



Staff Report

TO: City Council
FROM: Kyle Warsinski, Economic Development Manager
DATE: August 3, 2021
SUBJECT: Approval of Purchase and Sale Agreement by and between the City of Beaumont and Orum Capital for Certain Real Property Located on East Fourth Street, East of Beaumont Avenue

Background and Analysis:

The City of Beaumont owns property along Fourth Street, east of Beaumont Avenue/SR79, and is identified as assessor's parcel numbers 418-190-004 and 418-190-005.

The City Council authorized the City Manager to negotiate the sale of a portion of these properties to an interested buyer. The interested buyer is under escrow to purchase the former Denny's property (APN 418-190-003) which is immediately adjacent to the City's parcels and has plans to demolish the existing building and construct a new quick service restaurant with a drive-thru. The potential buyer has informed the City that the acquisition of approximately 7,400 square feet of City owned property is necessary for the completion of the project.

Section 3.03.020 of the Beaumont Municipal Code prescribes the process to dispose of real property. That section reads as follows:

"The duties of the Purchasing Officer shall include the disposition of real property in any lawful manner provided that the sale is for the common benefit of the City's citizens."

and

"The City Planning Commission shall prepare a report that indicates that disposition of the property conforms with the General Plan. A formal declaration that the property is surplus shall not be required."

If this agreement is approved by the City Council, City staff will present to the Beaumont Planning Commission an item in which they may file a report indicating the disposition of the property conforms with the Beaumont General Plan.

The subject site consists of approximately 0.17 acres (7,405 sq. ft.) of commercially designated land. The property is zoned Community Commercial and is classified for Community Commercial land uses in the General Plan. The property can also be seen in the following materials attached to this staff report:

- General Plan Land Use Map (Attachment A),
- Zoning Map (Attachment B), and
- Aerial Photograph (Attachment C).

As described above the duties of the Purchasing Officer shall include the disposition of real property in any lawful manner provided that the sale is for the common benefit of Beaumont's citizens. The sale of the property as requested provides multiple benefits to Beaumont's citizens.

The potential buyer, Orum Capital, desires to purchase, entitle, and develop the prior Denny's property and the City owned property into a retail and service commercial development. The project will provide a potential for eating and shopping outlets for Beaumont residents and travelers passing by on Interstate Highway 10. A commercial project at this location would generate sales and use taxes as well as property taxes help pay for critical City services. The redevelopment of the site will also alleviate aid in code enforcement and other issues that have risen since the restaurant ceased operations.

The purchase and sale agreement (Attachment D) was prepared based on completed negotiations between the City Manager and the buyer. Main deal points contained within the agreements are as follows:

- Purchase Price: \$81,457.20,
- Opening of escrow deposit: \$8,200,
- Split Survey and Mapping cost to create the legal parcel: 50/50 actual cost,
- 180 days "due diligence" period,
- Allowance for up to six 30-day extensions to the due diligence period, and
- The due diligence period is designed to allow the buyer to process their entitlements and gain a building permit for the project.

The purchase price coincides with a recent property an appraisal and reflects fair market value.

The disposal of the property is exempt from the provisions of the Surplus Land Act, since it is incapable of being developed as residential property because it is landlocked with no physical access to a public street.

Fiscal Impact:

The proposed purchase and sale agreements would generate \$81,457.20 in revenue to the General Fund. Should the property be developed as envisioned by the buyer, the City would also realize additional property tax, vehicle in lieu fees and sales tax revenues.

Recommended Action:

Approve the purchase and sale agreement as presented.

Attachments:

- A. Fourth Street .17 Acre Property - General Plan Designation
- B. Fourth Street .17 Acre Property - Zoning Map
- C. Aerial Fourth Street
- D. Purchase and Sale Agreement