

**CITY OF TEMECULA  
AGENDA REPORT**

**TO:** City Manager/City Council

**FROM:** Betsy Lowrey, Assistant to the City Manager

**DATE:** August 26, 2025

**SUBJECT:** Approve Third Amendment to Disposition and Development Agreement with Alitra, LLC for Property Located on Corner of Rancho California Road and Diaz Road (APN: 951-021-089) and Portion of Diaz Road

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**PREPARED BY:** Tanis Earle, Senior Management Analyst

**RECOMMENDATION:** That the City Council approve the third amendment to the Disposition and Development Agreement with Alitra, LLC for the disposition and hotel development of the property located on the corner of Rancho California Road and Diaz Road (APN: 951-021-089) and a portion of Diaz Road.

**BACKGROUND:** The subject site, also known as the Rancho Cal/Diaz Property, is a 3.64-acre remnant parcel formed as a result of the Diaz Road realignment project that was constructed in 2007-2008.

In fall 2017, a local hotel owner/operator, Mr. Michael Patel of Alitra LLC (Alitra) presented City Staff with a Letter of Interest (LOI) to purchase the subject property to build a hotel. Mr. Patel is also interested in utilizing a portion of Diaz Road as buildable space, which the City would need to vacate. Mr. Patel owns and operates several Marriott-brand hotels in the Temecula Valley. Staff discussed the LOI with City Council in a closed session meeting. The Council supported entering into an Exclusive Negotiating Agreement on April 24, 2018 and the Disposition and Development Agreement (DDA) on March 26, 2019 to facilitate the development with Alitra.

Alitra continued to actively engage and work with the City Planning and Public Works Departments in development conversations on architecture and site plan layout. Alitra also opened escrow and deposited \$50,000 into the account in good faith of moving forward with the development and purchasing the property. In 2020, COVID spurred a worldwide economic and development shutdown and causing Alitra to temporarily halt development conversations and planning. This led to a development slowdown and hardship that ultimately caused Altria to request Amendments to the Schedule of Performance listed in Exhibit B of the DDA. The City Council was supportive of amending the DDA on March 23, 2021 and November 29, 2022, which extended the performance dates.

The tourism sector, specifically lodging and hotels, are recovering slowly. As people have eased back into traveling, the hotel market is steadily improving. A sector that is also recovering is the

construction materials and supply chain. City Staff has been authorized by the City Council in closed session to proceed with a Third Amendment to allow Mr. Patel enough time to develop a quality hotel project.

Also, the City Attorney received approval from the California Department of Housing and Community Development (HCD) in a memo dated July 7, 2025 to proceed with this transaction. HCD affirmed that the DDA and subsequent amendments including the proposed Third Amendment extending the escrow deadlines qualify for the Grandfathering Clause found in Section 54324(a)(1) of the California Government Code as it relates to the Surplus Land Act (SLA); opining that the transaction is not bound by the SLA. However, HCD states the 2024 amendments to the SLA established a deadline of December 31, 2027 to finalize the transaction. Therefore, the proposed Third Amendment requires Alitra to purchase the property from the City with a close of escrow date that shall be no later than December 31, 2027.

Temecula has a historically strong tourism industry and as such, it has also created a strong economy and fiscal foundation for the City. Travel spending in the Temecula Valley reached over \$1 Billion with over 3 million visitors in 2019. Visitor spending in Temecula Valley has now finally reached pre-pandemic numbers now at 3.3 million visitors in 2024. A hotel at this location creates another opportunity for continued support of the City's tourism sector.

The property is currently zoned Service Commercial (SC) which does not permit hotels. To accommodate a hotel at this location, a General Plan Amendment and Rezone is required. Alitra is aware of these requirements and is required to formally apply for the required planning applications as they move forward with the acquisition and terms of the Development and Disposition Agreement (DDA), as amended. In the interim, the City may allow the parcel to continue to be used as a staging area for the Riverside County Flood Control/Army Corps of Engineers Murrieta Creek project, including Phase 2A, until the property is sold.

**FISCAL IMPACT:** There are no fiscal impacts associated with approval of the Amendment of the Disposition Development Agreement. Under the terms of the DDA, Alitra has already made an initial deposit of \$10,000 to cover actual expenses incurred by the City and has deposited \$50,000 into an escrow account.

**ATTACHMENTS:** Third Amendment to the Disposition and Development Agreement