

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Betsy Lowrey, Assistant to the City Manager

DATE: November 29, 2022

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

PREPARED BY: Christine Damko, Economic Development Manager

RECOMMENDATION: That the City Council approve the second amendment to the disposition and development agreement (DDA) 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 as a result of the Diaz Road realignment project. The parcel was most recently used as a staging area for the Riverside County Flood Control/Army Corps of Engineers, Murrieta Creek Enhancement project. This project is complete, and the staging area is no longer needed by the Corps.

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 a DDA to facilitate the development with Alitra on June 12, 2018.

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 spring of 2020, COVID-19 spurred a worldwide economic and development shutdown causing Alitra to temporarily halt development conversations and planning, which ultimately caused Altria to miss the Schedule of Performance Deadlines listed in Exhibit B of the DDA.

The impacts of the pandemic on the tourism sector and specifically hotels are still felt today. As people ease back into traveling, the hotel market is steadily recovering. A sector that is also recovering is the construction materials and supply chain. A Second Amendment is requested to

give Mr. Patel enough time to develop a quality hotel project during this economic recovery.

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 will formally apply for these planning applications should they opt to move forward with acquisition and a Disposition and Development Agreement.

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 has reached over \$1 Billion with over 3 million visitors in 2019 (pre-pandemic). A hotel at this location creates another opportunity for continued support of the City's tourism sector.

FISCAL IMPACT: There is no fiscal impact associated with approval of the Amendment of the Disposition Development Agreement. Under the terms of the DDA, Alitra, LLC 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: Second Amendment to the Disposition and Development Agreement