



Cathedral City

Legislation Text

File #: 2017-47, Version: 1

Housing Successor Agency

MEETING DATE: 2/22/2017

TITLE:

Purchase Agreement for the Downtown Mixed Use Project

FROM:

Curt Watts, Economic Development Director

RECOMMENDATION:

Staff recommends the City Council, as the Housing Successor Agency to the Former Redevelopment Agency, authorize the City Manager to execute a Purchase and Sale and Escrow Instructions Agreement between Cathedral Canyon Development, LLC and the City of Cathedral City as the Housing Successor Agency to the Former Redevelopment Agency of the City of Cathedral City.

BACKGROUND:

In August 2013 the Housing Successor Agency to the Former Redevelopment Agency of the City of Cathedral City ("City") approved a Property Transfer Agreement ("Agreement") with Thermal Land, LLC for the future sale of an approximate two-acre site located at the southeast corner of East Palm Canyon Drive and West Buddy Rogers Avenue for development of a mixed use project. Per the Agreement, the site was to be developed primarily for housing purposes with a percentage of the units to be available to, and occupied by, moderate income households. The Agreement has been amended multiple times to extend the deadlines for close of escrow and completion of the project as defined in the amended Agreement. The City approved an assignment of the Agreement from Thermal Land, LLC to Saxony Living, LP ("Saxony") on November 18, 2014 and an assignment of the Agreement from Saxony to GreenSpring Capital, Inc. ("GreenSpring") on October 26, 2016. The Agreement was subsequently assigned to GreenSpring's single-asset entity Cathedral Canyon Development, LLC ("CCD") on November 30, 2016. Simultaneous with the assignment to CCD, Amendment No. 6 to the Agreement was approved to incorporate certain modifications to better position the Project for future success and to re-establish the timelines necessary to complete the entitlement process, acquire building permits, and provide proof of construction financing to allow for the close of escrow.

DISCUSSION:

Due to the multiple previous amendments and assignments of the original Agreement, and to accommodate CCD's interest in pursuing a future mixed-use development that would expand beyond the original two-acre site covered by the Agreement, a new Purchase and Sale and Escrow Agreement ("Purchase Agreement") has been drafted to replace the amended Agreement and

incorporate all previous amendments into one easier to administer document (see attached).

The new Purchase Agreement will help simplify the administration of the future land sale and the monitoring of the development project as it proceeds through entitlement processing, close of escrow and construction. The Purchase Agreement also includes a provision for the parties involved to negotiate and execute a Performance Agreement that will provide a description of the future proposed project, time requirements for processing entitlements and eventual development of the Project, and post-closing obligations.

In addition to the previously approved purchase price of \$331,000 the following timelines have been established in keeping with Amendment No. 6 to the Agreement:

- 1) Completion of Due Diligence Period within 90 days after Effective Date of Purchase Agreement.
- 2) Approval of Performance Agreement to be negotiated and approved by all parties within 60 days after close of Due Diligence.
- 3) Close of Escrow by March 30, 2018 (extendable by 6 months to September 30, 2018 with increase in CCD's deposit to 50% of the \$331,000 Purchase Price (i.e. \$165,500). Close of Escrow requires completion of the entitlement process.
- 4) Completion of Construction within 18 months after Close of Escrow (i.e. September 30, 2019, or March 30, 2020 if Close of Escrow is extended by 6 months).

FISCAL IMPACT:

Upon Close of Escrow the Housing Successor Agency will receive \$331,000 and will also be relieved of its current obligation to pay remaining sewer district assessments of approximately \$148,000 (\$13,000 in annual principal and interest payments through 2035) as these will become the future responsibility of the Buyer following Close of Escrow.

ATTACHMENTS:

1. Purchase and Sale and Escrow Instructions Agreement