

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY OF COMMERCE APPROVING A 30 YEAR LEASE AGREEMENT BETWEEN THE CITY OF COMMERCE AND SILVERADO MANAGEMENT**

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, on May 23, 2018, the Successor Agency approved a Resolution approving 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 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") and subsequently selling the parcel to Wash-Tel Commerce LLC (Wash-Tel) with the understanding that a portion of the land will include a public facility component; and

WHEREAS, the City intends to work toward the goal of creating the Telegraph Road Commercial/Entertainment Corridor, which is 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. The 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”; and

WHEREAS, the Successor Agency sold a 10.62-acre parcel to the City for \$1. The City is in the process of finalizing a Development Agreement with the Wash-Tel and Craig Realty Group Citadel LLC for the 10.62-acre parcel. The City designated 1.8 acres for the construction of a Public Safety Facility that would serve as a Los Angeles County Sheriff’s Station given that the City currently contracts with the sheriff’s for law enforcement services. However, the City is considering increasing the size of the parcel to approximately 4.5 acres to accommodate additional City Hall functions.

WHEREAS, the City would sell the remaining 8.82 acres to the Wash-Tel and Craig Realty Group Citadel LLC for the price of \$8,325,847.50. If the City increases the parcel size, then the remaining acreage will be sold to the Wash-Tel and Craig Realty Group Citadel LLC for the same per sq. ft cost. The City would apply the sale proceeds to the construction of the City Public Safety/City Hall Facility.

WHEREAS, pursuant to the Agreement, Craig Realty Group will purchase approximately three (3) acres for purposes of the 50,000 square foot industrial or commercial use, while WashTel 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; and

WHEREAS, as part of the DOF approval for the transfer of property to the City for \$1, the City must build a Public Facility on the 10.62-acre parcel within two years of the property transfer. Considering the time constraint imposed by the DOF, the City is contemplating a construction delivery system that incorporates speed and cost effectiveness. A Lease- Lease Back system, would allow the City to lease the proposed Public Safety/City Hall site to a contractor for a said amount, if the lease contract requires the contractor to construct, or provide for the construction of, a building to be used by the City, so long as the title to the building would vest in the City’s name at the end of the lease. The contractor will then build the facility and lease it back to the City for up to said years. After the lease period, the ownership rights in real property will revert back to the City.

WHEREAS, a Ground Lease is being proposed for up to 4.5 acres of the 10.62-acre parcel, which could be increased to 4.5 acres through an amendment to the purchase and sale agreement to accommodate future City Hall functions. The City would ground lease the designated acreage (up to 4.5 acres) to Silverado Management and Holding Company (“Tenant”). The Ground Lease establishes the framework, but not any obligation, for the City to enter into a “Master Lease” with the Tenant pursuant to which the Tenant would construct, and lease to, the City, Sheriff’s Department, and any other shared user, facilities specified by those parties. The Tenant may not use the

Ground Lease property for any other purpose. All the terms and conditions of a Master Lease are subject to the approval of the City and Tenant, and the terms of the transaction would be returned to City Council for consideration and approval. The Ground Lease is subject to:

- (a) the City acquiring the 5233 Telegraph Road Property,
- (b) subdividing the property to separate the designated acreage (1.8 or 4.5-acres) associated with the parcel, and
- (c) agreeing upon the terms of a Master Lease, none of which the City is obligated to do. If the parties do not reach agreement on a Master Lease by June 30, 2020 (which either party may extend until December 31, 2020), then the City may terminate the Ground Lease any time thereafter. This will ensure that the designated acreage (1.8 or 4.5-acre property) is not burdened by the Ground Lease if the City and the Tenant are unable to reach agreement upon the development of the subject property.

WHEREAS, the California Environmental Quality Act (CEQA, Section 21000, et seq. of the California Public Resources Code), requires that the potential environmental effects of projects that will have a physical impact on the environment be analyzed prior to their construction. State CEQA Guidelines Sections 15060(c)(3), 15061(b)(3), and 15378 exempts projects that have no potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City Council action involves determining the proposed Agreement to enter into a Ground Lease for up to 4.5 acres of the 10.62-acre parcel, located at 6233 Telegraph Road, between Silverado Management and the City of Commerce. The City Council action will not directly authorize the acquisition of the property or construction of any project. Therefore, this action will not have a direct effect on the environment. As such, the City Council action qualifies for this exemption and no further environmental review is required.

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

Section 1. The City Council will consider for adoption the proposed Resolution approving the Agreement to enter into a Ground Lease for up to 4.5 acres of the 10.62 acre parcel, located at 6233 Telegraph Road, between Silverado Management and the City of Commerce, for Land in the City of Commerce, California, and authorize the Mayor to sign the agreement on behalf of the City.

Section 2. Authorize the City Manager to prepare the appropriate amendments to the Purchase and Sale Agreement between the City of Commerce and Craig Realty Group and Wash-Tel, in order to accommodate the Ground Lease.

**PASSED, APPROVED and ADOPTED this 18th day of June 2019.**

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John Soria, Mayor

ATTEST:

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Lena Shumway, City Clerk