



CITY OF COMMERCE AGENDA REPORT

TO: Honorable Mayor and City Council **Item No. _____**

FROM: Ernie Hernandez, City Manager

SUBJECT: Consideration to Adopt Resolution No. _____ Approving a First Amendment to an Existing Agreement for Economic Development Services with Deodate LLC.

MEETING DATE: August 11, 2026

RECOMMENDATION:

It is recommended that the City Council consider:

1. Adopting a resolution to:
 - a. Approve a first amendment to the agreement for economic development services with Deodate LLC ("Deodate"), as approved in form by the City Attorney, to add \$150,000 to the original professional services agreement for a three-year term, until August 11, 2029; and
 - b. Approve a budget amendment recognizing \$150,000 in additional Card Club revenues and increasing Community Development Department's appropriations by \$150,000 to fund economic development consulting services; and
 - c. Authorize the City Manager, or designee, to take necessary actions to implement these actions; and
2. Take any additional related actions as deemed necessary.

BACKGROUND:

The City sought economic development services from Deodate to assist with disposition of properties and Surplus Land Act (SLA) management and other Economic Development-related services. Under the City Manager's authority, the City executed a professional services agreement with Deodate on February 6, 2026. The total compensation for the initial agreement was set at a not-to-exceed amount of \$50,000. The term of the agreement is in effect until February 5, 2027.

ANALYSIS:

The City has continued to utilize Deodate's services for SLA management of various City-owned properties and Economic Development services. This work is ongoing and not yet complete. Staff recommends setting an amendment agreement at a not-to-exceed amount of \$150,000 for a three-year period through August 11, 2029. Under the direction of City staff, Deodate will be able to provide the following scope of services:

1. **Market Analysis, Site Evaluation, and Optimization Strategies:** Deodate conducts thorough market analyses to identify and fill retail gaps within communities. They leverage tenant feedback and demographic insights to inform retail programming that aligns with local needs and enhances community appeal. Through these tailored evaluations, they help agencies position their properties for optimal use and revenue generation.
2. **Financial Strategies:** Deodate assists finance departments by providing internal technical resources, enabling a deeper understanding and evaluation of development proposals, tax credit applications, and public-private partnership (P3) proposals. Their financial expertise includes the detailed analysis and negotiation of ground leases and municipal leasing contracts to support sound financial decision-making.
3. **Disposition and Surplus Land Act (SLA) Management:** Deodate manages the complete 360-degree SLA disposition process. They guide agencies from the initial analysis stage and creation of a digital data room to navigating procedural approvals. Their team coordinates board and council approvals, markets properties in compliance with SLA requirements, and oversees disposition approval and documentation with California's Housing and Community Development (HCD) department.
4. **Strategic Right-of-Way (ROW) Program Management:** Acting as an extension of agency leadership, Deodate coordinates multi-disciplinary teams, including acquisition, title, escrow, legal, and relocation professionals. They manage these teams to ensure schedule and budget compliance, minimizing litigation risks and keeping complex ROW projects on track.
5. **Transactional Management:** Deodate's Transactional Management service is centered on fiduciary responsibility to public funds. They ensure that agency properties intended for sale or lease achieve true market pricing. This includes handling extensive marketing efforts, managing negotiation processes (directly or via brokerage oversight), and monitoring adherence to pricing benchmarks. Their experienced team acts as stewards of public funds, achieving financially sound outcomes aligned with public expectations.
6. **Housing Program Strategies:** Deodate offers affordable housing consulting, including comprehensive solutions that address local housing needs through data-driven strategies and stakeholder engagement. By creating tailored housing plans and policies, Deodate helps governments, nonprofits, and private entities develop and sustain affordable housing options. Their approach combines real estate expertise with community-centered planning, focusing on housing affordability, anti-displacement strategies, and balanced mixed-income developments.

7. **Economic Development Strategy:** Stemming from their experience advising corporations nationally in their site selection and analysis exercises, they have earned expertise as to what attributes lead a corporation to select one location versus another. From this viewpoint, they have been engaged by multiple local, regional and state agencies to create and execute strategies that position them for growth and compete in the attraction of business. Additionally, their real estate expertise allows them to view government real estate strategically and proactively in positioning it for potential economic development growth.

FISCAL IMPACT:

The FY 2026-28 Budget incorporated a conservative reduction to projected Card Club revenues due to the uncertainty surrounding the then-pending regulation changes. Based on subsequent legal developments, staff is recommending recognition of \$150,000 in additional Card Club revenues, representing a small portion of the previously reduced revenue projection, to fund the proposed agreement.

Approval of the proposed agreement will require a budget amendment recognizing \$150,000 in additional General Fund revenues from Card Club revenues (Acct No. 10-6100-32001) and increasing the Community Development Department's contractual services budget (Account No. 10-1510-52001) by an equal amount. The recommended revenue adjustment represents a small portion of the conservative Card Club revenue reduction incorporated into the adopted FY 2026-28 Budget. As such, the proposed agreement is fully funded through additional revenues and will not require the use of General Fund reserves.

ALTERNATIVES:

1. Approve recommendation
2. Reject recommendation
3. Provide staff with further direction

STRATEGIC PLAN GOAL:

This item relates to the 2016 Strategic Action Plan's goal of: Economic growth - Guiding Principles 1 to "Create and strengthen our identity, as a community that promotes opportunity and success for business that meets the strategic focus for economic growth, will have a positive impact on the quality of life and the City's financial sustainability."

Prepared by:	Gisselle S. Delgado, Senior Management Analyst
Reviewed by:	Jessica Serrano, Director of Community Development
Reviewed by:	Alvaro Castellon, Director of Finance
Respectfully submitted:	Ernie Hernandez, City Manager
Approved as to form:	Noel Tapia, City Attorney

ATTACHMENTS:

- 1) First Amendment to Agreement with Deodate LLC.

- 2) Resolution
- 3) Deodate Proposal