



CITY OF COMMERCE AGENDA REPORT

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

FROM: City Administrator

SUBJECT: ASSIGNMENT OF CONTINGENT AGREEMENTS TO PURCHASE
AND SELL 10.62 ACRES TELEGRAPH AVENUE

MEETING DATE: OCTOBER 16, 2018

RECOMMENDATION:

Approve assignment of contingent agreements to purchase and sell 10.62 acres on Telegraph Avenue.

DISCUSSION:

As part of the Citadel Expansion and the Wash-Tel projects, Craig Realty Group Citadel, LLC (CRG) is in the process of refinancing loans. The lender group, which consists of three life insurance companies, requires that its borrower, Citadel CRG, be a single purpose entity owning only the existing Citadel Outlets. The lender group requires that Citadel CRG not be obligated for agreements pertaining to further expansion on property which is not part of the security for the loan. This is not an uncommon requirement for loans of this size. This refinance will, in part, provide the funds necessary for the acquisition and continued development of the greater Citadel project.

In order to achieve the requirements of the lender group and still recognize the interests of the member owners of Citadel CRG as well as the interests of third parties dealing with Citadel CRG on future expansion, and to facilitate future financing for acquisition and expansion of the 25.29 acre site and (together with Wash-Tel Commerce) the 10.62 acre site, Citadel CRG forming a holding company, Citadel Holdings Group, LLC, a Delaware limited liability company (referred to in this letter as "Citadel Holdings"). The current LLC members of Citadel CRG are assigning and contributing their LLC interests in Citadel CRG to Citadel Holdings in exchange for an interest in Citadel Holdings. That then results in Citadel Holdings becoming the sole member of Citadel CRG and the current members of Citadel CRG holding all of the interests in Citadel Holdings in the same manner as held in Citadel CRG presently.

The lender group requires that Citadel CRG not be a party to the contingent purchase agreements. To that end, Citadel CRG requests that the City and the Successor Agency execute proposed assignments of the purchase agreements for both the 25.29 acres

and the 10.62 acres sites, assigning the buyer's interest under the purchase agreements to Citadel Holdings. Given the restructure described above, those assignments result in the Successor Agency and the City being in contract with Citadel Holdings, whose members/investors, financials, etc. is exactly the same as Citadel CRG prior to the assignment. With respect to the 10.62 acres, the proposed assignment only applies to the portion of the property anticipated to be acquired by Citadel CRG, not to the portion anticipated to be acquired by Wash-Tel Commerce, LLC.

The pending refinance is anticipated to close on or before October 30, 2018. The restructure is still in the process of being completed, and the assignments will only be used and effective once the restructure is completed. However, the assignments are required in order to close the refinance. Therefore, the developer is proceeding on several fronts concurrently.

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

FISCAL IMPACT:

The recommended action can be carried out without additional impact on the current operating budget.

Recommended by:	René Bobadilla, Director of Community Development and Sustainability
Prepared by:	René Bobadilla, Director
Reviewed by:	Vilko Domic, Finance Director
Approved as to form:	Noel Tapia, City Attorney
Respectfully submitted:	Edgar P. Cisneros, City Administrator

ATTACHMENTS:

Assignment, assumption, and consent agreement (10.62-Acre Property Purchase and Sale Agreement)