

# City of Hesperia

## STAFF REPORT



**DATE:** May 7, 2019

**TO:** Mayor and Council Members  
City Council as Successor Agency to the Hesperia Community Redevelopment Agency

**FROM:** Nils Bentsen, City Manager and Executive Director

**BY:** Rod Yahnke, Economic Development Manager  
Jennifer Shove, Administrative Analyst

**SUBJECT:** Purchase and Sale Agreement and MOU – APN 0410-031-03

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### RECOMMENDED ACTION

It is recommended that the City Council of the City of Hesperia, as the Successor Agency to the Hesperia Community Redevelopment Agency, adopt Joint Resolution No. 2019-07 and SA 2019-01: (i) approving the “Agreement For The Purchase And Sale Of Real Property And Joint Escrow Instructions” (PSA) for real property located at the Northeast corner of “E” Avenue and Mojave Street, Assessor’s Parcel Number 0410-031-03 (Property) by and between J.C. Property Investments, LLC, a California Limited Liability Company (Buyer) and Successor Agency to the Hesperia Community Redevelopment Agency (Seller); (ii) approving Memorandum of Understanding (MOU) between Buyer and City of Hesperia; and (iii) authorizing the City Manager/Executive Director to execute all documents necessary to consummate the transaction.

### BACKGROUND

In December 2008, the former Hesperia Community Redevelopment Agency (HCRA) purchased the Property for future industrial uses. Dissolution of all redevelopment agencies throughout California led to the creation of the Hesperia Community Development Commission (HCDC), which was tasked with managing the remaining responsibilities of the former HCRA. Assets such as this parcel were transferred to HCDC or other agencies, as directed by the Department of Finance when the Long Range Property Management Plan was completed.

Last year Southland Pipe, a construction pipe manufacturing company expressed interest in purchasing the Property. On February 19, 2019 Coldwell Banker Commercial, the City’s commercial real estate broker, submitted the attached Purchase and Sale Agreement after negotiating price and terms with the Buyer.

Buyer wishes to work in tandem with the City of Hesperia in constructing “E” Avenue improvements as memorialized in attached Memorandum of Understanding between Buyer and City of Hesperia.

The Buyer intends to construct a 30,000 square foot pipe manufacturing business that will bring approximately forty-two new jobs to the City. In addition, the Buyer will designate Hesperia as its point of sale whereby any sales tax generated will go to the City of Hesperia.

## **ISSUES**

The sales price was determined to be at fair market value based on a Broker's Opinion of Value considering recent property transactions in the area.

This parcel was vetted through the Department of Finance (DOF) during the redevelopment dissolution process. DOF directed the Successor Agency to sell and use the proceeds to pay off enforceable obligations. The eleven acre parcel will be split, with six acres being sold to the Buyer and the balance sold to the Water District for future expansion of the Public Works yard.

This transaction does not need to go back to the DOF since the Successor Agency is selling the property as previously directed by them. However, Staff will bring back under separate cover a Purchase and Sale Agreement for the Water Department's purchase of its portion of the parcel.

The MOU between the City and Buyer memorializes an understanding between the two parties in which the City will design and construct "E" Avenue widening and drainage improvements. The Buyer will pay for all costs by placing the estimated amount of construction on deposit prior to start of construction.

## **FISCAL IMPACT**

The sale price for the six acres is Two Hundred Eighty Seven Thousand Four Hundred Ninety Six dollars (\$287,496) less closing costs which will be paid out of sale proceeds at the close of escrow.

The parcel was purchased in December 2008, which was at the height of the real estate market, for \$1.88 per square foot. The sales price equates to \$1.10 per square foot which will create a loss in value of \$203,861.

## **ALTERNATIVE(S)**

1. Provide alternative direction to staff.

## **ATTACHMENT(S)**

1. Joint Resolution No. 2019-07 and SA 2019-01
2. Purchase & Sale Agreement
3. Memorandum of Understanding