



STAFF REPORT
7/22/2020

TO: Honorable Mayor and City Council Members

FROM: Luis Lopez, Development Services Director

SUBJECT: Consideration to List City-Owned Land at the southeast corner of Avenue 50 and Calhoun Street for a sales price of \$3.2 Million with Johnson Commercial Real Estate.

STAFF RECOMMENDATION:

Staff recommends that the City Council authorize the City Manager to execute the attached standard Vacant Land Listing Agreement for a four-month term, with Johnson Commercial Real Estate.

BACKGROUND:

In 2013 and 2014 the City of Coachella purchased a 155-lot residential subdivision through various real estate transactions using Parkland Dedication fees, with the intention of developing a city park. The site was previously subdivided for a residential tract (“La Colonia II” project site) and the developer defaulted on construction loans leaving a paper-street subdivision that had been rough graded. The subject site consists of 37.3 acres located at the southeast corner of Avenue 50 and Calhoun Street.

DISCUSSION/ANALYSIS:

The City’s residential construction market has significantly improved in the last two years and staff is getting interest from developers looking to find more inventory lots for new home construction. Currently the existing “blue top” lots within the city’s unfinished communities are quickly being built out (i.e., Prado, Vista Escondida, and Valencia). While an existing subdivision with no public improvements adds considerable cost to the development prospectus for a new builder, staff believes that so long as the homes can sell for above \$300,000 there will be a feasible development of the subject site.

The City previously paid approximately \$1.2 Million in several transactions for the purchase of the existing 155 residential lots, and the “lettered lots” intended for common areas and retention basins. Because the City has intended to build a public park at this location, the existing recorded lots would need to be consolidated with a new Parcel Map into a “reversion to acreage”. This added cost of land consolidation, and the inability to capitalize on the prior land entitlement which

includes the recorded tract map, are a missed opportunity. Thus, this land may be more valuable to a homebuilder who can finish the public improvements and build out the community.

In August 2019 the City procured an appraisal of the “La Colonia II” site at which time the land appraised at approximately \$3.2 Million. Accordingly, if the land were sold, City staff would replenish the prior Parkland Dedication funds that were used for the original purchase, and have approximately \$2 Million in surplus monies available for other general fund purposes.

Attached for City Council’s consideration is a copy of the 2019 land appraisal report, and the tentative Listing Agreement with the City’s commercial broker (Johnson Commercial Real Estate) who has assisted the Successor Agency with prior land sales transactions. The agreement is for four months (expires December 31, 2020) to test the market and consider selling this potential residential community site to a homebuilder.

ALTERNATIVES:

1. Authorize City Manager to execute attached Listing Agreement.
2. Take no action.
3. Continue this item and provide staff direction.

FISCAL IMPACT:

None for listing the property for sale. There is a standard 6% commission rate that would be paid from sale proceeds.

RECOMMENDED ALTERNATIVE(S):

Staff recommends Alternative #1 above.

Attachments: Draft Listing Agreement
Land Appraisal – August 2019