



CITY OF CARSON

Legislation Text

File #: 2019-743, Version: 1

Report to Mayor and City Council

Tuesday, September 03, 2019

Consent

SUBJECT:

CONSIDER APPROVING THE FIFTH AMENDMENT TO THE PURCHASE AND SALE OF REAL PROPERTY AND JOINT ESCROW INSTRUCTIONS FOR A 1.6 ACRE PARCEL AT 1007 EAST VICTORIA STREET (APN 7319-038-900) BETWEEN THE COMMUNITY DEVELOPMENT CENTER, INC. AND CITY OF CARSON (JOINTLY SELLER) AND BRANDYWINE ACQUISITIONS GROUP, LLC (BUYER) (CITY COUNCIL)

I. SUMMARY

On June 13, 2018, the City and the Community Development Center, Inc. ("CDC") entered into an Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions ("Purchase and Sales Agreement") with Brandywine Acquisitions Group, LLC ("Brandywine") for the sale of the 1.6 acres of vacant City-owned land located at 1007 E. Victoria Street (APN No. 7319-038-900). Brandywine is proposing the construction of a residential development project (for sale units) and is undergoing the City's entitlement process. The close of escrow date was originally set for June 28, 2019 and was subsequently extended to September 26, 2019. An extension beyond this date requires City Council approval.

The proposed Fifth Amendment (Exhibit No. 1) to the Purchase and Sales Agreement provides Brandywine with the option to extend the close of escrow date to December 31, 2019. This action also authorizes the City Manager discretion to extend the close of escrow date for up to 180 days beyond the December 31, 2019 deadline. While Brandywine's attainment of entitlements is not a condition to closing under the Purchase and Sales Agreement, the additional time is requested in order for Brandywine to comply with City Council's direction to meet with the community and process the revised plans through the planning process.

II. RECOMMENDATION

1. APPROVE the Fifth Amendment to the Agreement for Purchase and Sales of Real Property and Joint Escrow Instructions ("Fifth Amendment").
2. AUTHORIZE the Mayor to execute the Fifth Amendment following approval as to form

by the City Attorney.

III. ALTERNATIVES

Take additional actions the City Council deems appropriate.

IV. BACKGROUND

Brandywine wishes to purchase the 1.6 acres of vacant land (“Property”) from the City and CDC, and is proposing to construct six buildings that collectively include 38 for sale residential condominium units (28 two-bedroom, 6 three-bedroom, and 4 four-bedroom units). The Property is currently subjected to the Dominguez Hills Village (DHV) Specific Plan and is designated as Lot 11. The DHV Specific Plan, as originally approved, was designed for residential, child care, neighborhood retail, industrial and open space uses, and allowed for a maximum buildout of 893 residential units. However, since its development in 1996, Dominguez Hills Village has evolved into solely residential uses, built out to only 574 residences ranging from condominiums to single-family.

Under the DHV Specific Plan as originally approved, Lot 11 was designated for a 1.6-acre child care center to be developed by K. Hovnanian at Dominguez Hills, Inc. (K. Hovnanian). On February 23, 2007, a Grant Deed (the Deed) was recorded, granting CDC ownership of the Property. The Deed was subject to an Executory Limitation which provided the City a Power of Termination and Right of Re-entry should CDC violate the terms and conditions set forth in the Deed. A condition of the Deed held CDC responsible for the development and use of the Property as a child care center and related educational facility. The child care facility was to be operative by the relinquishment date set for December 31, 2016. CDC violated the Executory Limitation by neglecting to develop Lot 11 with a childcare facility, and in 2017, a dispute involving the title to the Property emerged between the City and CDC when the City exercised its power of termination.

Settlement Agreement and Purchase and Sales Amendment

The City and CDC settled the dispute pursuant to the terms set forth in a Settlement Agreement executed by CDC on July 31, 2017 (Exhibit No. 2). The Settlement Agreement provided that the City would have the exclusive right to negotiate the sale of the Property in the name of both the City and CDC. Further, the Settlement Agreement mandated that CDC to cooperate with executing any documents necessary to transfer title. On June 13, 2018, the City and CDC entered into a Purchase and Sales Agreement to transfer title and ownership to Brandywine Acquisitions Group and set the escrow closing date to June 28, 2019. The Purchase and Sales Agreement was amended several times to memorialize key milestones in the escrow process (e.g. Title Approval and Due Diligence Period) as well as providing applicable time extensions for those milestones.

Approval of the proposed Fifth Amendment would entail the following:

- Extension of the close of escrow date to December 31, 2019.

- Authorization for City Manager discretion to extend the closing date for an additional 180 days beyond December 31, 2019 (June 28, 2020).

V. FISCAL IMPACT

The purchase price is \$4,833,176.70, which will be equally divided between the City and CDC after accounting for expenses. Expenses include closing costs, marketing costs, commission, cost of the appraisal, and attorney's fees incurred by City with respect to negotiating, commission agreement, and sale agreement as specified in the Settlement Agreement. It is anticipated the sale of the Property would net the City's General Fund approximately \$2.2 million.

If the sale does not proceed, the City and CDC would receive the net proceeds of the deposits totaling to \$200,000 (Initial Deposit \$100,000 & Additional Deposit \$100,000) after deduction of all applicable costs associated with the transaction.

VI. EXHIBITS

1. Proposed Partially Executed Fifth Amendment for Purchase and Sale of Real Property and Joint Escrow Instruction (pgs. 4-5)
2. Settlement Agreement with CDC (pgs. 6-13)

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