



SUCCESSOR AGENCY AGENDA REPORT



DEPARTMENT: Administration

MEETING DATE: September 17, 2013

PREPARED BY: Steve Sizemore, Community Development
Director

AGENDA LOCATION: SA AR-2

TITLE: Proposals for Agency-Owned Property at 820 South Magnolia Avenue by the Wine of the Month Club and CIBA Real Estate

OBJECTIVE: To seek direction from the Agency Board on two submitted proposals to develop the Successor Agency owned property at 820 South Magnolia Avenue

BACKGROUND: In October 2006, Staff for the former Monrovia Redevelopment Agency met with the owner of the centrally located grain-handling facility, Azteca Milling, located at 1675 Primrose Avenue, and outlined the concept for the Station Square project. It was explained that the Agency would be interested in purchasing their property given the prominent location within the first phase of the Station Square study area. As part of the discussions, Azteca indicated that they would be agreeable to sell their 1675 Primrose property with the condition that the Agency also purchase the property they owned at 820 South Magnolia Avenue. On November 21, 2006 the Agency Board authorized the acquisition of 820 S. Magnolia Avenue and 1675 South Primrose Avenue with the intention that the Primrose property would be incorporated into the Station Square development and the Magnolia Avenue property would eventually be sold as surplus. Our objective was to remove the dilapidated improvements and sell the cleared lot for the amount of our original investment.

Within the first phase of the Station Square development, there is a 28 unit industrial condominium site, commonly known as Hamby Industrial Park. The site is centrally located and was seen as an essential acquisition if the Agency were to move forward with the first phase of the Station Square development. If the Agency were to acquire the individually owned units, it will be obligated to relocate approximately twenty-five separate users.

As part of the Station Square study phase, the Agency retained the services of a relocation services consultant, who was to prepare a relocation plan for the first phase of the development. This plan included interviews with the potentially displaced tenants at Hamby Industrial Park. During the interview process, the consultant reported that all of the tenants indicated a desire to stay within the City if they were to be relocated.

In evaluating the most appropriate reuse of the 820 S. Magnolia Avenue, it was determined that it would be an ideal location for industrial condominium units similar to those found at Hamby Park. Agency staff spoke to a number of developers interested in redeveloping the Site for the creation of industrial condominiums. The offer from 820 S. Magnolia Avenue, LLC, was the only proposal the Agency received that offered to pay the entire amount the Agency invested, and would not require

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any Agency subsidy. Consequently, this agreement allowed the Agency to not only recoup the initial investment, but also created ten units that would have been available for displaced Hamby Park businesses. The Agency Board entered into a DDA with 820 S. Magnolia Avenue, which included a partner from CIBA Real Estate.

This original relocation plan, however, has been abandoned since the elimination of redevelopment. The DDA with CIBA Real Estate was terminated in December, 2013, and the Agency is now envisioning a future Station Square with the existing Hamby Park units. Given that the vision for this property has now shifted, the Board is being asked to consider two proposals for the future development of this site.

ANALYSIS: Two separate developers have submitted proposals for development of 820 S. Magnolia Avenue: CIBA Real Estate and the Wine of the Month Club. The following is an analysis of each proposal:

CIBA

CIBA is proposing to build 10 industrial condos comprising roughly 16,000 square feet and 40 parking spaces. This design was previously submitted to the Planning Department, and the Planning Commission approved these plans. The 10 industrial condo units were originally intended to be offered for sale to the businesses that would have been displaced by the Station Square Development. According to CIBA's proposal, this development was unable to move forward due to the collapse of the real estate marketplace and the subsequent termination of redevelopment agencies in California. In its proposal, CIBA states that they have already spent a great deal of time, effort and expenses in the development of plans for this project, and that they believe that the development could be done in a very timely and expeditious manner as the plans are ready for submittal.

There are several benefits to this proposal. The design has already been approved by the Planning Commission. The addition of these industrial units will also result in new jobs. The use is compatible with the existing neighboring businesses, the proposal maximizes the site and the units would be easy to repurpose. However, there are some downsides to going with this proposal. Mainly, the future tenants are unknown, and there is no telling how long it will take before these units can be filled. Should the Board wish to pursue this development, Staff would recommend that CIBA submit a pro forma demonstrating their ability to deliver the project.

Wine of the Month

Wine of the Month Club Owner Paul Kalemkarian is proposing a 13,000 to 16,000 square foot warehouse and customer service center that would allow him to build upon his existing operations located kitty corner to the site. It would provide an estimated 40 parking spaces. Wine of the Month Club was founded in 1972, and has been in Monrovia since 1997. Today, the business is a leading sales tax revenue generator in the City. With this new facility, they are hoping to create a more viable space for Wine of the Month Club to grow its operations, including the recent addition to their business plan of branding their own wines and serving as the West Coast distributor for a high-end titanium crystal wine goblet manufacturer. With this activity will come more jobs, and potentially more sales tax revenue.

Like CIBA's proposal, there are several benefits to this proposal. Among them include the fact that this would be easy to repurpose, that the proposal maximizes the site, and that it is a compatible use with the surrounding uses. Other benefits unique to this proposal include that the developer has proven to be a community partner, and has a demonstrated track record of development experience. This proposal would also result in the City retaining and growing an existing business and that it would create additional sales tax revenue. The final benefit is that unlike CIBA's

proposal, this proposal is being designed for a specific tenant, and therefore it is not a speculative project.

In closing, each of these projects have benefits and in some cases similarities. They each maximize the use of the property, present a design that would be compatible with the neighborhood and would be able to be repurposed. The question ultimately boils down to which one of the developers have the capability to deliver on the project as presented in the most time efficient manner. Based on the proposals and past experience in working with each developer, it is Staff's believe that the proposal submitted by the Wine of the Month Club has the highest likelihood to be built.

Next Steps

Should the Council wish to pursue any of the above development deals, Staff recommends that the City authorize staff to negotiate a Letter of Intent ("LOI") with the selected developer. Once the LOI is executed, a Purchase and Sale Agreement would have to be negotiated and executed, and then the entitlement process could begin. All agreements relating to the use and disposition of this property must also be approved by the Oversight Board and ultimately by the Department of Finance. This deal cannot be finalized until the Long Range Management Plan is approved by the Department of Finance.

OPTIONS: The Agency Board's options are as follows:

1. Direct Staff to enter into a Letter of Intent with Wine of the Month Club
2. Direct Staff to enter into a Letter of Intent with CIBA Real Estate
3. Direct Staff to work with one or more of the proposers to further develop that particular concept for this site. Based on specific Board direction, this will authorize Staff to continue to work with the proposer(s).
4. Reject all proposals and instruct Staff to work with the Agency Board to develop a vision for this site and to pursue a formal Request for Proposals process.

FISCAL IMPACT: Because of the preliminary design and uncertainty regarding the future tenants, Staff has not provided a thorough analysis of sales tax generation of these proposals as the specific tenants have not been identified. However, it should be noted that each proposal will result in an increase in property tax revenue. The increase in operations by the Wine of the Month Club may result in an increase in sales tax revenue.

RECOMMENDATION: Staff recommends that the Board consider entering into a Letter of Intent with Wine of the Month Club given its background, land use, design and economic benefits.

BOARD ACTION REQUIRED: If the Board concurs, the appropriate action would be a motion to authorize staff to negotiate a Letter of Intent with the Wine of the Month Club.