



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable Oversight Board **Item No. \_\_\_\_\_**

**FROM:** City Administrator

**SUBJECT:** Resolution Approving the Contingent Agreement to Purchase and Sell Real Estate to Wash-Tel Commerce, LLC and Craig Realty Group Citadel, LLC

**MEETING DATE:** March 28, 2018

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### **RECOMMENDED ACTION:**

Approve the attached Resolution approving of the action of the Successor Agency to the Commerce Community Development Commission ("Successor Agency") to authorize entering into the Contingent Agreement to Purchase and Sell land to Wash-Tel Commerce, LLC and Craig Realty Group Citadel, LLC.

### **BACKGROUND:**

Pursuant to ABx1 26 ("AB 26") enacted in June 2011, the Commerce Community Development Commission (the "Commission"), and all other redevelopment agencies throughout the state, were dissolved as of February 1, 2012. AB 1484 was enacted in June of 2012 and substantially amended AB 26, and was codified in the Health and Safety Code.

Pursuant to subdivision (b) of section 34175 of the Health and Safety Code, on February 1, 2012, the real property and other assets of dissolved redevelopment agencies were transferred to the ownership and control of successor agencies. Section 34173, subdivision (g) of the Health and Safety Code requires successor agencies to dispose of properties previously owned by the redevelopment agencies and to unwind the affairs of the dissolved redevelopment agencies. Pursuant to AB 26, the City elected to accept the duties of the successor agency to the Commission and is responsible for the disposition of the real properties previously owned by the Commission. By operation of law, the Successor Agency currently owns the land formerly owned by the Commission.

Pursuant to section 34191.5 of the Health and Safety Code, within six months after receiving a Finding of Completion from the Department of Finance ("DOF"), each successor agency was required to submit for approval to its oversight board and the DOF, a Long Range Property Management Plan ("LRPMP") that addresses the disposition and use of the real properties of the respective former redevelopment agencies. AB 1484 mandates that a LRPMP identify that the agency's properties will be used or dispersed in

one of the following ways: (1) to fulfill an enforceable obligation; (2) retention for future development, including possible sale of the property; or (3) retention of property for governmental use. On May 24, 2013, the Successor Agency received a Finding of Completion from the DOF confirming that the Successor Agency had made specified required payments under AB 1484. On May 19, 2014, the DOF approved the Successor Agency's LRPMP, thereby approving the Successor Agency's proposed use or disposition of all the properties listed on the LRPMP.

One property identified in the LRPMP is located at 6233 Telegraph Road in the City of Commerce. It consists of approximately 462,607 square feet of real property (approximately 10.62 acres), with APN 6336-010-908 (the "Land"). The Land is zoned for commercial use.

The Commission 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. Though redevelopment no longer exists, the Successor Agency seeks to effectuate the goal of the Commission to develop the area to "solidify the City's brand as a premier retail and entertainment destination consistent with the vision for the Telegraph Road Corridor."

At the time of the LRPMP, the Commerce Casino had expressed interest in a potential purchase of the Land. Through further communications and negotiations, the Casino expressed an interest in collaborating with the Craig Realty Group to purchase a portion of the Land. They formed a limited liability company named "Wash-Tel Commerce" for purposes of said purchase and operating the uses to be developed on the Land.

## **ANALYSIS:**

On May 16, 2017, the Successor Agency approved the Contingent Purchase and Sell Agreement ("Agreement") with Craig Realty and Wash-Tel. The Agreement was made contingent upon the City of Commerce, Craig Realty, and Wash-Tel completing the negotiation of a Development Agreement that will allow for the development of the Project. The "Project" will include the following: Craig Realty Group will develop a 50,000 square foot industrial or commercial building on three (3) acres of the Land abutting the Citadel Outlets property, which would effectively be the relocation of a building within the Citadel Outlet properties so that the Citadel can address traffic-flow issues on its premises; Wash-Tel will develop three restaurants (including one sit down restaurant) on the front, southeastern portion of the Land; other uses agreed to by the Buyers and the City of Commerce, as will be further specified in the Development Agreement. Craig Realty Group will purchase approximately three (3) acres for purposes of the 50,000 square foot industrial or commercial use, while Wash-Tel Commerce will purchase the remaining seven and 62/100 (7.62) acres for purposes of developing the three restaurants and other possible uses to be defined through the forthcoming Development Agreement.

The aforementioned property split is depicted in exhibits to the Agreement. The subdivision of the 10.62 acre site into two parcels will take place through the appropriate legal means before the close of escrow. That process will include an ALTA survey of the 10.62 acres prepared by a licensed surveyor, surveys of the proposed subdivision by a

licensed surveyor(s) accurately describing the land to exist following the subdivision, and ensuring access to each parcel from adjacent streets, alleys and sidewalks, as well as all utilities, easements and the boundaries of the separate parcels and all encroachments.

The Agreement was also made contingent on the completion of an appropriate environmental review and analysis that will be prepared pursuant to the requirements of the California Environmental Quality Act ("CEQA") to analyze the potential environmental impacts of the Project before it is considered by the City's Planning Commission and City Council. The Agreement sets forth the terms upon which Craig Realty and Wash-Tel will purchase the Land from the Successor Agency in the event the Project is ultimately approved following the CEQA environmental review process and all other applicable public review and hearing processes. Nothing in the Agreement shall limit the City's authority to disapprove the Project, in whole or in part, or to consider any alternative to the Project, including an alternative site for the Project. Nor shall anything in the Agreement in any way limit the City's discretion to modify and/or impose mitigation measures on the Project. The City maintains sole and absolute discretion to deny, modify or condition the Project, and nothing in the Agreement shall be construed to alter or impose any limitations on the City's reserved police powers and legislative discretion.

In the event the City Council does not approve the Project, the Agreement shall automatically and immediately terminate. In the event the City Council approves and certifies the CEQA document that is required for the Project and approves the Project, the date the City Council approves Development Agreement shall be considered the "Project Approval Date" for purposes of the Agreement.

Based on appraisals obtained by the City, the Land has a market value of \$10,025,000.00. The Buyers have offered to pay the full appraised value for the Land, with Craig Realty Group paying \$2,831,921.00 for three (3) acres in the northeast portion of the Land and Wash-Tel Commerce paying \$7,193,079.00 for the remaining seven and 62/100 (7.62) acres.

The Buyers will be required to make a good faith deposit of \$100,000.00 upon execution of the Agreement, with an Additional Deposit of \$400,000.00 within two business days following the date upon which the Successor Agency notifies Buyers that all approvals necessary for the sale of the Land and that all appeal periods applicable thereto have expired without an appeal having been filed.

The Agreement provides for escrow to be opened within two (2) business days after execution of the Agreement by the parties. Escrow shall close on or before the date which is ninety (90) days following the Project Approval Date ("Closing Date"), subject to any extension exercised by Buyers pursuant to the terms of the Agreement. The Development Agreement will be complete before the close of escrow.

On May 16, 2017, the Successor Agency approved the Agreement. Pursuant to AB 26 and AB 1484, the Oversight Board must approve of the Agreement. If it approves the resolution and Agreement, it must then submit the Agreement and approval to the DOF for its information and review consistent with the approved LRPMP.

**ALTERNATIVES:**

1. Approve Staff recommendation; or
2. Decline Staff recommendation and provide further direction.

**FISCAL IMPACT:**

The Successor Agency will not keep any of the purchase price. The proceeds of the sale will be handled in accordance with the requirements of ABx1 26 and AB 1484.

Respectfully submitted by: Edgar P. Cisneros, Successor Agency Executive Director

Reviewed by: Vilko Domic, Director of Finance

Approved as to form by: Noel Tapia, Successor Agency Counsel

**ATTACHMENTS:**

1. Resolution; and
2. Contingent Agreement for the Purchase and Sale of the Properties