

496

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Redevelopment Agency

SUBMITTAL DATE:
February 16, 2007

SUBJECT: Joint Public Hearing - Disposition and Development Agreement with Butchko Veterinary Management, LLC.

RECOMMENDED MOTION: That the Board of Directors:

1. Conduct a public hearing pursuant to Section 33431 of the Health and Safety Code;
2. Adopt a Mitigated Negative Declaration and mitigation monitoring and reporting program for Initial Study RDA/CEQA-2007-01 based on the findings incorporated in the initial study and the conclusion that the project will not have a significant effect on the environment;
3. Adopt RDA Resolution No. 2007-10 approving a Disposition and Development Agreement between the Redevelopment Agency for the County of Riverside and Butchko Veterinary Management, LLC.; and
4. Authorize the Chairman to sign the Disposition and Development Agreement on behalf of the Board.

BACKGROUND:

As part of the revitalization plan for the community of Rubidoux, one of the Agency's goals is to encourage business growth, create new jobs and help retain existing businesses. One of the existing businesses, Butchko Veterinary Management, LLC (the "Property Owner"), has been located in Rubidoux for decades (continued on page 2)

RZ:JC:DL:TE

Robin Zimpfer
Robin Zimpfer
Executive Director

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FINANCIAL DATA	Current F.Y. Total Cost:	\$ 450,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: Yes

SOURCE OF FUNDS: Jurupa Valley Redevelopment Capital Improvement Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

James Bryant

- Consent
- Policy
- Consent
- Policy

Dept's Recomm.:
Per Exec. Ofc.:

3001 FEB 16 11:55

Prev. Agn. Ref.: District: 2 **Agenda Number:**

4.9

COUNTY COUNSEL
FEB 16 2007
Departmental Concurrence

BACKGROUND (continued):

servicing the local community and the greater Riverside area as well as pet owners across the country with specialty services in artificial insemination. This business is very successful and has outgrown their existing 8,314-square-foot facility located on the south side of Mission Boulevard between Mennes and Twining. In order for them to expand their facility to accommodate their growth needs and remain in the community, the Agency is proposing to enter into a disposition and development agreement (“DDA”) with the Property Owner to facilitate the development of a new approximately 20,000-square-foot veterinary hospital. The Property Owner will invest approximately \$6 million in the development; however, in order to make the project financially viable, Agency assistance is necessary for property acquisition, infrastructure improvements and minor site improvements.

The DDA requires the Agency to:

1. Sell four parcels of land currently owned by the Agency identified as Assessors Parcel Numbers 181-062-027, 028, 029 and 030 that are vacant and adjacent to the Property Owner’s current business;
2. Attempt to acquire Assessors Parcel Number 181-062-011, a single-family rental property, and if successful, clear the property and sell it to the Property Owner; and,
3. Provide up to \$750,000 to fund off-site improvements, the relocation and undergrounding of utilities, and site development.

A summary report has been prepared pursuant to Section 33433 of the California Community Redevelopment Law detailing the net Agency cost associated with the DDA as well as the reuse value of the land determined on the basis of the required use and with the conditions, covenants and development costs required by the proposed DDA. As detailed in the report, the net Agency cost is \$1,300,054 as follows:

Acquisition Costs:	\$ 800,000
Clearance Costs:	\$ 150,000
Off- and on-site infrastructure & Site Dev.:	<u>\$ 750,000</u>
Total Agency Cost:	\$1,700,000
Tax Increment Revenue from Project (NPV):	\$ 399,945
Land sale proceeds:	<u>\$ 1</u>
Net Cost to Agency:	\$1,300,054

Current year costs are estimated to be \$450,000 for land acquisition, clearance, and planning.

Based on the reuse analysis, under the terms and conditions of the agreement, the reuse valuation is less than both the expected net land sale proceeds of \$1 and its valuation at the highest permitted use under the Redevelopment Plan. This meets the requirements of redevelopment law, and based on this analysis and the essential need to retain this business within the community, it is recommended that the Board adopt the proposed resolution and approve the DDA as proposed because the business is a cornerstone of the community, and their potential loss would cause a substantial increase in both economic and physical blight in the project area.

1 **WHEREAS**, the property is proposed to be developed with adjacent land owned by
2 the Owner to comprise the entire two acre site (the "Site"); and

3 **WHEREAS**, the property to be conveyed is located on the southeast corner of
4 Mission Boulevard and Mennes Avenue and the disposition of the property to the Owner is
5 necessary to facilitate the redevelopment of the entire block between Mennes and Twining
6 on the south side of Mission Boulevard in the unincorporated community of Rubidoux; and

7 **WHEREAS**, pursuant to Sections 33430 and 33431 of the Community
8 Redevelopment Law, the Agency may, for purposes of redevelopment and after a public
9 hearing, sell the Agency owned parcels to Owner without public bidding; and

10 **WHEREAS**, the Agency proposes to enter into the DDA with Owner in order to
11 carry out and implement the Redevelopment Plan by facilitating the redevelopment of
12 the Site in accordance therewith (the "Project"); and

13 **WHEREAS**, on February 27, 2007, the Agency Board of Directors held a joint
14 public hearing with the Board of Supervisors of the County of Riverside on the proposed
15 DDA, at which time the Agency reviewed and evaluated the proposed DDA; the benefit
16 to the Project Area to be derived from the proposed DDA; staff reports prepared on this
17 matter; and all of the information, testimony, and evidence presented during the public
18 hearing; and

19 **WHEREAS**, the joint public hearing was publicly noticed in accordance with the
20 requirements set forth in the California Health and Safety Code; and

21 **WHEREAS**, all actions required by all applicable law with respect to the
22 proposed DDA have been taken in an appropriate and timely manner; and

23 **WHEREAS**, the Board of Directors has duly considered all terms and conditions
24 of the proposed DDA and believes that the redevelopment of the Site pursuant thereto
25 is in the best interests of the County of Riverside and the health, safety, and welfare of
26 its residents, and in accord with the public purposes and provisions of applicable state
27 and local laws and requirements.

28

1 **NOW THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED** by the
2 Board of Directors of the Redevelopment Agency for the County of Riverside, State of
3 California, in regular session assembled on February 27, 2007, as follows:

4 **Section 1.** The Board of Directors hereby finds and determines, based upon
5 substantial evidence provided in the record before it:

6 **A.** That the foregoing recitals are true and correct.

7 **B.** That the sale of property pursuant to the DDA will assist in the elimination
8 of blight by facilitating economic growth in the Project Area.

9 **C.** That the Project is consistent with the Implementation Plan for the Project
10 Area which identifies providing incentives for development of new or existing
11 commercial and industrial facilities to encourage employment and investment in
12 project areas as one of the actions to be taken to upgrade and expand
13 commercial areas.

14 **D.** That the consideration is not less than the fair reuse value at the use and
15 with the covenants and conditions and development costs authorized by the
16 DDA.

17 **E.** That the Board of Directors has received and heard all oral and written
18 objections to the proposed DDA and to the proposed redevelopment of the Site
19 in connection therewith and to any other matters pertaining to this transaction,
20 and that all such oral and written objections are hereby overruled.

21 **F.** That the environmental impacts of the Project and the DDA, a reasonable
22 range of feasible alternatives, and mitigation measures that will reduce the
23 Project's impacts on the environment, have been adequately addressed in Initial
24 Study No. RDA/CEQA-2007-01, in compliance with applicable provisions of the
25 California Environmental Quality Act (California Public Resources Code Section
26 21000 et seq. ("CEQA")) and the State CEQA Guidelines (California Code of
27 Regulations, title 14, Section 15000 et seq.).

28

1 **Section 2.** The Board of Directors hereby approves and authorizes Agency's
2 Chairman to execute the DDA on behalf of the Agency.

3 **Section 3.** Upon execution of the DDA on the Agency's behalf, the Agency's
4 Executive Director (or designee) is authorized, on behalf of the Agency, to approve
5 and/or sign all documents necessary and appropriate to carry out and implement the
6 DDA and to administer the Agency's obligations, responsibilities and duties to be
7 performed under the DDA and related documents.

8 **Section 4.** The Agency Secretary shall certify to the adoption of this
9 Resolution.

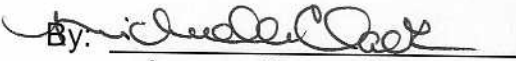
10 **Section 5.** The effective date of this Resolution shall be the date of its
11 adoption.

12 **PASSED and ADOPTED** by the Board of Directors of the Redevelopment
13 Agency for the County of Riverside this ____ day of _____, 2007.

14
15 ATTEST:

APPROVED AS TO FORM:

16
17
18 By: _____
19 Clerk of the Board

By: 
20 Agency Counsel

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25 FORM APPROVED
26 COUNTY COUNSEL

27 FEB 16 2007



SUMMARY REPORT

PERTAINING TO THE
SALE OF REAL PROPERTY
LOCATED WITHIN THE JURUPA VALLEY
REDEVELOPMENT PROJECT AREA

(California Community Redevelopment Law
Section 33433)

PURSUANT TO A PROPOSED
DISPOSITION AND DEVELOPMENT AGREEMENT

By and between

REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE

and

BUTCHKO VETERINARY MANAGEMENT, LLC

Prepared by: Redevelopment Agency for the County of Riverside

Date: January 29, 2007

Introduction

This summary report has been prepared for the Redevelopment Agency for the County of Riverside (the "Agency") pursuant to Section 33433 of the California Health and Safety Code. This report sets forth certain details of a proposed Disposition and Development Agreement (the "Agreement") between the Agency and Butchko Veterinary Management, LLC (the "Developer") regarding property (the "Property") to be conveyed to the Developer.

The Property proposed to be conveyed to the Developer consists of four parcels currently owned by the Agency that total 22,000 square feet and an additional parcel that the Agency is considering acquiring that is approximately 12,600 square feet. The Property is proposed to be developed with adjacent land owned by the Developer to comprise the entire two acre site. The Property is located on the southeast corner of Mission Boulevard and Mennes Avenue and the disposition of the Property to the Developer is necessary to facilitate the redevelopment of the entire block between Mennes and Twining on the south side of Mission Boulevard in the unincorporated community of Rubidoux. The Agreement provides for the disposition and development of the Property as:

- Approximately 35,000 square feet for development of an approximately 15,000 to 25,000 square foot facility to be used as a veterinary hospital by the Developer.

This report is based upon information presented in the proposed Disposition and Development Agreement and is organized into the following sections:

1. Summary Description of the Proposed Agreement: This section includes a description of the development and the major responsibilities to be assumed by the Agency and the Developer.
2. Estimated Cost of the Agreement to the Agency: This section outlines the total and net costs (or surplus) to the Agency of the proposed Agreement.
3. Estimated Value of the Interests to be Conveyed, Determined at the Highest Uses Permitted: This section summarizes the value of the Site to be conveyed to the Developer, at the highest use permitted under the Redevelopment Plan for the Jurupa Valley Redevelopment Project Area.
4. Estimated Reuse Value of the Interests to be Conveyed, Determined on the Basis of the Conditions, Covenants and Development Costs required by the proposed Agreement: This section summarizes the value of the Site, determined at the uses required by the proposed Agreement and recognizes the economic impact of the proposed Agreement's terms and conditions.
5. Purchase Price which the Developer will be required to pay: This section describes the compensation to be received by the Agency and the reasons for any difference between the compensation and the fair reuse value.
6. Blight Alleviation: This section describes the blighting conditions applicable to the Site

and provides an explanation of how the proposed Agreement will assist in alleviating the blighting conditions

7. Conformance with the Five Year Implementation Plan: This section identifies how the proposed Agreement will result in a development that fulfills goals and objectives established in the Agency's Five Year Implementation Plan.

For purposes of analysis, the computations provided for in this report are based on the construction of a 20,300 square foot facility.

1. Summary Description of the Proposed Agreement

Proposed Scope of Development

The proposed Agreement establishes that the scope of development for the Site includes:

- Construction of an approximately 15,000 to 25,000 square feet veterinary hospital,
- Required parking for the use,
- Provision of landscaping and onsite amenities including a block wall,
- Relocation of utilities from the existing alleyway to accommodate the new structure, and
- Construction of \$500,000 in required offsite infrastructure.

Development of the improvements to the Site will be done under the provisions of a schedule of performance, with specific timing requirements for initiation of construction and completion of development by 2010.

The Property will be developed with other property owned by the Developer which comprise the "Site". The parcels currently owned by the Agency includes APN's 181-062-027, 028, 029 and 030, all previously purchased as blighted properties with structures that have been demolished. The property that is proposed to be acquired by Agency and conveyed to Developer is APN 181-062-011 which currently has one single family rental unit located on it.

Agency Responsibilities

To date the Agency has completed the following:

- Acquired approximately 22,500 square feet to be used for Development of the Project and
- Demolished three blighted structures that were located on the land that was acquired.

Under the proposed Agreement, the Agency shall:

- Convey the Property in "as is" condition to the Developer for a price of \$1.00 and
- Provide funding of \$750,000 toward required offsite improvements, including new street construction on Mennes Avenue and Twining Avenue; under grounding and relocations of all on-site utilities; and fund grading and construction cost increases that may occur over what is

estimated.

Developer Responsibilities

Under the terms of the Agreement, the Developer is required to:

- Purchase the Site from the Agency for a price of \$1.00,
- Construct an approximately 15,000 to 25,000 square foot veterinary hospital and required parking and amenities, per Agency-approved plans,
- Assume costs of planning, designing, developing and constructing all on-site and building improvements contained in the scope of development for the Agreement, and
- Construct all required offsite infrastructure.

2. Estimated Cost of the Agreement to the Agency

Total Agency Costs

The Total Agency Costs attributable to the Agreement include two elements:

1. The cost for assemblage of the Property which are necessary for development of the Site,
2. The cost for the demolition of the structures located on the Property; and,
3. Additional direct Agency costs which result from the Agreement.

Allocation of Land Acquisition Costs to the Site

The land acquisition costs incurred by the Agency in connection with the full Agency Ownership are shown below:

Acquisition (estimated)	\$800,000
Clearance (estimated)	\$150,000
Total Estimated Agency Costs	\$950,000

Additional Direct Costs of the Agreement

The Agreement provides that the Agency will provide \$750,000 toward required offsite infrastructure costs, utility relocation and under grounding and general site improvements.

The total Agency costs associated with the Agreement are summarized below:

Land acquisition and demolition	\$950,000
Direct costs of the Agreement	\$750,000
Total Agency Costs	\$1,700,000

Determination of Net Agency Costs

Net costs to the Agency are determined by subtracting the following types of revenue which may result under the terms of the Agreement:

1. Receipt of land sale proceeds (if any) and
2. Tax increment revenues which may be generated over the life of the Redevelopment Project Plan by development on the Site.

1. Land Sale Proceeds - The Agreement provides for purchase of the Site at a price of \$1.00. These land proceeds are a direct offset against Total Agency Costs.

2. Tax Increment Revenues - The Agency will receive property tax increment revenues from the development on the Site over the term of the adopted Redevelopment Plan (through expiration of the Plan in FY 2038). The projected Agency revenues from tax increment from the approximate 20,000 square foot development (exclusive of housing set-aside) have a net present value (in 2010 dollars @ 5.0% discount rate) equal to \$ 399,945.

Estimate of Net Costs to Agency

As indicated above, the estimated total Agency costs associated with the Agreement are (\$1,700,000). These costs are offset by land sale proceeds of \$1 and anticipated property tax increment revenues with a net present value of \$399,945. The net cost calculation results in a net cost to the Agency from the Agreement of \$1,300,054 -- (\$1,700,000 costs less \$399,946 revenues equals \$1,300,054 net cost).

3. Estimated Value of the Interests to be Conveyed, Determined at the Highest Use Permitted under the Redevelopment Plan

The site is located in a commercial district with low income residential in the surrounding area. Development of the Site requires significant offsite infrastructure improvements, including roadway improvements on Mennes and Twining, the relocation of utilities within the alleyway, and the under grounding of utilities. Survey of recent land sales transactions in the area indicates a market value of vacant land in the area at approximately \$12.00 per square foot. The estimated value of the interests to be conveyed, at the highest use permitted by the Redevelopment Plan is \$420,000 (approximately \$12.00 per square foot for the full, 35,000 square feet of the Property).

4. Estimated Reuse Value of the Interest to be Conveyed, Determined on the Basis of the Required Use and with the Conditions, Covenants and Development Costs required by the proposed Agreement

A separate Reuse Value Analysis for the Site has been developed based on the terms of the Agreement. The reuse analysis indicates that the value of the Property, under the terms and provisions of the Agreement, is approximately -\$146,759. This reuse valuation is less than both the expected net land sale proceeds of \$1 and its valuation at the highest permitted use under the Redevelopment Plan.

5. Purchase Price which the Developer will be required to pay

The proposed Agreement requires the Developer to purchase the Property from the Agency for a price of \$1. The purchase price will be provided in the form of a cash payment at the close of escrow. The consideration to be received for the Property is in excess of the established fair reuse value under the provisions of the proposed Agreement.

6. Blight Alleviation

The implementation of the proposed Agreement will result in the development of economic activity in the area, which has remained underutilized for a prolonged period of time. The proposed redevelopment will increase economic activity in the area, by establishing an increased base of daytime employment in Rubidoux with the new animal hospital that will be more than twice the size of the existing facility. Additionally, because the Developer has outgrown their existing facility, if not for this agreement, they would be forced to relocate into another community to find another facility that could accommodate them. The loss of the business from the Rubidoux community would cause incalculable economic harm and would substantially reduce the economic viability of the commercial core of the community. The retention and expansion of the business in the community will support business activity in the area, and support commercial revitalization along Mission Boulevard.

7. Conformance with the Five Year Implementation Plan

The Five Year Implementation Plan adopted by the Agency contains several broad operational goals and objectives. Among these are the following:

- To reconstruct, upgrade and expand commercial areas in conformance with the Comprehensive General Plan,
- To effectuate higher and better utilization of land uses and
- To assist in the improvement of public infrastructure, such as construction of roads, sidewalks landscaping and street lighting.

The proposed Agreement will assist the Agency in meeting the objectives and goals of its Five Year Implementation Plan in the following ways:

- The site that was previously blighted with a run down bar and other obsolete structures will be revitalized and replaced by the addition of a new office and service facility,
- The development of the Site will create additional job opportunities in the project area and in the overall community and

- The expansion of the veterinary hospital will strengthen the area's economic base and encourage additional new private enterprises and development.

Based on the preceding factors, the proposed Agreement is consistent with the adopted Five Year Implementation Plan.

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