

City of Hesperia

STAFF REPORT



DATE: August 1, 2017
TO: Chair and Board, Hesperia Public Facilities Corporation
FROM: Nils Bentsen, Executive Director
BY: Rod Yahnke, Economic Development Manager
SUBJECT: Purchase and Sale Agreement for Eagle Plaza

RECOMMENDED ACTION

It is recommended that the Chair and Board of the Hesperia Public Facilities Corporation (Seller) adopt Resolution No. HPFC 2017-002 approving the sale of Eagle Plaza located at 15776 Main Street pursuant to the Purchase and Sale Agreement (PSA) by and between the Seller and Hermansen Family Living Trust (Buyer), and authorizing the Executive Director to execute all documents necessary to consummate the transaction.

BACKGROUND

Over the last twelve years the City of Hesperia assembled property, designed, and facilitated development of the downtown area resulting in development of city hall, library, police station, San Bernardino High Desert Government Center, theater and park. The Main Street Freeway Corridor Specific Plan further refined land use, design criteria and ultimately the type of retailers desired for the downtown area. The ultimate goal was to develop a vibrant, participatory multi- and mixed-use civic/downtown environment.

To advance this goal the City has attempted to market for the lease and sales of Eagle Plaza to national and regional retail users. Lack of interest from retailers is primarily because of building design, low ceiling clear height for merchandise display, and the fact that most of the City's retail expansion has been focused around I-15 and Main Street.

ISSUES/ANALYSIS

This lack of interest from retail users resulted in high vacancy rates. These high vacancy rates coupled with deferred maintenance lead to low market value for the asset. Therefore, the City has recently marketed the property to office users with success. Hesperia Unified School District and Summit Leadership Academy have filled the majority of the vacant space resulting in higher property values.

Sale of Eagle Plaza has been discussed with local real estate brokers over the last few months with mixed interest. Subsequently, the property was put out to bid for the highest price with the minimum bid based off the June 6, 2017 appraised value of \$2,870,000.

The attached Purchase and Sale Agreement reflects the highest bid price. It also incorporates traditional deal points including escrow period, due diligence and obligations of each party. In addition, approval for the defeasance of the bonds related to the sale of Eagle Plaza was obtained on February 7, 2017.

FISCAL IMPACT

Sale of Property will generate approximately \$2,900,000 less closing costs and a three percent finder's fee to Buyer's broker.

ALTERNATIVE(S)

1. Provide alternative direction to staff

ATTACHMENT(S)

1. Resolution No. HPFC 2017-002
2. Purchase & Sale Agreement
3. Counter Offer - Seller
4. Commission Agreement