

Council Meeting Staff Report

March 16, 2021

Agenda No.: B.

Indexes (Council Goals):

Presenters: County Council - Work Session

Legislative File: 13855-21

Title

Consideration of the Purchase of Property Located at 1735 and 2551 Central Avenue, Commonly Known as CB Fox and Reel Deal

Recommended Action

Option A:

I move that the Council approve Amendment No. 1 to the purchase Agreement extending the Inspection Period for 30-days until April 21, 2021.

Option B:

I move that the Council elects to terminate the executed purchase Agreement and directing the County Manager to provide written notice of termination to Seller and Escrow Holder on or before the expiration of the Inspection Period.

Body

In December 2020, the County entered into a purchase agreement to purchase the CB Fox and Reel Deal properties for strategic needs, and an opportunity to influence more beneficial use of the properties than contemplated by private development. The agreement execution started a 90-day due diligence, or Inspection Period, where the County staff and design consultants would investigate the existing conditions, restrictions, and opportunities. This initial due diligence period will expire on March 21, 2021.

The seller has agreed to an amendment to the purchase Agreement (Attachment B) that will extend the due diligence and the Earnest Money becoming non-refundable for an additional 30-days. The purpose of this extension is to finalize a solution to the shared parking ownership tied to the CB Fox property. At present this issue is still unresolved, yet there is active conversation between the parties' attorneys regarding potential solutions. If Council wishes to continue to pursue the purchase of the two properties, approval of the attached amendment is recommended.

Staff presented a due-diligence progress update to the Council on February 16, 2021. During that work session discussion, Council expressed their interest in information related to the various scenario estimated development costs, opportunities and risks, and broader community economic development benefits. The future mix of programmatic uses that would be preferable for the Reel Deal building was noted as undetermined; however, retaining community/entertainment use of the building was viewed as beneficial.

The presentation and cost estimates (Attachment C) summarize the due diligence efforts to date. These scenarios are only intended to provide a framework to aid the discussion about the possibilities and challenges of redevelopment. The cost estimates represent the County not retaining ownership of the CB Fox property long term, except for Alternative 1b which includes a civic function in the south wing, and the County retaining ownership of the Reel Deal property. It is important to note that the scenarios presented all have variations and alternatives that could be considered should the County purchase the properties. Furthermore, the presentation includes links to applicable

planning plans and documents, an analysis of the scenario opportunities and risks/unknowns, and summary feedback received from Middle School Students about a future Tween Center.

The scenario descriptions and associated cost estimate ranges, including property purchase and potential sale revenues, are as follows:

CB Fox

1 - (a) Renovate within the existing building envelope for commercial use and possibly a few upper level residential units or offices to be sold as separate condominium units (\$1.7M - \$2.6M); and (b) same as 1a but retain County ownership of south wing for civic uses such as indoor food market, community rental or contracted service uses (\$4.3M - \$5.3M).

2 - Renovate north portion of building fronting Central Avenue for commercial use and demolish the south wing for a new four or five story residential addition (ground floor level could be commercial use) (\$5.5M - \$6.1M).

3 - Demolish the existing building and build a new, larger building (\$2.2M - \$2.4M remediation/demolition, and \$5M - \$7M new building).

Reel Deal

0 - Maintain use of four movie theaters and cosmetically fix up the building, replacing end of life equipment and finishes (\$3M - \$3.5M).

1 - Renovate two of the movie theaters for a different civic or contracted use and keep two movie theater uses as is (\$4M - \$4.5M).

2 - Renovate three of the movie theaters for a different civic or contracted use and keep one movie theater use as is (\$4.5M - \$5M).

3 - Same as Scenario 2 plus a new building addition transforming the existing lobby into a two-story building for additional space (\$7.3M - \$8M).

Draft condition assessment reports are included as Attachment D. The building and site information within the reports provided the bases of the cost estimates.

Furthermore, Council requested an Open Forum survey of interested residents. The results of this input are included as Attachment E and F.

Attachments

A - Executed Real Property Purchase Agreement

B - Proposed Real Property Purchase Agreement Amendment No. 1

C - Presentation and Cost Estimates

D - CB Fox and Reel Deal Draft Building Condition Reports

E - Open Forum Report--Registered Users

F - Open Forum Report--Unregistered Users

G - Emails received