



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council **Item No. \_\_\_\_\_**

**FROM:** City Administrator

**SUBJECT:** Provide Direction for the Development of the 1.8-Acre Portion of the Property Located off of Washington Blvd and Telegraph Road APN 6336-010-908

**MEETING DATE:** August 6, 2018

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### **RECOMMENDATION:**

Provide direction for the development of the 1.8- acre portion of the property located off of Washington Blvd. and Telegraph road APN 6336-010-908.

### **BACKGROUND:**

On May 24, 2013, the Successor Agency received a Finding of Completion from the Department Of Finance (DOF), and on May 19, 2014, the DOF approved the Successor Agency's LRPMP (Long Range Property Management Plan), thereby approving the Successor Agency's proposed use or disposition of all the properties listed on the LRPMP. Included among the properties listed on the LRPMP is a parcel of approximately 10.62 acres (462,607 Sq Ft) acres located off Telegraph Road and Washington Blvd and specifically identified as APN 6336-010-908 (the "Land"). The Land is zoned for general commercial uses, and the Commerce Casino expressed initial interest in purchasing it.

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 existing Citadel Outlets Shopping Center and the Commerce Casino. Consistent with this intent, the LRPMP indicated the Land would be sold to the Casino.

Subsequently, the Commerce Casino advised the Successor Agency that it has been in discussions with the Craig Realty Group Citadel, LLC, to proceed as a joint venture in pursuing a commercial development on the Land. The development proposal includes the construction of a City Public Safety Facility that would house the city's public safety staff and law enforcement personnel. The City Public Safety Facility would also house other public safety staff that would serve the City of Commerce and other areas in the

region. Any non-City tenants housed in the City Public Safety Facility would be subject to City Council consideration and approval. It is expected that such non-City tenants would pay the City rent. The construction and operation of a City Public Safety Facility on the Land would be consistent with the current zoning, as well as the Commission's redevelopment implementation plans and the City's General Plan. It would also satisfy a vital public service need of the community.

On May 16, 2017 the Successor Agency approved a Contingent Agreement to Purchase and Sell Real Estate to Wash-Tel Commerce, LLC and Craig Realty Group Citadel, LLC that would allow for the development of the Project. The "Project" was to include Craig Realty Group to develop a 50,000 square foot industrial 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 Successor Agency has completed the negotiation of the First Amendment to the Contingent Purchase and Sell Agreement with Craig Realty and Wash-Tel. The First Amendment replaces the Successor Agency with the City as the seller.

On May 23, 2018, Council approved a Resolution for the Agreement of Purchase and Sale and Joint Escrow Instructions between the Successor Agency to the Commerce Community Development Commission and the City of Commerce, for the Land. Included in the agreement was a proposed concept as follows:

### **The Proposed Concept**

- 1) The Successor Agency would sell the 10.62 acre parcel to the City for \$1.
- 2) The City would designate up to 1.8 acres for the construction of a City Public Safety Facility.
- 3) The City would sell the remaining 8.82 acres to the Wash-Tel Commerce LLC and Craig Realty Group Citadel LLC for the price of \$8,325,847.50.
- 4) The City would apply the sale proceeds to the construction of the City Public Safety Facility.
  - a. Preliminary Space Program for the proposed City Public Safety Facility -- approximately 20,000 sq. ft. (subject to change)

- b. Premised on the 20,000 sq. ft. blue print and construction costs at \$250 per sq. ft., projected cost of the City Public Safety Facility would be approximately \$5 million. Add in 15% contingency (\$750,000) for an approximate total of \$5,750,000.
- c. If the blueprint expanded to 25,000 sq. ft., which is likely, the projected cost could increase to approximately \$7.2 million.

This concept was submitted to the DOF as an amended LRPMP. On July 18<sup>th</sup>, 2018 DOF informed the City that the Department approved the City's amended LRPMP.

On August 6, 2018, the Successor Agency will consider the approval of the First Amendment to the Contingent Purchase and Sell Agreement with Craig Realty and Wash-Tel. The First Amendment includes the sale of the 10.62 acre parcel to the City subject to the City undertaking the Successor Agency's duties and obligations under the original Contingent Purchase and Sell Agreement with Craig Realty and Wash-Tel. To that end, the First Amendment replaces the Successor Agency with the City as the seller of the 8.82 acres to the Wash-Tel Commerce LLC and Craig Realty Group Citadel LLC.

#### **ANALYSIS:**

Pursuant to the DOF approval and the approval of the First Amendment to the Contingent Purchase and Sell Agreement with Craig Realty and Wash-Tel by the Successor Agency, the City will be in a position to proceed with the development of the 1.8-acre parcel. Pursuant to the PSA, City has two years to complete work on the parcel before the parcel is required to be made available for purchase by the Wash-Tel Commerce LLC. As such, staff is asking for direction to expeditiously provide a concept and proceed with the construction of a City Public Safety Facility on the site. The following are Council options to work towards a vision, site plan, Architectural and Engineering (A&E), and ultimately the construction of the City Public Safety Facility:

1. Authorize \$150,000 towards preliminary architectural and site plan studies before issuing an RFP for the Architectural and Engineering. Staff will recommend a short list of on-call architects for final recommendation by the Economic Development Committee. This selection process can be accomplished in approximately 3 weeks.
2. Issue an RFP for the Architectural and Engineering now and bring a final recommendation to Council (subject to the Economic Development Committee recommendation). This process can be accomplished in about 10-12 weeks.

**ALTERNATIVES:**

1. Approve Option 1.
2. Approve Option 2.
3. Provide further direction to staff.

**FISCAL IMPACT:**

If Council elects Option 1, staff recommends advancing \$150,000 from General City Reserves at this time to be reimbursed later after the sale of the property. If Council selects Option 2, City will be advancing a larger sum to be determined after negotiation with the selected firm. This sum will also be later reimbursed after the sale of the property.

**RELATIONSHIP TO STRATEGIC GOALS:**

The issue before the Council is generally applicable to the following Council strategic goal, Fiscal Sustainability, Guiding Principal 5: Create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues, as identified in the 2016 Strategic Plan.

Recommended by: Maryam Babaki, Director of Public Works & Development Services

Prepared by: Maryam Babaki, Director of Public Works & Development Services

Reviewed by: Vilko Domic, Finance Director

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator