysts ("CRA") was engaged to appraise the Property. In its appraisal, effective October 4, 2018, CRA concluded the Property's value is $1.00 per square foot for a total value of $1,228,828 (a copy of the summary of CRA's appraisal is included as Exhibit "C" to the attached Resolution).

As a part of the purchase and sale negotiations, the Buyer has agreed to dedicate to the City a 58,923 square foot portion of the Property in exchange for a $58,923 purchase price offset (which is $1.00 per square foot) for its continued government use as a percolation pond for the City's wastewater plant (the "Wastewater Plant Portion"); Based on the CRA's appraisal, a $58,923 offset for the Wastewater Plant Portion, results in a net value of the remaining portion of the Property of $1,169,905, which the Buyer has agreed to pay. The Buyer has indicated the intention to begin construction of a building having no less than 20,000 square feet on the Property within 24 months after recordation of the Grant Deed (the "Commitment to Develop").

On October 23, 2018, the Successor Agency approved a Purchase Agreement and Joint Escrow Instructions (the "Purchase Agreement") with the Buyer for the Property (less the Wastewater Plant Portion) for $1,169,905 (the "Purchase Price"), which is equal to its appraised value and thus considered a fair and reasonable price. On January 23, 2019, the CWOB adopted its Resolution No. 2019-13 approving the Purchase Agreement. On May 3, 2019, the California Department of Finance denied CWOB Resolution No. 2019-13 primarily on the basis that Section 7.5.3 within the Purchase Agreement, which memorialized the Commitment to Develop, was not permitted as it included provisions allowing the Successor Agency to re-purchase the Property if certain conditions were not met (a copy of DOF's May 3, 2019 letter is included as Exhibit "D" to the attached Resolution).

During negotiations with DOF that occurred prior to DOF's May 3, 2019 letter denying the Purchase Agreement, DOF indicated that if the Purchase Agreement were to be amended to remove Section 7.5.3 and language is added to the approving resolutions requiring the net land sales proceeds to be distributed to the taxing entities through the County Auditor-Controller (the "CAC"), DOF could approve the amended Purchase Agreement. In good faith and consistent with the negotiations with and directions provided by DOF, on March 26, 2019 the Successor Agency approved the amended Purchase Agreement and on June 17, 2019, the CWOB adopted its Resolution No. 2019-33 approving the amended Purchase Agreement.

On August 2, 2019, DOF denied CWOB Resolution No. 2019-33 on the basis that DOF staff believes that when it denies a resolution approving an agreement, that denial by inference means the agreement itself becomes null and void. In addition, DOF staff instructed Successor Agency staff to present a new Purchase Agreement without Section 7.5.3 (a copy of DOF's August 2, 2019 letter is included as Exhibit "E" to the attached Resolution). Although requested, DOF has not provided or identified any basis to confirm the legal validity of the views of DOF's staff as delineated above, which such views are not appealable.

Summary of Negotiation Points:

- Purchase Price $1,169,905
- Closing Date: 300 days from Effective Date
- Although no longer memorialized within the Purchase Agreement, the Buyer has reconfirmed its intent to commence construction of a building having no less than 20,000 SF of building area on the real property within 24 months after recordation of the Grant Deed.
- Buyer shall have the right to assign this Agreement to assign this Agreement to an affiliate.
- The City will retain and subdivide 58,923 square feet of the parcel to continue to use as a percolation pond for the City's wastewater plant. $58,923 will be reduced from the appraised value identified in the restricted appraisal.

The attached Resolution will approve a new Purchase Agreement between the Successor Agency and Hooman Davoodi with respect to the Property (a copy of which is included as Exhibit "F" to the attached Resolution) and authorize certain related actions. Subject to the approvals of the CWOB and DOF, the Successor Agency intends to distribute the land sales proceeds, less the costs of sale, to the CAC for distribution to the taxing entities in proportion to their respective shares of the 1% general tax levy, which will include the City. Consistent with the provisions of the HSC and the LRPMP, the effectiveness of the Purchase Agreement is subject to the approval of the CWOB and DOF.

Consistent with the applicable provisions of the HSC, it is recommended that the Successor Agency approve the attached Resolution.

Fiscal Impact: Once the Property is sold, the Successor Agency will transfer the net Purchase Price to the San Bernardino County Auditor-Controller that will in turn divide and pay over the net Purchase Price to the affected taxing entities in proportion to their respective shares of the 1% general tax levy, which will include the City.

Environmental Impact: The Resolution has been reviewed with respect to applicability of the California Environmental Quality Act (the "CEQA"), the State CEQA Guidelines (California Code of Regulations, Title 14, § 15000 et seq., hereafter the "CEQA Guidelines"), and the City's environmental guidelines and the Resolution does not constitute a "project" for purposes of CEQA, as that term is defined by CEQA Guidelines §15378, because this Resolution is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per § 15378 (b) (5) of the CEQA Guidelines.

Recommended Action: Approve Resolution No. 09-10-19-SARDA of the City Council of the City of Needles, in its capacity as the Successor Agency, approving a Purchase Agreement for

$1,169,905 between the Successor Agency and Hooman Davoodi with respect to the Property located on Ice Plant Road (APN 0186-222-07).

Submitted By: Patrick Martinez, Director of Development Services

City Management Review: Rick **Date:** 9/3/19

Approved: ☐	Not Approved: ☐	Tabled: ☐	Other: ☐
			Agenda Item: 3

RESOLUTION 09-10-2019-SARDA
RESOLUTION OF THE SUCCESSOR AGENCY TO THE NEEDLES REDEVELOPMENT AGENCY APPROVING A PURCHASE AND SALE AGREEEMENT BETWEEN THE SUCCESSOR AGENCY AND HOOMAN DAVOODI WITH RESPECT TO THE REAL PROPERTY LOCATED ON ICE PLANT ROAD, NEEDLES, CALIFORNIA (APN 0186-222-07), AND APPROVING CERTAIN RELATED ACTIONS

WHEREAS, pursuant to Health and Safety Code (the "HSC") § 34172 (a) (1), the Needles Redevelopment Agency was dissolved on February 1, 2012; and

WHEREAS, on January 24, 2012, the City Council of the City of Needles elected to serve as the Successor Agency to the Needles Redevelopment Agency (the "Successor Agency") pursuant to part 1.85 of the California Health and Safety Code (the "HSC"); and

WHEREAS, pursuant to HSC § 34179, the Successor Agency previously established the Needles Oversight Board to assist in the wind-down of the former redevelopment agency through June 30, 2018, at which time it was dissolved by operation of law; and

WHEREAS, consistent with HSC § 34179 (j), on July 1, 2018 the San Bernardino Countywide Oversight Board (the "CWOB") was established to assist in winding-down the dissolved redevelopment agencies within the County of San Bernardino; and

WHEREAS, on October 14, 2015, the Needles Oversight Board approved its Resolution No. 10-14-2015-OB-SARDA, approving the Successor Agency's Long-Range Property Management Plan (the "LRPMP"); and

WHEREAS, the LRPMP includes three (3) real property sites, all of which are designated to be sold; and

WHEREAS, based on matters completely unrelated to the LRPMP, on December 31, 2015, the California Department of Finance (the "DOF") did not approve the Successor Agency's LRPMP and directed the Successor Agency to sell its real property assets consistent with the applicable provisions of the HSC; and

WHEREAS, since each of the sites included within the Successor Agency approved LRPMP are designated for sale, the lack of a DOF approval does not affect or change in any way the disposition category or the required procedure for the disposition of the Successor Agency's real property assets; and

WHEREAS, the Successor Agency is the owner certain real property consisting of an approximate 28.2-acre vacant lot (1,228,828 Square Feet) located on Ice Plant Road, Needles California (APN 0186-222-07) (the "Property"); and

WHEREAS, within the Successor Agency approved LRPMP, the Property is: i) identified as Site No. 1; ii) zoned general commercial; and iii) more fully described in Exhibit "A"

attached hereto, which is an excerpt from the LRPMP; and

WHEREAS, on August 31, 2018, Hooman Davoodi (the "Buyer") originally offered to purchase the Property for $1,338,947 (a copy of the offer of purchase letter is attached to this Resolution as Exhibit "B"); and

WHEREAS, on September 11, 2018 City Council directed staff to negotiate the sale of the Property based on its appraised value; thereafter, Capital Realty Analysts ("CRA") was engaged to appraise the Property; and

WHEREAS, in its appraisal, effective October 4, 2018, CRA concluded the Property's value is $1.00 per square foot for a total value of $1,228,828 (a copy of the summary of CRA's appraisal is attached to this Resolution as Exhibit "C"); and

WHEREAS, as a part of the purchase and sale negotiations, the Buyer has agreed to dedicate to the City a 58,923 square foot portion of the Property in exchange for a $58,923 purchase price offset (which is $1.00 per square foot) for its continued government use as a percolation pond for the City's wastewater plant (the "Wastewater Plant Portion"); and

WHEREAS, based on the CRA's appraisal, a $58,923 offset for the Wastewater Plant Portion, results in a net value of the remaining portion of the Property of $1,169,905, which the Buyer has agreed to pay; and

WHEREAS, the Buyer has indicated the intention to begin construction of a building having no less than 20,000 square feet on the Property within 24 months after recordation of the Grant Deed (the "Commitment to Develop"); and

WHEREAS, on October 23, 2018, the Successor Agency approved a Purchase Agreement and Joint Escrow Instructions (the "Purchase Agreement") with the Buyer for the Property (less the Wastewater Plant Portion) for $1,169,905 (the "Purchase Price"), which is equal to its appraised value and thus considered a fair and reasonable price; and

WHEREAS, on January 23, 2019, the CWOB adopted its Resolution No. 2019-13 approving the Purchase Agreement; and

WHEREAS, on May 3, 2019, the California Department of Finance denied CWOB Resolution No. 2019-13 primarily on the basis that Section 7.5.3 within the Purchase Agreement, which memorialized the Commitment to Develop, was not permitted as it included provisions allowing the Successor Agency to re-purchase the Property if certain conditions were not met (a copy of DOF's May 3, 2019 letter is attached to this Resolution as Exhibit "D"); and

WHEREAS, during negotiations with DOF that occurred prior to DOF's May 3, 2019 letter denying the Purchase Agreement, DOF indicated that if the Purchase Agreement were to be amended to remove Section 7.5.3 and language is added to the approving resolutions requiring the net land sales proceeds to be distributed to the taxing entities through the County Auditor-Controller (the "CAC"), DOF could approve the amended Purchase Agreement; and

WHEREAS, in good faith and consistent with the negotiations with and directions provided by DOF, on March 26, 2019 the Successor Agency approved the amended Purchase Agreement and on June 17, 2019, the CWOB adopted its Resolution No. 2019-33 approving the amended Purchase Agreement; and

WHEREAS, on August 2, 2019, DOF: i) denied CWOB Resolution No. 2019-33 on the basis that DOF staff believes that when it denies a resolution approving an agreement, that denial by inference means the agreement itself becomes null and void; and ii) DOF staff instructed Successor Agency staff to present a new Purchase Agreement without Section 7.5.3 (a copy of DOF's August 2, 2019 letter is attached to this Resolution as Exhibit "E"); and

WHEREAS, although requested, DOF has not provided or identified any basis to confirm the legal validity of the views of DOF's staff as delineated in the foregoing recital, which such views are not appealable; and

WHEREAS, this Resolution will approve a new Purchase Agreement between the Successor Agency and Hooman Davoodi with respect to the Property, a copy of which is included as Exhibit "F" attached to the Resolution, and authorize certain related actions; and

WHEREAS, subject to the approvals of the CWOB and DOF, the Successor Agency intends to distribute the land sales proceeds, less the costs of sale, to the CAC for distribution to the taxing entities in proportion to their respective shares of the 1% general tax levy, which will include the City; and

WHEREAS, consistent with the provisions of the HSC and the LRPMP, the effectiveness of the Purchase Agreement is subject to the approval of the CWOB and DOF; and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, BE IT RESOLVED by the Successor Agency to the Needles Redevelopment Agency, as follows:

Section 1. The foregoing recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Purchase Agreement for the purchase and sale of the Property to Mr. Hooman Davoodi for $1,169,905, attached hereto as Exhibit "F," is approved.

Section 3. The Purchase Agreement for the purchase and sale of the Property, attached hereto as Exhibit "F," is approved.

Section 4. The Successor Agency's distribution of the land sale proceeds to the San Bernardino County Auditor-Controller for distribution to the taxing entities, less the costs of sale, is approved.

Section 5. The City Manager, as Executive Director of the Successor Agency, or designee, is hereby authorized and directed to: i) notify DOF concerning this Resolution, in accordance with the applicable provisions of the HSC; and ii) take such other actions and execute such other documents as are necessary to effectuate the intent of this Resolution.

Section 6. This Resolution shall take effect upon the date of its adoption.

PASSED, APPROVED AND ADOPTED this 10th day of September 2019.

_____
Jeff Williams, Chairman

ATTEST

_____
Dale Jones, CMC, Secretary

CERTIFICATION:

I, Dale Jones, CMC, Secretary for the Successor Agency to the Needles Redevelopment Agency, do hereby certify that the foregoing Resolution No. 09-10-2019-SARDA was duly adopted by the Successor Agency to the Needles Redevelopment Agency at a meeting thereof held on the 10th day of September, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____

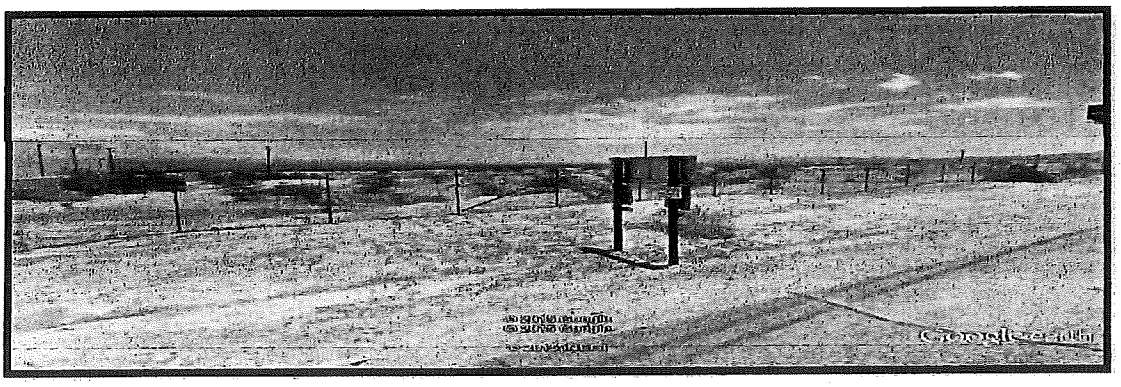
Dale Jones, CMC, Secretary

EXHIBIT "A"

Narrative for Site No. 1
Ice Plant Road, Needles, California
(APN 0186-222-07)
Excerpted from the
Long-Range Property Management Plan
(Pages 6-9)

(See Attachment)

Site No. 1
Vacant Ice Plant Road Commercial Property
Ice Plant Road
APN 0186-222-07



A. ***Permissible Use (HSC § 34191.5(c)(2)):***
Site No. 1 is the Vacant Ice Plant Road Commercial Property (the "Vacant Commercial Property") and is proposed to be sold by the Successor Agency, pursuant to HSC § 34191.5 (c)(2).

B. ***Acquisition of Property (HSC § 34191.5 (c)(1)(A) and § 34191.5(c)(1)(B)):***
Property records indicate that the Vacant Commercial Property was acquired by the Agency in May, 1985. Staff continues to search documents for the acquisition price. The Vacant Commercial Property was acquired by the Agency in order to meet the revitalization goals of the City and the

Agency to alleviate the existence and spread of physical and economic blight. The estimated current value (the "ECV") for the Vacant Commercial Property is $168,000.

C. ***Site Information (HSC § 34191.5(c)(1)(C)):***
The Vacant Commercial Property consists of one (1) 27.61 acre parcel (APN 0186-222-07) located on Ice Plant Road. The Vacant Commercial Property is zoned General Commercial (C-2) within the City's General Plan and Zoning Ordinance. The C-2 designation is generally intended for uses in the central business district (particularly those that are pedestrian oriented) accommodating a wide range of commercial and associated residential uses.

D. ***Estimated Current Value (HSC § 34191.5 (c)(1)(D)):***
To determine the ECV for the Vacant Commercial Property, the Agency conducted a comparable sales analysis through the National Data Collective.[1] The ECV was determined to be approximately $168,000.

Local factors were not taken into consideration in determining the ECV of this site. Therefore, the actual value of the property may vary significantly from the ECV. The ECV is only a rough estimate planning number and should not be relied upon as a basis for actual value. The real value of the property cannot be determined without an appraisal. Once the LRPMP is approved, and as part of its implementation, an appraisal of the Vacant Commercial Property will then be obtained.

E. ***Site Revenues (HSC § 34191.5(c)(1)(E)):***
There are no site revenues generated from the Vacant Commercial Property.

F. ***History of Environmental Contamination (HSC § 34191.5 (c)(1)(F)):***
There is no known history of environmental contamination.

G. ***Potential for Transit Oriented Development (TOD) and the Advancement of Planning Objectives of the Successor Agency (HSC § 34191.5 (c)(1)(G)):***
There is no potential for a TOD in conjunction with the Vacant Commercial Property.

Selling the Vacant Commercial Property advances the planning objectives of the Successor Agency and the City to develop and revitalize this area of the community through the creation of low-income residential opportunities.

H. ***History of Previous Development Proposals and Activity (HSC § 34191.5 (c)(1)(H)):***
Google Earth® indicates that the Vacant Commercial Property has been vacant since at least 1994.

I. ***Disposition of Property:***
The Successor Agency proposes to sell the Vacant Industrial Property in accordance with the Successor Agency's policies and procedures for property disposition as shown in Exhibit "A," Section I, Purchase and Sale Procedures.

Date of estimated current value – July 2015

Value Basis – The ECV was determined by a comparable sales analysis using the National Data Collective subscription service. The ECV is approximately $168,000.

[1] www.ndcdata.com

Local factors that may affect land value were not taken into consideration. Therefore, the actual value of the property may vary greatly from the ECV. The ECV is only a planning number and should not be relied upon as a basis for actual value.

Proposed sale date – TBD and subject to the Successor Agency's implementation of its policies and procedures for property disposition as shown in Exhibit "A."

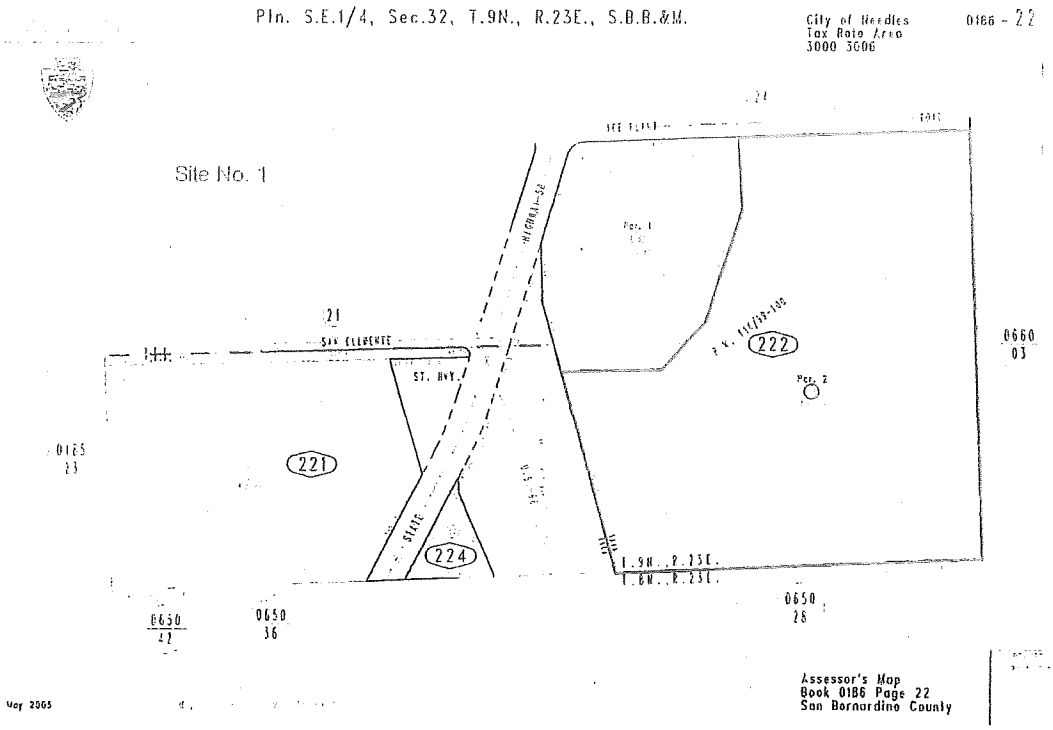
Proposed sale value – TBD and subject to a fair market appraisal conducted by a licensed appraiser.

The Successor Agency notes that in the environment of AB 1484, it may not be possible to achieve appraised values. The Successor Agency will be in charge of the process seeking to achieve successful marketing of properties, and will act with reasonable diligence. However, the constraints and environment of AB 1484 militate against maximizing prices. The actual sales prices to be realized will be a function of what a willing buyer is willing to pay under circumstances where there will be no seller financing and dispositions will be subject to Oversight Board approval. There is no reason to think that book values will be realized.

J. ***Implementation of the Long-Range Property Management Plan:***
Following approval of the LRPMP by the DOF, the Successor Agency will implement the LRPMP.

For properties to be sold, implementation will include distribution of any land sales proceeds for enforceable obligations and/or distributed as property tax to the taxing entities. Due to the vagaries associated with the sale of land, such as uncertainties concerning the timing of sale and the price that would be realized, it is not feasible to precisely state in the LRPMP how the funds will be used. In that regard, once an agreement is reached with respect to the purchase and sale of a property, the agreement will be presented to the Oversight Board for concurrence. The Oversight Board's approval will be evidenced by a resolution that will be submitted to DOF and, per the HSC, is subject to DOF's review. That resolution will include or refer to a staff report which describes with greater particularity, once more facts are known, how the proceeds of sale will be distributed. As noted in Section I – Introduction of the LRPMP, the LRPMP provides that proceeds of the sale may be used for enforceable obligations and/or distributed as property tax to the taxing entities through the County Auditor-Controller. The need to retain some or all of the proceeds of sale for enforceable obligations will depend on whether there is a short-fall in RPTTF in the ROPS cycle during which the escrow is anticipated to close. If a short-fall were to occur in the RPTTF at that time, then all or a portion of the sale proceeds should be used to fulfill an enforceable obligation with any remaining sale proceeds then distributed as property tax to the taxing entities through the County Auditor-Controller. If there is not a short-fall in RPTTF at the time of close of escrow, then land sale proceeds would be distributed as property tax to the taxing entities through the County Auditor-Controller in a manner described at the time of Oversight Board approval as to a particular property sale. Since it is impossible to foresee when and if a short-fall in the RPTTF may occur, or when the property will be sold, the use of the sale proceeds cannot be specifically determined at this time and, therefore, cannot be stated with greater particularity in the LRPMP. However, it is clear that at the time a sale takes place, the sale will be brought back to the Oversight Board and will be subject to review.

Assessor Parcel Map



Additional attachments to this agenda item are on file with the City Clerk and available upon request.

djones@cityofneedles.com

Thank you.