

Legislation Details (With Text)

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9/28/2016	1	City Council	approved	

*City Council***MEETING DATE: 9/28/2016****TITLE:****First Amendment to the Purchase and Performance Agreement for the Verano Residential Project****FROM:**

Leisa A. Lukes, Economic Development Manager

RECOMMENDATION:

Staff recommends the City Council approve the First Amendment to the Purchase and Performance Agreement with Verano Recovery, LLC

BACKGROUND:

The City entered into a Purchase and Performance Agreement (P&PA) with Verano Recovery, LLC (Verano Recovery) on June 2, 2015, for the transfer of land within the Verano residential community that was under City control at that time. Previously, Verano Recovery had acquired much of the remaining available property in that community. In exchange for the transfer of City-owned parcels to Verano Recovery, the Agreement obligated Verano Recovery to provide a cash payment and to complete a number of development improvements within a specified timeframe. The Amendment being presented for Council consideration primarily modifies the timeframe in which a number of these obligations are required to be completed.

DISCUSSION:

Upon entering into the P&PA with the City of Cathedral City on June 2, 2015, Verano Recovery completed its acquisition of much of the remaining available land within the Verano residential community. Their intent in acquiring the property was to bring the project back to the standards

envisioned when the project was approved in 1998 and to develop the remaining lots and parcels for new home construction. A Community Facilities District had been established for the area (CFD 2000-01) and over the years, the "Great Recession", developer defaults, and other factors, resulted in a high rate of non-payment of assessments in the CFD. The land sale to Verano Recovery resulted in cash payments sufficient to restore the CFD to financial viability. Through the P&PA, Verano Recovery committed to a number of obligations consistent with the original plans approved under Rio Vista Village Specific Plan 97-55. That specific plan allows for development of 1,362 homes; however, over the years, only 137 homes were ever built. Verano Recovery is currently pursuing amendments to the Specific Plan to provide for residential development consistent with current market trends. The amendments, scheduled for consideration by the Planning Commission on September 21, will be brought to the City Council for final action this Fall.

Verano Recovery has implemented a number of improvements in the community since entering into the P&PA over one year ago. They rehabilitated the club house; added safety measures to the pool area (although the pool remains non-operational); completed a major debris and landscape clean-up of the public grounds; repaired the perimeter fencing; performed blow-sand maintenance; and acquired the last remaining available parcels comprising the Circle Park, which remains unimproved. They continue to maintain the public areas and have worked closely with the homeowners association (HOA) to restore ongoing HOA services.

The pace of new home sales within the area remains modest. Verano Recovery has processed grading plans to meet City requirements for development of 13 new home sites; however, no new homes have been constructed in the Verano community since the P&PA became effective. A First Amendment to the P&PA (Attachment 1) has been prepared to address the timeframe by which Verano Recovery is required to complete their obligations per the P&PA to be commensurate with projected new home construction and sales. These obligations include items such as the setting of survey monuments; making improvements to public streets and to alleys; and repairing and replacing sand deterrents. The current deadline of 2016 for various improvements would be extended to December 31, 2017 (Section 3.1). The Amendment also requires that the club house, pool and spa be open to residents no later than March 31, 2018 (Section 3.1.7). Additionally, improvements to the Circle Park are to be completed no later than March 31, 2018 (Section 3.1.8).

The First Amendment to the P&PA, as proposed, would not become effective and binding until approved and executed by the City Council and Verano Recovery, and the necessary reconveyances of the Deeds of Trust have been prepared and recorded.

FISCAL IMPACT:

Verano Recovery continues to provide ongoing maintenance activities within the Verano community and has undertaken action to effectuate residential development that is consistent with current market trends. The First Amendment to the P&PA, which requires certain actions by Verano Recovery and extends the completion dates for several remaining facility improvements to be consistent with the projected timing of new home development, will maintain the financial health of Community Facilities District 2000-01.

ATTACHMENT:

1. First Amendment to Purchase and Performance Agreement