

RESOLUTION NO.

A RESOLUTION OF THE CITY OF COMMERCE APPROVING AN ASSIGNMENT OF FIRST AMENDMENT TO CONTINGENT AGREEMENT TO PURCHASE AND SELL REAL ESTATE AND ESCROW INSTRUCTIONS RELATED TO 10.62 ACRES LOCATED AT 6233 TELEGRAPH ROAD

WHEREAS, 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; and

WHEREAS, 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; and

WHEREAS, 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; and

WHEREAS, 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 the oversight board for the successor agencies 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. On May 24, 2013, the Successor Agency to the Commission received a Finding of Completion from the DOF. 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; and

WHEREAS, 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; and

WHEREAS, 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, all interested parties seek 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"; and

WHEREAS, the Successor Agency approved a Contingent Agreement to Purchase and Sell Real Estate and Escrow Instructions ("Agreement") with Craig Realty Group Citadel, LLC and Wash-Tel. The Agreement was made contingent upon the City of Commerce, Craig Realty Group Citadel, LLC, 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 Citadel, LLC 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; and

WHEREAS, pursuant to the Agreement, Craig Realty Group Citadel, LLC would purchase approximately three (3) acres for purposes of the 50,000 square foot industrial or commercial use, while Wash-Tel Commerce would 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; and

WHEREAS, the Agreement is 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 Group Citadel, LLC 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 limits 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 does 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; and

WHEREAS, 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; and

WHEREAS, based on appraisals obtained by the City, the Land has a market value of \$10,025,000.00. The Buyers offered to pay the full appraised value for the Land, with Craig Realty Group Citadel, LLC 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; and

WHEREAS, on May 16, 2017, the Successor Agency approved the Agreement.

WHEREAS, City [approved date] a First Amendment to the Contingent Agreement to Purchase and Sell Real Estate and Escrow Instructions ("First Amendment"). The First Amendment made the following changes to the Purchase Agreement. The Successor Agency sold the Land directly to the City of Commerce. The City agreed to be bound by the original Agreement, except that approximately 1.8 acres of the 10.62 acres would be reserved to the City from the Wash-Tel portion for the design, development and construction of a City Public Safety Facility. The sale price to Wash-Tel would be adjusted accordingly. If the 1.8 acres is not used as a City Public Safety Facility within two years, then Wash-Tel and/or Craig Realty would have an option to purchase the 1.8 acres at the purchase price stated in the original Agreement.

WHEREAS, as part of the Citadel Expansion and the Wash-Tel projects, Craig Realty Group Citadel, LLC is in the process of refinancing loans.

WHEREAS, the lender group, which consists of three life insurance companies, requires that its borrower, Craig Realty Group Citadel, LLC be a single purpose entity owning only the existing Citadel Outlets.

WHEREAS, the proposed refinance will, in part, provide the funds necessary for the acquisition and continued development of the greater Citadel expansion project.

WHEREAS, the lender group requires that Craig Realty Group Citadel, LLC not be obligated for agreements pertaining to further expansion on property which is not part of the security for the loan.

WHEREAS, in order to achieve the requirements of the lender group and still recognize the interests of the member owners of Craig Realty Group Citadel, LLC as well as the interests of third parties dealing with Craig Realty Group Citadel, LLC on the Citadel expansion project, and to facilitate future financing for acquisition and expansion of the 10.62 acre site, Craig Realty Group Citadel, LLC is forming a holding company, Citadel Holdings Group, LLC.

WHEREAS, the formation of the Citadel Holdings Group, LLC will result in Citadel Holdings Group, LLC becoming the sole member of the Craig Realty Group Citadel, LLC, and the current members of Craig Realty Group Citadel, LLC holding all of the interests in Citadel Holdings Group, LLC in the same manner as held in Craig Realty Group Citadel, LLC presently.

WHEREAS, the proposed assignment of the First Amendment will assign Craig Realty Group Citadel, LLC's interest under the First Amendment to Citadel Holdings Group, LLC. The assignment will result in the City being in contract with Citadel Holdings Group, LLC, whose members/investors, financials, etc. is exactly the same as Craig Realty Group Citadel, LLC prior to the assignment.

NOW, THEREFORE, THE CITY COUNCIL DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The assignment from the Craig Realty Group Citadel, LLC to Citadel Holdings Group, LLC of the FIRST AMENDMENT TO CONTINGENT AGREEMENT TO PURCHASE AND SELL REAL ESTATE AND ESCROW INSTRUCTIONS related to 10.62 acres located at 6233 Telegraph Road is hereby approved in substantially the form attached hereto.

Section 2. The Mayor is authorized to execute the Assignment for and on behalf of the City of Commerce.

PASSED, APPROVED and ADOPTED this 16th day of October 2018.

Hugo A. Argumedo
Chairperson

ATTEST:

Lena Shumway
Secretary

4814-7632-8312, v. 1