

**CITY OF TEMECULA/SUCCESSOR AGENCY TO THE
TEMECULA REDEVELOPMENT AGENCY
AGENDA REPORT**

TO: City Manager/City Council
Executive Director/Board of Directors

FROM: Luke Watson, Director of Community Development

DATE: April 28, 2020

SUBJECT: Approve the Sixth 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:

1. That the City Council adopt a resolution entitled:

RESOLUTION NO. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING THE SIXTH 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

2. That the Successor Agency to the Temecula Redevelopment Agency adopt a resolution entitled:

RESOLUTION NO. SARDA 2020-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE TEMECULA REDEVELOPMENT AGENCY APPROVING THE SIXTH 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.

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) months 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.

On June 11, 2019, the City Council and Successor Agency approved the Third Amendment to the DDA to extend the close of escrow to December 13, 2019.

On December 10, 2019, the City Council approved the Fourth Amendment to the DDA to extend the close of escrow to January 31, 2020.

On January 28, 2020, the City Council approved the Fifth Amendment to the DDA to add several additional terms.

- The Developer's original \$100,000 deposit remains applicable to the purchase price but immediately becomes non-refundable
- The Developer is to deposit an additional \$100,000 into escrow for the purchase of a three month DDA extension option through April 30, 2020. The deposit will be applicable to the purchase price but non-refundable.
- The DDA will include an option to purchase three additional months through July 31, 2020, at the cost of \$200,000. This option deposit shall be applicable to the purchase price but non-refundable.
- The Developer shall pay the City \$8,000 for a previous appraisal.
- The Developer shall deliver executed loan documents to the City evidencing the sufficient debt financing has been secured to complete the project.

Now, in light of the recent pandemic COVID-19, the City Council will add the following terms:

- The close of escrow will occur on or before September 12, 2020. Neither the Successor Agency nor the City shall have any obligation whatsoever, express or implied, to extend

such date for any reason.

- If the Close of Escrow does not occur by such date, then any party may terminate this Agreement. The Deposit/Extension Fee, Second Extension Fee, and Third Extension Fee shall be immediately delivered to the City.

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 were owned by the Successor Agency, and the future intentions related to 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.

As outlined above, the approval of the Sixth Amendment to the DDA will result in additional non-refundable deposits from the Developer towards the purchase price of the property.

- ATTACHMENTS:**
1. Sixth Amendment to the Disposition and Development Agreement
 2. Council Resolution
 3. SARDA Resolution
 4. DDA Extension Letter