



CITY OF COMMERCE AGENDA REPORT

TO: Honorable Successor Agency **Item No.** _____

FROM: Interim Executive Director

SUBJECT: Resolution Approving the First Amendment to the Contingent Agreement to Sell Real Estate to Craig Realty Group Citadel, LLC, for Land in the City of Commerce, California

MEETING DATE: May 23, 2017

RECOMMENDED ACTION:

Approve the attached Resolution approving the First Amendment to the Contingent Agreement to Sell Land to Craig Realty Group Citadel, LLC ("the Amendment").

BACKGROUND:

On January 20, 2015, the Successor Agency to the Commerce Community Development Commission (the "Successor Agency") approved a "Contingent Agreement to Purchase and Sell Real Estate and Escrow Instructions" with Craig Realty Group, LLC ("the PSA"). The land that was the subject of the agreement is 25.29 acres located in the City of Commerce, which is described in detail in Exhibit A to the PSA ("the Land").

The PSA complied with all aspects of ABx1 26 and AB 1484, and was ultimately approved by the Oversight Board and the Department of Finance ("DOF"). However, a change in circumstances requires that the PSA be revised.

While the PSA only pertains to the sale of the Land to Craig Realty, it also contemplates the sale of 25% of the Land to a third party and the development of an industrial use on that part of the Land. It defines "the Project" as "a Development Agreement between the City of Commerce and [Craig Realty], as set forth in Section 6.3 [of the PSA], that will allow for a retail development on the Retail Portion of the Property and an industrial development on the Industrial Portion of the Property." (PSA, Article 2.) In the provisions describing the Development Agreement that Craig Realty is to enter into with the Successor Agency ("the DA"), the PSA states that Craig Realty is to develop 70% of the Land as a retail use, and "complete development, or transfer to the Ryman Family Trust, or an affiliate thereof, to complete development of a warehousing, manufacturing and office facilities of up to 250,000 square feet (including single and multi-story square footage up to a height of forty feet) on the Industrial Portion of the Property ('Industrial Development')." (*Id.*, Article 6, section 6.3.)

The PSA also states that the DA shall include the following covenant of Craig Realty:

that the annual assessed valuation for the Industrial Portion of the Property and Buyer's Industrial Development shall be no less than Fifteen Million Dollars (\$15,000,000.00) upon completion of the Industrial Improvements on Buyer's Industrial Development on the Industrial Portion of the Property, lot line adjustments and consolidations of portions of the Property, and relocation, opening and/or closure of various public rights of way accessing the Property.

(*Ibid.*) The PSA further identifies the “Industrial Portion” or “Industrial Development” in various portions of the agreement, including the Recitals as “comprising approximately 25% of the Land.” (Recital A.)

The abovementioned portions of the PSA were included for the benefit of the Ryzman Family Trust, which represented that it intended to develop the “Industrial Portion” of the Land. However, since the time of the PSA, the Ryzman Family Trust has informed the City, the Successor Agency, and Craig Realty that it did not desire to acquire 25% of the Land and will not proceed with the “Industrial Development.”

By letter dated May 23, 2017, the City Attorney’s Office confirmed with the Ryzman Family Trust that it did not desire to proceed with the purchase and development anticipated in the PSA. The Ryzman Family Trust was informed that the Successor Agency would be amending the PSA in order to address these changed circumstances.

ANALYSIS:

The Commerce Community Development Commission originally purchased and assembled the Land in order to work toward the goal of creating the Telegraph Road Commercial/Entertainment Corridor, which was to be a destination retail/entertainment concept wherein both architecture and uses would be compatible with and complementary to the Citadel Outlets Shopping Center and the Commerce Casino. The Successor Agency’s Long Range Property Management Plan (the “LRPMP”), which preceded the PSA, anticipates that the Successor Agency would sell the Land to Craig Realty for purposes of commercial and retail development.

By way of the Amendment to the PSA, the Successor Agency seeks to remove all reference to development of an “Industrial” use and any potential benefit to a third party. The Amendment also eliminates the definition for “the Retail Portion,” as well as any specific limitations on the percentage of the Land which may be for a retail use. Thus, the Successor Agency and Craig Realty will be able to pursue the original purpose of developing the entire Land as a retail and commercial use. The specifics of the development will be detailed in a forthcoming Development Agreement between the City and Craig Realty.

All requirements of the PSA not explicitly modified by the Amendment remain in place, including CEQA provisions, purchase price, and escrow instructions.

On July 5, 2017, the Successor Agency approved the Amendment. Pursuant to ABx1 26 and AB 1484, the Oversight Board must also approve of the Amendment. After approval

by the Oversight Board, the Amendment will be submitted to the DOF for its review and consideration.

ALTERNATIVES:

1. Approve the First Amendment to the PSA; or
2. Provide further direction.

FISCAL IMPACT:

There is no fiscal impact for this action item.

Respectfully submitted by: Matthew Rodriguez, Interim Executive Director

Reviewed by: Vilko Domic, Director of Finance

Approved as to form by: Eduardo Olivo, Successor Agency Legal Counsel

ATTACHMENTS:

1. Resolution; and
2. First Amendment to Contingent Agreement for the Purchase and Sale of Real Estate and Escrow Instructions