

**SUCCESSOR AGENCY TO THE TEMECULA REDEVELOPMENT AGENCY
AGENDA REPORT**

TO: Executive Director/Board of Directors

FROM: Luke Watson, Director of Community Development

DATE: June 11, 2019

SUBJECT: Approve the Third Amendment to the Disposition and Development Agreement for the Town Square Marketplace Development Between the Successor Agency to the Temecula Redevelopment Agency, the City of Temecula, and Town Square Marketplace Old Town, LLC. Located at APNs 922-360-004, 005, 006, 007

PREPARED BY: Lynn Kelly-Lehner, Principal Management Analyst

RECOMMENDATION: That the Board of Directors adopt a resolution entitled:

RESOLUTION NO. SARDA 19 -

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SUCCESSOR AGENCY TO THE TEMECULA
REDEVELOPMENT AGENCY APPROVING THE THIRD
AMENDMENT TO THE DISPOSITION AND
DEVELOPMENT AGREEMENT BY AND AMONG THE
CITY OF TEMECULA, SUCCESSOR AGENCY TO THE
TEMECULA REDEVELOPMENT AGENCY, AND TOWN
SQUARE MARKETPLACE OLD TOWN, LLC CONVEYING
APPROXIMATELY ONE ACRE OF PROPERTY LOCATED
ON MAIN STREET WEST OF MERCEDES STREET**

BACKGROUND: The Subject Property, also known as the Town Square Marketplace (TSMP), is considered the third and final phase of the overall Civic Center development. The Subject Property consists of the vacant pads flanking the Town Square Park to the north and south. Town Square Marketplace is envisioned as a commercial mixed-use development that will complement the Civic Center and Town Square Park.

In March 2014, staff met the Civic Center Subcommittee (Subcommittee), then consisting of Council Members Comerchero and Roberts, to receive direction on the future development of the TSMP. On March 11, 2014, the City issued a Request for Interest to solicit interest from qualified firms for the development of the TSMP, at the direction of the Subcommittee.

On August 14, 2014, the Subcommittee, along with staff, conducted interviews of the three applicants. The Subcommittee unanimously chose Town Square Marketplace Old Town, LLC

(also known as Truax Development) as the preferred candidate to enter into an Exclusive Negotiating Agreement and Disposition and Development Agreement.

On December 13, 2016, the City Council and the Successor Agency approved a Disposition and Development Agreement (DDA) with Truax Development outlining the terms of the purchase and sale of the property, due diligence period, schedule of performance, deposit, scope of development, and close of escrow.

On June 12, 2018, the City Council and Successor Agency approved the First Amendment to the DDA amending the term involving the close of escrow by extending the term by an additional six (6) from the approval of the amendment to allow for the proper analysis of a current appraisal of the property. The amendment also required that the Developer bear the cost of all future appraisals.

On December 11, 2018, the City Council and Successor Agency approved the Second Amendment to the DDA to extend the close of escrow to June 13, 2019. Neither the City nor the Successor Agency have an obligation to extend the term beyond this date. This amendment included a provision stipulating that if the Developer does not complete all foundation work within 18 calendar months after the close of escrow, the City may elect to purchase back the property at the purchase price the developer paid, minus fees.

The Developer is requesting an additional extension to the close of escrow to December 13, 2019. If the close of escrow does not occur by such date, then any party not then in default may terminate the DDA.

FISCAL IMPACT: The TSMP site is a former Redevelopment Agency owned property. Due to the dissolution of the Redevelopment Agency in 2012, the site was transferred to the Successor Agency to the Temecula Redevelopment Agency. Legislation pertaining to the dissolution of Redevelopment required the Successor Agency to produce a Long Range Property Management Plan (LRPMP), in which the Successor Agency was required to identify any former non-housing properties that was owned by the Successor Agency, and the intention of development and or disposition of the properties. The LRPMP identified the TSMP site as “retained for future development.” While the site was purchased with funds sourced solely from the former Temecula Redevelopment Agency, Redevelopment dissolution law requires that when former Redevelopment Agency properties are sold, the proceeds of the sale must be divided up amongst the taxing entities that received property tax, based on their proportionate share of each property tax dollar collected. Based on the proportionate share of each property tax dollar collected by the County of Riverside, the proceeds of the sale of the TSMP site that would be disbursed back to the City is estimated to be approximately \$150,000 (approximately 5%). Section 3.8 of the DDA stipulates that the City’s portion of the sales proceeds are to reimburse the Developer for actual costs incurred in the construction of the public restrooms and electrical infrastructure for the Town Square Park.

Further, the Redevelopment dissolution law requires that the site be sold at fair market value. If the site is not sold at fair market value, then the Successor Agency must negotiate Compensation Agreements with each individual taxing entity receiving property tax and the developer would be subject to prevailing wage requirements. The Successor Agency is proposing to sell the property

at fair market value, and will not be required to enter into Compensation Agreements with the taxing entities.

ATTACHMENTS:

1. Third Amendment to Disposition and Development Agreement
2. SARDA Resolution