
File #: 2017-225, Version: 1

Successor Agency to the Former Redevelopment Agency

MEETING DATE: 7/26/2017

TITLE:

Amendment to Successor Agency's Existing Ground Lease on Property located at the Southwest Corner of E. Palm Canyon and Margot Murphy Way

FROM:

Curt Watts, Economic Development Director

RECOMMENDATION:

Staff recommends the City Council acting as the Successor Agency to the former Redevelopment Agency of the City of Cathedral City approve the proposed Ground Lease Termination Agreement covering property located at the southwest corner of E. Palm Canyon and Margot Murphy Way.

BACKGROUND:

Two (2) vacant parcels of land (Parcels 9 & 10) located at the southwest corner of E. Palm Canyon Drive and Margot Murphy are currently owned by Conneaut Partners, LLC and leased to the Successor Agency to the former Redevelopment Agency (see attached site exhibit).

The original 20-year lease is dated February 15, 2004 as executed by and between Tramview Land Company as Landlord and CCC Properties, LLC as Tenant. As stated in the Lease, the required use by Tenant is:

- (a) automobile and/or other vehicles sales and service and all other lawful uses which are reasonably related thereto and
- (b) other uses approved by Landlord in writing, which approval shall not be unreasonably withheld or delayed (collectively, a "Permitted Use").

The Tenant's interest in the Lease was assigned by CCC Properties, LLC to the City's Redevelopment Agency in March 2007 and the Landlord interest was assigned to Conneaut Partners by Quitclaim Deed of the property in November 2008. The combined parcels total approximately 1.66 acres with current lease payments of \$110,940 per year plus Tenant's direct payment of annual property taxes which are currently assessed at \$50,837 for 2016/17. The monthly lease payments are scheduled to increase to \$119,260 per year in February 2019 and continue at that rate until the Lease expires in February 2024.

DISCUSSION:

In conjunction with a future expected sale of the two (2) leased parcels, two additional adjacent parcels owned by Conneaut and the City Urban Revitalization Corporation ("CURC") are to be sold simultaneously to the future owner, Shottenkirk California Properties, LLC ("Shottenkirk") for development of a new auto dealership. Neither of the two additional adjacent parcels is encumbered by the Lease.

As the future owner of the leased parcels, Shottenkirk would be entitled to receive the Successor Agency's future rental payments for the remaining term of the Lease through February 14, 2024 if the property remained undeveloped. The properties are anticipated to close escrow no later than January 2018 and it is anticipated that it would take up to 17 months to complete the entitlement process and construction of the new auto dealership facility.

Shottenkirk has agreed to terminate the existing ground lease upon the earlier of either the completion of entitlements, construction and opening of the new facility or seventeen (17) months after close of escrow. This scenario enables Shottenkirk to receive rental revenue following its purchase of the leased parcels while they are "non-productive" in terms of future dealership operations, but would eliminate future lease payments once the new dealership is "up and running".

FISCAL IMPACT:

Assuming an early January 2018 close of escrow for the parcels in question, the current anticipated Successor Agency monthly lease payments of \$716,500 for January 2018 through the end of the current lease term in February 2024 would be reduced by approximately \$556,500 (resulting from the elimination of monthly payments for June 2019 through February 2024). The Successor Agency's associated future property tax payments would be reduced by approximately \$235,000.

ATTACHMENTS:

- Site Exhibit (Parcels 9 & 10)
- Ground Lease Termination Agreement