

Oxnard Community Redevelopment

Summary

The Grand Jury received a number of citizen complaints concerning the potential sale of commercial property located at 348 South Oxnard Boulevard in Oxnard by the Oxnard Community Development Commission. The complainants allege that the property known as the Brown Building has been listed for sale by the City of Oxnard for over 13 years, and all offers made since January 1, 2001, except one, have either been turned down or withdrawn by the investors because of the terms of the sale or the restricted use of the property (Attachment I). This property falls under the definition of economic and physical blight under the Community Redevelopment Act according to Community Redevelopment Commission members, who are also members of the Oxnard City Council. This building is only one of several parcels owned by the city that are considered either surplus property or property available for resale.

The complainants questioned the authority of the Oxnard Community Development Commission's role in complying with the rules required to implement the Community Redevelopment Act as outlined in the California Health and Safety Code, sections 33000-33030. This act is being used by the city council, acting as the Community Development Commission (CDC) also referred to as the Community Development Department (CDD) and attached to the Oxnard Community Planning Department, to redevelop and restore the downtown area of the city. Citizen complaints to the city council over the last several years have included allegations of secret meetings with potential developers and the making of closed-door deals over the sale of city-owned properties. Members of the Community Development Commission and its director contend that all rules outlined in the Community Redevelopment Act are adhered to; however they realize that members of the community do not fully understand how redevelopment works. They are making efforts to build trust through education by making presentations at council meetings and special sessions and through news articles and publications offered to the public.

Background

The CDC, acting as a Redevelopment Agency (RDA), established a Central City Revitalization Project (CCRP) involving approximately 568 acres in the downtown area in 1976. Another project, the Historic Enhancement and Revitalization of Oxnard (HERO) that was established in 1998, also encompasses large areas of downtown, including the parcel where the Brown Building is located. The building is called "Brown" after its original owners who built it around 1915. It has had many tenants and several uses over the years but sat vacant for approximately the last 13 years. Over this period there has been a "For Sale" sign on the face of the building that has lent some confusion over its availability. The selection of owners, the sales price and the ultimate end use of the property are dictated solely by the CDC. Over the last four years, the commission has received several offers from potential buyers who expressed various types of end uses for the property:

- Retail clothing store
- Mexican restaurant with banquet room
- Furniture and appliance store
- Snack bar and gift shop
- Sports bar
- Coffee shop
- Bedding and linen store
- Cultural arts and interior design center
- Carpet and floor covering store and warehouse
- Real estate and finance office

Under the Redevelopment Act, the CDC can offer tax rebates, cash grants and free land or property improvements to lure businesses into vacant buildings, all in the name of eliminating blight. Redevelopment law contained in the California Health and Safety Code cited above, defines a blighted area as, "One that constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without Redevelopment."

Methodology

The Grand Jury reviewed 1999-2000 and 2002-2003 Grand Jury reports on redevelopment agencies in Ventura County. The Grand Jury then interviewed the Oxnard Community Development director, who, through the Planning Department, works directly for the CDC, about the current and future development of the downtown area under the Central City Revitalization Project (CCRP) and the Historic Enhancement and Revitalization of Oxnard (HERO). Specific questions were asked concerning the current status and future disposition of the Brown Building. The Grand Jury then received a detailed briefing from the Ventura County Counsel's office pertaining to the applicable laws and rules governing redevelopment agencies (RDAs) within the county and the State of California. The county counsel provided information about the redevelopment process as well as a historical view of redevelopment in the ten cities and unincorporated areas of the county. The Grand Jury collected and read numerous articles and publications on redevelopment in general, and materials specifically addressing the various projects underway in the City of Oxnard.

Findings

- F-01.** More than 40 years ago the California State Legislature delegated to cities and counties powers to be used by local redevelopment agencies to eliminate blight from designated urban areas in their communities.
- F-02.** RDAs have broad property management powers, including the authority to acquire property, sometimes by eminent domain, and to sell, lease, clear or develop real property in the project area(s).
- F-03.** The Brown Building is either within, or adjacent to, the CCRP project and the HERO project areas of development and revitalization. The building is located in what is referred to as the Central District Business Zone, which is now

undergoing extensive expansion and development causing property values in the area to rise rapidly.

- F-04.** According to plans reviewed by the Grand Jury and statements made by the community development director before city council meetings and to the press, some of the allowable uses for the building include restaurants, financial institutions, galleries, bookstores and a funeral home.
- F-05.** The means by which the CDC is considering offers from interested investors who will purchase and develop the property is through the use of Exclusive Negotiation Agreements (ENAs). These ENA responses from prospective investors must include specific development plans that include blueprints, drawings, specifications and the exact ultimate usage for the Brown Building. All materials produced to be presented to the commission for consideration must be prepared by the investor(s) at their own expense.
- F-06.** On November 20, 2002, the CDC received an offer from Al Barkley of Barkley Insurance Agents & Brokers. On July 14, 2003, Mr. Barkley withdrew his offer.
- F-07.** On July 8, 2003, Strand Cinemas, developer of the 14-screen Plaza Cinema and Shopping Complex currently being built approximately four blocks from the Brown Building, was given an ENA for the building that was scheduled to last for 90 days, and possibly extended to 270 days. On August 22, 2003, Strand Cinemas withdrew its offer for the purchase and development of the Brown Building.
- F-08.** In July of 2003, the owners of Ruby's Café in Santa Barbara, California, were denied a special use permit by the city's planning commission to open a restaurant at 9th and A Streets near downtown Oxnard that would serve alcoholic beverages. Reasons for the denial were the lack of parking and the Oxnard Police Department's opposition to the permit due to the existence of several establishments in the area that have liquor licenses. The department's view was that another business with a liquor license in the area might increase crime.
- F-09.** On August 23, 2003, the CDC instructed its director to enter into an ENA with the owners of Ruby's Café for the Brown Building. On March 23, 2004, the vice chairman of the CDC executed the ENA with the owners of Ruby's Café for the purchase and development of the Brown Building.
- F-10.** As of the end of April 2004, no sale of the Brown Building has been finalized, and no remodeling or renovation work on the structure has begun.

Conclusions

- C-01.** Community Development Commission and Community Development Department staff control agency agendas and recommend actions. Commission members, who are also elected city council members, tend to rely on staff decisions more than on their own judgment. Though simple in principle, redevelopment is sometimes presented as too complex for some ordinary officials and citizens to understand. (F-01, F-02)

- C-02. Because of the proximity of the Brown Building to already developed projects like the Transportation Center and future projects such as the Plaza Cinema (Strand), the value of the building will most probably go up. However, the lack of sale of the building and its long-term vacancy have resulted in the loss of revenue to the city. (F-03, F-04, F-10)
- C-03. The use of ENAs to come to terms with potential investors interested in surplus property and property available for resale is well within the laws and rules governing the Community Redevelopment Act that is being utilized by the city under the CDC. The ENA provides the necessary controls on who the owner or tenant will be and the ultimate use of the property, assuring that the property's usage will conform with the rest of the development in the area. (F-05, F-07, F-09)
- C-04. Even though the owners of Ruby's Café were denied a use permit for a restaurant that would serve alcoholic beverages in one area of the city, and now are being considered as potential owners and operators of a restaurant in the Brown Building in another part of the city, there appears to be no conflict or special interest in the decision. What becomes of the Brown Building is the sole, exclusive choice of the CDC and the Oxnard City Council, which have common members. (F-08, F-09)

Recommendations

- R-01. The CDC and the Oxnard City Council should provide more information on the general workings of its commission and RDAs through the continued use of televised commission/council meetings and the circulation of articles and publications on the subject to better educate the public on how redevelopment works.
- R-02. In the event the owners of Ruby's Café do not have their ENA approved or extended, or withdraw their offer, a more effective means should be used to solicit buyers and developers from a wider range of potential candidates interested in entering into an ENA for the purchase and development of the building. To avoid confusion for potential interested parties and the public, when the CDC enters into ENAs with investors, it should remove the "For Sale" sign from the building.

Responses

Recommendation	R-01	R-02
Responses Required From:		
Oxnard City Council	X	X
Mayor of Oxnard	X	X
Responses Requested From:		
Oxnard Planning Commission	X	X

Appendix 1: Community Development Commission Presentation

PowerPoint Presentation Given August 26, 2003, by the Director of the Oxnard Planning Commission on the Disposition of the Brown Building

Building History

- Built Circa 1910
- Corner of 4th & Oxnard Blvd., CBD Zone
- 9,000+ sq. ft., commercial building
- CDC acquired in 1980s from Harriet Brown
- Building has been vacant for 10+ years
- Previous use was Oxnard Beauty College

Background

- CDC entered into a Disposition and Development Agreement (“DDA”) with Strand Cinemas, LLC and San Carlos Cinemas on January 7, 2003, for the development of a multiplex theater and retail development.
- Began negotiations through an Exclusive Negotiations Agreement (“ENA”) contained within the DDA for the development of an international marketplace in downtown Oxnard.

Background (cont.)

- The planning area for the international marketplace is bounded by Third Street to the north, Wooley Road to the south, the railroad right-of-way to the east of Oxnard Boulevard and the alley between “C” and “D” Streets to the west.
- This ENA allows developer to negotiate with the City and CDC for the potential sale of City- and CDC-owned property within this area

Barkley Offer

- Prior to the ENA the CDC received an offer on November 20, 2002, from downtown businessman Al Barkley of Barkley Insurance Agents & Brokers.
- The offer was subsequently amended to include the Petit House and Perkins House at Heritage Square on January 1, 2003.
- Staff recommended and received direction from the CDC to enter into “good-faith” negotiations with Mr. Barkley.

Barkley Offer (cont.)

- These negotiations resulted in the proposed sale of the Perkins and Petit Houses.
- Mr. Barkley withdrew his offer of the Brown Building on July 14, 2003, through a letter to the CDC.
- The Brown Building is now subject to the ENA with Strand Cinemas.

Strand Cinemas

- Strand Cinemas has now waived its rights under the ENA and does not wish to pursue negotiations to purchase the Brown Building (Letter to CDC Aug. 22, 2003)

CDC can legally pursue many options for the sale of the Brown Building

- Evaluate and consider the pending offers received to date
- Solicit specific buyers and uses to make offers for CDC consideration
- Develop a Request for Proposals (RFP) process for selected uses (not legally required)
- List the property on the Multiple Listing Service (MLS) and evaluate offers subsequently received
- Await review/approval of the Downtown Strategic Plan by City Council prior to implementing any of the above alternates

Conditions for disposition of property

- Property use must be consistent with Redevelopment Plan
- CDC must hold a noticed public hearing prior to entering into an agreement for the disposition of the property

Key Considerations

- Building occupies a high visibility corner in the Downtown
 - Property is on a major thoroughfare
 - adjacent to the transportation center
 - within a block of the multiplex theater and retail development.
- Set the image and tone for Downtown
- Uses should be complimentary in nature to the multiplex theater, marketplace project
- CDC should seek highest and best use

Previous Proposals

- CDC and staff have been necessarily patient and selective in screening and evaluating proposals
- Many offers have not represented the highest and best use for the property and:
 - Are inconsistent with the CDC's redevelopment efforts
 - Are Inconsistent with the multiplex theater, and marketplace projects
 - Have no clearly identified tenants, and
 - Are highly contingent or have poor financing plans

Previous Proposals (cont.)

- Proposals have included:
 - Multi-vendor uses, restaurants, snack bar/ nightclub, antique malls, home furnishings, carpet sales/warehouse, office, cultural arts center
- New proposal received August 20, 2003
 - Restaurant, retail, music and theater performance educational facilities, venue for the performing arts

Downtown Strategic Plan

- New draft Downtown Strategic Plan presented to Downtown stakeholders on August 21, 2003
- Strategic Plan divides Downtown into a series of districts with land use designations
- Brown Building is within Oxnard Transportation Center District which includes:
 - visitor-serving entertainment, transit, and transportation-related uses

Ruby's Café

- A use that is consistent with this new Downtown Strategic Plan and worthy of consideration is Ruby's Café.
- Ruby's Café, Santa Barbara, CA
 - Owner-Operator, Martínéz Family
- Approved for new restaurant, entertainment venue at 852 South "A" Street ("Old Mexico Building")
- After consultation with Strand Cinemas, LLC staff has initiated preliminary discussions with the Martinez Family

Ruby's Café (cont.)

- Ruby's Café could be a complimentary use to the multiplex theater and marketplace:
 - Close proximity to each other to reinforce the entertainment district
 - Consistent with Downtown theater and marketplace projects
 - Consistent with the proposed Downtown Strategic Plan
 - Consistent with City Council goal to bring Ruby's Café to Downtown
- Old Mexico building is within the "South of Seventh District" whose preferred land use is housing and resident-serving retail support uses

Staff Recommendations

- The Community Development Commission (“CDC”):
 - Direct staff to continue discussions with Ruby’s Café regarding the future disposition of CDC-owned property at 348-350 South Oxnard Boulevard now that Strand Cinemas has waived its rights under the Exclusive Negotiations Agreement (“ENA”) executed July 8, 2003 with Strand Cinemas, LLC.
 - Direct staff to seek new proposals in a manner described seeking the highest and best use, and consistent with downtown redevelopment efforts if discussions with Ruby’s Café do not lead to formal negotiations and a subsequent proposal for CDC consideration.