



# CITY OF CARSON

## Legislation Text

File #: 2017-537, Version: 1

### Report to Successor Agency

Wednesday, July 05, 2017

Consent

#### SUBJECT:

**CONSIDER APPROVING THE EIGHTH AMENDMENT TO THE PURCHASE AND SALE AGREEMENT BY AND BETWEEN THE CARSON SUCCESSOR AGENCY AND PANATTONI DEVELOPMENT COMPANY, INC. FOR THE SALE OF AGENCY-OWNED PROPERTY LOCATED AT 2254 E. 223RD STREET (SUCCESSOR AGENCY)**

#### I. SUMMARY

The Carson Successor Agency (Agency) is being asked to approve the eighth amendment to the Purchase and Sale Agreement (Agreement) for sale of Agency-owned property located at 2254 E. 223rd Street (Property) (Exhibit No. 1) to Panattoni Development Company, Inc. (Developer) to develop an industrial park.

There were a number of unusual site conditions related to this property. In addition, the City's entitlement process requires that the Developer submit plans and soils reports to the LA County Department of Public Works before the City's Planning Department can formally process its approvals. Delays at the county level lead to most of the Agency approvals of extensions to the closing date; these extensions were in exchange for a total (so far) of \$355,000 in non-refundable deposits by the Developer. The amendments brought the closing date to July 24, 2017.

The Developer has run into delays due to concerns expressed by neighboring Tesoro Refinery regarding a roadway easement that runs along the eastern side of the Property. This Eighth Amendment (Exhibit No. 2) would extend the closing date up to six months from July 24, 2017 to give the Developer time to resolve the roadway issues. Staff expects that the sale will close during this extension period.

#### II. RECOMMENDATION

TAKE the following actions:

1. APPROVE the Eighth Amendment.
2. AUTHORIZE the Agency Chairman to execute the Eighth Amendment following approval as to form by Agency Counsel.

### **III. ALTERNATIVES**

TAKE another action the Agency may deem appropriate.

### **IV. BACKGROUND**

On January 21, 2014, the Agency entered into the Agreement to sell the Property to the Developer. Due to the environmental condition of the Property, the Developer was required to enter into a contract with the Department of Toxic Substances Control (DTSC) for project development oversight. The process to enter into the agreement with DTSC took longer than anticipated and necessitated an extension of the Developer's original due diligence period. On July 15, 2014, the Agency approved the first amendment to the Agreement extending the closing date to January 24, 2015.

Upon completion of the oversight agreement with DTSC, the Developer was able to conduct its geotechnical survey. During that time the Developer discovered the potential for significant liquefaction. Existing water quality monitoring wells, located at proposed building locations, also became an issue due to the prohibitive cost of relocating said wells. For these reasons the Developer requested an extension to redesign the project and complete its entitlement process. On January 20, 2015, the Agency approved a second amendment extending the closing date to July 31, 2015 to allow the Developer time to redesign the project.

The Developer analyzed various development scenarios for the Property, taking into consideration the Property's significant environmental constraints. To continue with plans to develop an industrial park, excessive over-excavation and the relocation of monitoring wells caused a significant impact to the project's development costs. Due to the increased environmental costs, on April 21, 2015 the Agency approved a third amendment to the Agreement reducing the price from \$5,000,000 to \$2,457,677. The reduction in price was subsequently approved by the Agency's Oversight Board and the California Department of Finance (DOF).

The City's entitlement process requires that the Developer submit plans and soils reports to the LA County Department of Public Works before the City's Planning Department can formally process its approvals. Delays at the county level led to the Agency approval of additional extensions to the closing date, in exchange for a now-total of \$355,000 in non-refundable monthly deposits made by the Developer. The amendments brought the closing date to July 24, 2017.

The Developer finally received the required approvals from the County in 2016 and went to the City Council for approval of a zone change and general plan amendment at a public hearing held on February 7, 2017. At the public hearing, Tesoro Refinery, the neighboring property owner (Tesoro) raised concerns over the use of Campus Drive. Campus Drive is a roadway that provides access to both the Developer's project and Tesoro's site. An easement exists which allows both parties access to the road. Tesoro expressed concerns about the truck traffic the Developer's tenants would generate on the roadway. They also threatened litigation over the approval.

Since the February public hearing, the Developer and Tesoro have been working together to redesign Campus Drive to address Tesoro's concerns. This has caused delays in the Developer being able to close escrow; therefore another extension is being requested. The Eighth Amendment would extend the closing date to January 24, 2018 or as soon as the roadway issue is resolved, whichever occurs sooner.

The Developer has incurred unforeseen costs to settle Tesoro's concerns in order to have the Project move forward without objections, including entering a Reimbursement Agreement with the City for the cost of the City Attorney's office to participate in the settlement negotiations, in addition to their own attorney costs. That deposit could increase if the settlement talks end up being protracted. For this reason the Developer has also requested a reduction in the monthly non-refundable deposit that is being paid for consideration of the extension. The monthly deposits had recently increased from \$15,000 per month to \$25,000 per month, but under the Eighth Amendment, the Developer has requested that the monthly deposit be reduced to \$10,000 (for a total of up to \$60,000 for the six months). The deposits shall be credited towards the purchase price upon close of escrow. Should escrow not close, the total amount of the deposits shall be non-refundable and shall be distributed pursuant to the DOF-approved Long Range Property Management Plan (LRPMP).

The purpose of the deposits is to ensure the Developer diligently pursues the projects; they have steadfastly processed their application all the way to entitlement and now are working diligently with Tesoro and the City Attorney's office to resolve the roadway issue through a redesign process. In addition, the total amount of deposit paid by the closing date could be \$415,000 for consideration for extending the closing date. Therefore, approval of the Eighth Amendment is recommended.

## **V. FISCAL IMPACT**

The \$2,457,677.00 in sales proceeds will be used by the Successor Agency in accordance with the DOF approved LRPMP.

## **VI. EXHIBITS**

1. Vicinity Map. (pg. 4)
2. Eighth Amendment. (pgs. 5-8)

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