



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable Successor Agency

**Item No.** \_\_\_\_\_

**FROM:** Executive Director

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

**MEETING DATE:** AUGUST 6, 2018

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### **RECOMMENDATION:**

Approve and adopt the proposed Resolution approving the First Amendment to the Contingent Agreement to Purchase and Sell Real Estate to Wash-Tel Commerce, LLC and Craig Realty Group Citadel, LLC, and assign the number next in order.

### **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. The successor agency in Commerce is referred to as the Successor Agency to the Commerce Community Development Commission ("the Successor Agency"). 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.

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.

Based on appraisals obtained by the City, the Land had a market value of \$10,025,000.00. The Buyers had 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.

## **ANALYSIS:**

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 agreement is 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 “Amended Project” will include the following:

A portion of the Property highlighted above, consisting of approximately 1.8 acres of the Property is contemplated by Seller, Buyers and the City of Commerce for development as a City Public Safety Facility that would house the city’s law enforcement personnel. The City Public Safety Facility would also house other City 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 precise boundaries and legal description of the City Public Safety Facility Land, together with the balance of the Land and the Property, shall be determined by the Survey in accordance with the Original Purchase Agreement. Purchase Price of the Original Purchase Price shall be reduced by the approximate amount of \$1,699,152.54 (representing approximately 1.8 acres at \$943,973.603 per acre). The precise amount of the reduction shall be determined when the precise acreage of the City Public Safety Facility Land is ascertained by the Survey pursuant to the Purchase Agreement, on the basis of the foregoing per acre purchase price, and the amount of such reduction is referred to herein as the “City Public Safety Facility Land Allocable Purchase Price”. The City Public Safety Facility Land Allocable Purchase Price shall reduce the Wash-Tel Purchase Price from \$7,193,079.00 to \$5,493,926.50, with the Craig Realty Group payment amount remaining at \$2,831,921.

On May 23, 2018, the City and the Successor Agency approved the Agreement of Purchase and Sale and Joint Escrow Instructions whereby the City purchases 10.62 acres of land from the Successor Agency in accordance with the First Amendment to the Contingent Agreement for Purchase and Sell between the Successor Agency, Wash-Tel, and Craig Realty.

An amended LRPMP including the above described concept was submitted to the DOF for its consideration and approval. On July 18th, 2018, the DOF informed the City that the Department approved the City’s amended LRPMP.

Consistent with the negotiations and the LRPMP, Staff now recommends approval of the proposed First Amendment to the Contingent Agreement for Purchase and Sell between the Successor Agency, Wash-Tel, and Craig Realty.

## **ALTERNATIVES:**

1. Approve staff recommendation
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.

## **RELATIONSHIP TO STRATEGIC GOALS:**

This report before the Successor Agency is not applicable to any specific 2016 Strategic Plan Guiding Principle; however, it is related to the following Strategic Focus Area: Create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues.

Recommended by: Vilko Domic, Director of Finance/City Treasurer

Approved as to form: Noel Tapia, Legal Counsel

Respectfully submitted: Edgar P. Cisneros, Executive Director

## **ATTACHMENTS:**

1. Resolution
2. First Amendment to the Contingent Agreement for the Purchase and Sale of the Properties