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Staff Report

Date: June 7, 2016

To: City Council

From: Valerie J. Barone, City Manager

Reviewed by: Victoria Walker, Director of Community and Economic Development

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Subject: **Request for City Council review and approval of the proposed disposition process of four properties held by the City for future development as directed in the Long Range Property Management Plan**

Report in Brief

After dissolution of the Redevelopment program by the State in 2012, the City of Concord's Successor Agency was left with a number of real properties that had been acquired through the Concord Redevelopment Agency. Pursuant to the dissolution laws, the City's Successor Agency prepared a Long Range Property Management Plan that governs the disposition and use of the former Redevelopment Agency's real property. The City's Long Range Property Management Plan was approved by the State Department of Finance December 1, 2015.

Four former Redevelopment properties are held by the City of Concord for future development as directed in the Long Range Property Management Plan. These properties are located within and leading into the downtown area as shown in Attachment 1. The four properties have the potential to achieve the City's various goals and objectives including retaining and expanding key Concord businesses and developing new mixed use and residential projects.

Recommended Action

Staff recommends that the City Council receive the report, hear public comment, and approve the proposed disposition process of the four properties being retained by the City for future development.

Background

All Redevelopment agencies were dissolved by the State of California on February 1, 2012. The Successor Agency to the Concord Redevelopment Agency is responsible for winding down the affairs of the former Concord Redevelopment Agency (RDA). AB 1484 as amended by SB 107 (collectively, the “Dissolution Law”) requires the Successor Agency to prepare a Long Range Property Management Plan (LRPMP) that governs the disposition and use of the former RDA’s real property.

The Successor Agency prepared, and the Successor Agency’s Oversight Board and the State Department of Finance (DOF) approved, a LRPMP providing for four properties to be transferred from the Successor Agency to the City of Concord for retention and future development. The transfer of these properties to the City will be considered by the City Council as part of its June 7, 2016 agenda. These four properties, shown in Attachment 1, are discussed in more detail in the subsequent sections and are referenced as follows:

- Pine Street Site (bordered by Clayton Road, Market Street and Pine Street);
- 1701 & 1711 Concord Avenue;
- Town Center II (bordered by Clayton, Concord Blvd and Galindo Street); and
- Oak Street West (bordered by Galindo, Oak Street and Laguna Street).

Dissolution Law requires the City to “reach a compensation agreement with the other taxing entities to provide payments in proportion to their shares of the base property tax, as determined pursuant to [Health and Safety Code] Section 34188” to develop the properties pursuant to the Health & Safety Code §34180(f)(1). Staff is bringing forward a proposed plan to obtain these compensation agreements to the City Council for consideration at the June 7, 2016 Council meeting. The compensation agreement would essentially split the sales proceeds (net of the associated expenses incurred by the City) from the properties in proportion to taxing entities property tax rate.

If compensation agreements are approved by the City Council on June 7th, the proposed agreements will be forwarded to the affected taxing entities for their respective consideration.

If the net sales of these four properties are shared with the affected taxing entities “in proportion to their shares of the base property tax,” then the City would essentially receive approximately 10 percent of the net sales proceeds for each of the four properties.

Staff brought forward the proposed recommended disposition process, as detailed in the following section of this report, to the City Council’s Housing and Economic Development Committee at its April 25, 2016 meeting. The Committee supported the proposed disposition plan for each of the subject properties.

Analysis

Staff requests input and direction from the City Council on the recommended disposition process of the four properties being retained by the City for future development. These sites provide opportunity to create new projects that generate jobs, housing, revenue and new investment in the City, as well as facilitate the expansion and retention of key Concord businesses.

Staff recommends that the City dispose of the properties using three processes/methodologies: Purchase and Sale Agreement; Exclusive Negotiating Agreement, and Request for Proposals.

Staff recommends the following sale and disposition plans for the four properties (each is discussed in more detail below):

- 1701 & 1711 Concord Avenue – a direct sale through the use of a Purchase and Sale Agreement
- Pine Street – a direct sale through the use of a Purchase and Sale Agreement
- Town Center II – an Exclusive Negotiating Agreement process; and
- Oak Street West – a Request for Proposals process.

The following provides an overview for the proposed sale and disposition plans:

1701 & 1711 Concord Avenue *(direct sale through the use of a Purchase and Sale Agreement)*

The 0.95 acre vacant property is currently zoned Downtown Mixed Use and is located adjacent to auto service-related uses to the east and west, and Mt Diablo High School to the north. The site fronts onto Concord Avenue.

The Del Grande Dealership Group (DGDG) owns & operates its Concord Mazda dealership at 1891 Market Street and its Concord Mazda service center at 1651 Concord Ave. The Mazda service center is adjacent and to the west of the 1701 Concord Avenue parcel. The Concord Mazda dealership has outgrown its location and DGDG desires to co-locate their Concord Mazda dealership on their 1651 Concord Avenue service center location if they are also able to acquire the 1701 & 1711 Concord Avenue parcel. The combined properties would provide the dealership with enough land to meet corporate/dealership requirements and allow the DGDG dealership to grow and retain the Concord Mazda dealership in Concord.

If the dealership is unable to relocate they will most likely have to find another location, potentially in another community.

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Staff recommends selling the property to DGDG at its appraised value to allow for the retention and expansion of Concord Mazda. Under DGDG ownership, sales have grown significantly at the Concord Mazda dealership and the need to find a suitable location is paramount for its continued success. If the dealership can relocate to the Concord Avenue location, the City would benefit from increased sales tax, new jobs and the retention of a popular automobile line. The proposed expansion would also strengthen Concord's position as the Car Capital of Contra Costa County.

Next Steps for 1701 & 1711 Concord Avenue: Staff would draft a Purchase and Sale Agreement at appraised value for consideration by the City Council. The Purchase and Sale Agreement would set forth the various conditions that must be met prior to selling the property such as completing the rezoning of the properties to allow for new car sales and receiving the required entitlements/approvals to relocate the dealership to Concord Avenue. Staff would work with DGDG to finalize details of the Purchase and Sale Agreement prior to City Council consideration.

The ultimate sale of the property to DGDG would retain a significant business in Concord that generates revenue and employs approximately 35 people. The purchase price of the property would be at appraised fair market value, ensuring the affected taxing entities receive an equitable return of proceeds from the land sale.

In the event a Purchase and Sale Agreement could not be negotiated between DGDG and City staff, then staff would recommend issuing a Request for Proposals (RFP) for the site. Staff would develop the RFP and bring it to the Housing and Economic Development Committee for direction and then to the full City Council for approval subsequently.

Pine Street Property *(direct sale through the use of a Purchase and Sale Agreement)*

This 1.1 acre vacant site is bounded by Market St, Pine St. and Clayton Road and is somewhat irregularly shaped. It is located in a highly visible location off of the Clayton Road/Hwy 242 exit ramp, and is adjacent to a service station, a City-owned landscape area and a small privately-owned commercial building.

The Pine Street site is challenged with development constraints including the site's irregular shape, high voltage powerlines/tower, as well as ingress/egress issues. These site constraints narrow the range of uses that could achieve the desired outcome of developing a gateway type of building. Staff believes that a new auto dealership use has the flexibility to develop on the site successfully while achieving the City's economic development strategies for retaining and expanding a Concord business that achieve sales tax and jobs.

As part of a transaction to use the Pine Street property for an auto dealership, staff also proposes to sell the City's 0.17 acre non-RDA property adjacent to the site that is

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currently landscaped with turf. The property is located on the west side of the former RDA property and is constrained by a culvert that runs under the property. As a result of the culvert, a building cannot be located on this 0.17 acre site. However, it is possible that a monument sign could be located there, and the site should also be suitable for vehicle circulation or vehicle display. As a condition of sale, an access easement would be required to allow for needed access for maintenance of the culvert.

TDI Auto Group Inc. representatives, who own the Concord Chevy dealership on Concord Avenue, have indicated to staff that they desire to expand the Chevy dealership presence in Concord. Concord Chevy is located on a relatively small site and the dealership needs to expand to meet corporate dealership requirements. Concord Chevy, with staff's assistance, identified the Pine Street site as an opportunity for the dealership to expand its service center and new car sales. TDI Auto Group, Inc. is interested in purchasing the site and keeping/expanding the Concord Chevy dealership in Concord. The proposed expansion on the Pine Street property would construct a new car showroom/service center facility, proposed with Chevy corporate branding. This type of development would create a gateway statement on the site leading into Concord's downtown area. Concord Chevy would also continue to operate from its existing Concord Avenue location.

Next Steps for the Pine Street Property:

Staff would draft a Purchase and Sale Agreement at appraised value for consideration by the City Council. The Purchase and Sale Agreement would set forth the various conditions that must be met prior to selling the property such as receiving the required entitlements/approvals to develop the showroom/service center at the site. Staff would work with TDI Auto Group, Inc. to finalize details of the Purchase and Sale Agreement prior to City Council consideration.

As noted above, as part of the Pine Street transaction, staff also recommends selling the City-owned non RDA parcel located adjacent to the former RDA site at appraised value.

In the event a Purchase and Sale Agreement could not be negotiated between TDI Auto Group, Inc. and City staff, then staff would recommend issuing a Request for Proposals (RFP) for both sites. Staff would develop the RFP and bring it to the Housing and Economic Development Committee for direction and then to the full City Council for approval subsequently.

Town Center II Site (*Exclusive Negotiating Agreement process*)

Town Center II is a triangular site that is approximately 3 acres in size and is surrounded by a white picket fence. The site is bounded by Concord Blvd., Clayton Road and Galindo Street as shown in Attachment 1. The site is located in close walking

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distance to the Downtown Concord BART Station and surrounding amenities. Because the site is located on the in-bound/homeward direction of traffic, the site lends itself to be more of a commercial mixed use type of project than a purely multifamily residential site. The Downtown Mixed Use zoning on the property allows a variety of high density development including multifamily residential, office and commercial.

Staff has been approached to discuss a significant mixed use development opportunity for the Town Center II site by a development team comprised of Avalon Bay and LRG Investors. Both of these companies are well known in the development community for their expertise in developing multi-family/mixed use development (Avalon Bay) as well as retail development (LRG Investors).

Avalon Bay and LRG Investors are exploring development of a mixed use project with a 25,000-30,000 square foot grocery store as the anchor tenant along with approximately 275 multi-family residential units on the site. In discussions with staff, the development team has stated that the project is financially feasible and that the grocer has provided its initial commitment to move forward with this specific development team on this site.

Attracting a new grocery store into the downtown which is centrally located to adjacent high density residential development would be a significant catalyst project for the downtown. The grocer would provide a compelling anchor in the downtown that would meet the vision and goals of the Downtown Specific Plan.

Next Steps for Town Center II Site:

If the site proves to be viable for a mixed use project with a grocer anchor, staff would recommend entering into an Exclusive Negotiating Agreement (ENA) with the developers. An ENA would set bench marks and performance goals for the developer to achieve prior to entering into a final Disposition & Development Agreement. Staff should know if the developer's plans are viable by end of June 2016. Staff anticipates bringing an ENA to the City Council sometime in July for consideration.

If the mixed use/grocer anchor proposal does not prove to be viable for this site, then staff recommends issuing an RFP to the development community to solicit development proposals. Staff would develop an RFP package which would articulate the City's vision for the site, the type of development which would be allowed by zoning and the City's Downtown Specific Plan. If, in fact, the RFP process is initiated, staff would anticipate bringing a staff report on the draft RFP to the City's Housing and Economic Development Committee and then to the full City Council for approval subsequently.

Oak Street West Site (*Request for Proposals process*)

The site is bounded by Galindo Street, Oak Street, Mt. Diablo Street, and Laguna Street and is approximately 3.16 acres in size as shown in Attachment 1. The site is located in

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very close proximity to the Downtown Concord BART Station and downtown amenities. The site's zoning of Downtown Mixed Use would allow a variety of high density development types including multifamily residential, office and commercial. Staff has already received significant interest from multi-family developers for this site.

Because of the level of interest from multifamily residential developers for this site, staff recommends issuing a RFP to the development community. If supported by the City Council, staff would develop an RFP package which would articulate the type of development which would be allowed by zoning and forward the City's Downtown Specific Plan. Staff would then bring a draft RFP back to the City's Housing and Economic Development Committee for recommendation, and, if recommended, to the City Council for consideration.

As part of the RFP, staff would also make the development community aware of the Oak Street East site and the portion of Mt. Diablo Street that is between Oak Street West and East sites as possible land to be included in a development proposal. The Oak Street East site is approximately 1 acre in size and is currently identified as the future site for the Family Justice Center. The segment of the City's Mt. Diablo Street is approximately .67 acres and could be vacated to combine the Oak Street West and East properties to create an approximately 5 acre site adjacent to the BART station. It should be noted that the Long Range Property Management Plan would also allow the Oak Street East site to be sold for future development so long as the proceeds are shared with affected taxing entities.

The City could evaluate those proposals in context of how the proposals support the future operation/development of the Family Justice Center.

Next Steps for the Oak Street West Site: Staff anticipates bringing a draft staff report on an RFP process to the Housing and Economic Development Committee in July for recommendation to the full City Council for consideration.

Financial Impact

There is no direct financial impact for this item. In the event that the properties are sold, the City, and all other property tax sharing entities, would receive their share of sales proceeds and property tax from a future development project.

Public Contact

The agenda item was posted. TDI, Inc., Del Grande Dealership Group, Avalon Bay and LRG Investors have also received notice of the meeting.

Attachments

1. Property Map

