



Legislation Text

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City Council Agenda

Memo to: Manteca City Council
From: Don Smail, Economic Development Manager
Date: June 18, 2019
Subject: Authorization to Sell Certain City Properties at Auction

Authorization to include 282 N. Airport Way and 2215 Daniels Street in the Auction for the Successor Agency Properties; provide direction to staff related to the disposition of other vacant parcels to be discussed.

Background:

On January 16 2018, the Manteca Successor Agency to the Manteca Redevelopment Agency approved the selection of LEEbid Property Auction Group and Lee and Associates - Central Valley ("LEEbid") to provide professional real estate consulting services to conduct a public auction of several former properties of the Manteca Redevelopment Agency. Services included preparation of a "Broker Opinion of Value" (BOV) to help determine the reserve price that would be used as a starting price point in the auction projects. The BOV report was prepared and submitted to staff for review on March 14, 2018 (Attachment A).

The auction process was delayed due to a boundary conflict with one of the parcels and a recent recommendation that all the former redevelopment parcels be appraised prior to sale at auction. Since the two former redevelopment properties are going to be promoted as part of a nation-wide marketing effort using conventional and internet-based outreach efforts, city staff decided to look at other city-owned properties we might be able to include in order to draw even more interest in the auction.

As part of the due diligence process in preparing for the auction, City staff discovered that one of the properties located at 555 Industrial Park Drive (former Qualex property) was still affected by an unresolved boundary line dispute pertaining to an adjacent parcel owned by the Carnegie Group, a boundary issue dating back to the original acquisition. In order to avoid that issue having an effect on the proposed auction, City staff negotiated with the Carnegie Group to execute a de minimus equivalent land swap, and staff retained a contractor to move the existing fence to the proper boundary line. A resolution approving these transactions was adopted by the Successor Agency on March 5, 2019. All work has been completed and the new deeds have been recorded. The City Council has subsequently directed staff to work with State Assemblyman Heath Flora and his staff to investigate legislative alternatives for the disposal of the property.

On April 2, 2019 the Successor Agency passed a resolution supporting Assembly Bill 1732, which proposes to allow Manteca to remove the Qualex property from the auction process and allow for sale of the former RDA property at less than fair market value to a non-profit agency to establish a homeless service center. AB1732 has passed the California State Assembly and is now being heard before committees in the California State Senate. Therefore the Qualex property will not be included in this upcoming auction.

The Long Range Property Management Plan (LRPMP) provides for the Successor Agency to conduct a public auction to sell certain properties in the plan (collectively, the “For Sale Properties”, excluding the former Qualex site). Those vacant properties are identified in the LRPMP as follows:

- a. 1115 S. Airport Way (APN: 241-310-22), 3.1 acres, zoned commercial
- b. 682 S. Main Street (APN: 221-050-14), 8.1 acres, zoned commercial

Richards, Watson and Gershon (RWG), who have been handling our former redevelopment agency activities, recommended that the Successor Agency obtain full appraisals of the auction properties as the preferred method for setting the reserve/starting bid price. RWG was concerned that the California Department of Finance could hypothetically challenge the sale if an appraisal was not used as a basis for setting the reserve price/starting bid price in the auction process.

A local appraiser has been retained, and the appraisal reports should be finished by the end of June. RWG has advised that the cost of auction services including cost of appraisals are an “ordinary cost of sale” and can be deducted from the proceeds of sale prior to forwarding the net proceeds to San Joaquin County for redistribution as provided for in the law.

Once the appraisals have been completed, LEEBid will schedule an auction date and proceed with their Broker partner to conduct an intensive 30 day marketing campaign for sale of the property. At the conclusion of the marketing period, sealed bids will be solicited from qualified bidders along with a bid bond, and received by the final due date. Following the receipt of sealed bids, the submittals will be opened for each property, and the highest qualified bid will be announced. Following the bid announcement, qualified bidders will be invited to submit additional higher bids for a limited time period as prescribed in the auction agreement, until a final sale price is achieved. All sales will be subject to final approval of both the Successor Agency and the Oversight Board.

Assuming the appraisals are completed by June 28th, staff projects that the properties will be marketed for sale by the Auction Company and the Broker and reviewed by potential buyers during the month of July. The final bid submittal date is projected for July 31st, followed shortly by the bid opening and auction re-bids. Assuming a 30 to 45 day escrow, we project all sales to close by the end of September 2019.

The Auction Company and the Broker will handle all sales transactions and administer the escrows with an escrow company approved by the City of Manteca. Ordinary and conventional seller’s costs associated with the real estate transactions will be deducted from the proceeds, along with the cost of appraisals, prior to distribution of the remaining net proceeds, as provided for in the LRPMP, along with the assistance of San Joaquin County Assessor and Tax Collector.

While conducting the auction for the Successor Agency properties, staff recommends that the following properties be included in the upcoming auction as well:

a.) 282 N. Airport Way (APN: 200-14-002), 3.37 acres, zoned R3

This property was originally acquired by Satellite Housing, Inc. for development of an affordable housing project. The Redevelopment Agency provided assistance in the form of a \$1.5 million forgivable loan for acquisition of the property and related costs for the proposed affordable apartment complex. After acquiring the property, the developer was unable to proceed with the project due to the downturn in the economy, and the project was never developed.

In 2010, Satellite Housing, Inc. proposed transferring the property back to the Agency and cancellation of the debt. On August 31, 2010, the Manteca Redevelopment Agency voted to accept the property transfer and cancel the forgivable loan (see Attachment B).

The Manteca Redevelopment Agency was subsequently abolished by the California Legislature and Governor Brown in December 2011. Under the provisions of the state legislation, this 3.37 acre parcel was considered a "housing asset". Ownership was transferred to the Manteca City Council as the "Housing Successor", and the City Council can decide independently what to do with this property.

The 2018 Broker Opinion of Value range for this property is \$587,000 - \$734,000. Because the original source of the loan funds was RDA Low-Mod Income Housing Fund, use of those funds would be restricted to a future investment in affordable housing.

b.) 2215 Daniels Street (APN 241-310-70), 13.74 acres, zoned PQP

This property was originally acquired, as part of a larger 56 acre parcel, by the City of Manteca in 1966 with Sewer Outfall Capacity Charge Funds for \$39,333. Because this property was adjacent to the Manteca WQCF (wastewater plant), the land was acquired for disposal of treated effluent (see Attachment C).

This property was later subdivided, with a larger portion now the Big League Dreams Sports Park (BLD). In 2003 the City signed an agreement to develop the BLD facility and invested \$29 million in Redevelopment funds to build the public park in partnership with BLD, a commercial recreation tenant. That investment helped spur development of Stadium Center, which has become a successful shopping center once BLD opened in 2006.

In 2006 as BLD was about to open, the City of Manteca circulated an RFP for development of a hotel complex on the 2215 Daniels Street site. There was strong response at the time, and many name brand hotel chains wanted to be part of the project. The hotel project was never built due to the economic decline in 2007-2010 (see Attachment D).

The continued success of BLD resulting from the City's initial investment, coupled with the boom expected to occur with the opening of Great Wolf Lodge in Spring 2020, city staff and our broker consultants believe that now is a great time to put this fully accessible and highly

visible public parcel on the market for maximum value. City staff believes that interest in this parcel would be very strong, particularly in tandem with the auction sale of the adjacent 3 acre corner RDA parcel. The major investment made by Great Wolf Lodge has helped put Manteca more visibly on the map with national real estate investors. City representatives witnessed a strong interest in Manteca at the 2019 ICSC National Conference, meeting with several hotel chains and commercial developers.

Based upon recent comparable sales of similar property in the vicinity, and adjacency to 1115 S. Airport Way being sold at the auction, sale of this 13.74 acre property could result in a profit of \$10 - \$12 million. While currently contemplated for the Family Entertainment Zone Exclusive Negotiating Agreement, the tandem sale of these adjacent parcels would help provide a necessary return on the initial \$29 million investment made by the City in developing the BLD complex, and maximize revenues for the city. A Broker Opinion of Value for this property is now underway.

CONCLUSION:

Staff recommends that the City Council approve adding the two city-owned parcels in the upcoming real property auction: 282 N. Airport Way; and 2215 Daniels Street located across Milo Candini Drive from Big League Dreams. Staff requests direction to amend the Master Real Estate Auction Listing Agreement to include these two additional parcels, authorize the City Manager to execute the necessary documents, and take other steps to proceed with the auction and complete the property sales as quickly as possible.

Additional properties have begun to be identified but will require additional time to assess, including 361 S. Garfield Ave (APN: 221-080-03), .23 acres, zoned PQP being used as a MUSD parking lot; remnant parcels purchased through the McKinley Ave/Hwy 120 interchange project, and various former utility rights of way, etc. These will be brought back for consideration by the Council later.

Great Wolf Lodge notified the city that they will be coming out to visit the community on July 11, 2019, has requested the City Council reconsider their process for discharging the 5 parcels totaling 15 acres adjacent to their entrance, and will discuss any interest they may want to consider regarding those parcels. Additionally, the owners of BLD have expressed renewed interest in properties adjacent to BLD that they would like to discuss. While these parcels would not be considered for the planned auction, they are highly valuable properties the City Council should fully consider before obligating them otherwise.

Fiscal Impact:

Payment of ordinary and conventional seller's costs associated with the real estate auction transactions will be deducted from the proceeds of sale. Net proceeds from the sale of the 282 N. Airport Way property would be restricted to investing in other eligible affordable housing activities or projects.

Proceeds from the sale of 2215 Daniels Street as a property purchased with sewer funds is being assessed by legal counsel. The issue is the funding source used for the purchase, and where to designate the proceeds due to the significant land appreciation value. The same legal analysis would

be done for the FEZ properties the annual BLD Revenues and will be shared later with the City Council once confirmed.

Documents Attached:

1. Attachment A - Broker Opinion of Value
2. Attachment B - 282 N. Airport Way Housing Parcel
3. Attachment C - WQCF Deed Map
4. Attachment D - BLD Vicinity Hotel Report
5. Attachment E - Map Exhibit for City Vacant Daniels Properties