AGENDA ITEM NO. 4.C.

#### **CITY OF GARDEN GROVE**

#### INTER-DEPARTMENT MEMORANDUM

## Oversight Board of the Successor Agency to The Garden Grove Agency for Community Development

To:

Matthew J. Fertal

From: Economic Development

Dept:

Director

Subject:

OVERSIGHT BOARD

**AUTHORIZATION TO** 

NEGOTIATE THE DISPOSITION

OF CERTAIN FORMER

REDEVELOPMENT AGENCY OWNED PROPERTY AT 12361

CHAPMAN AVENUE

Date: April 9, 2012

### **OBJECTIVE**

The purpose of this report is to request that the Oversight Board authorize the staff of the City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development (Successor Agency) to negotiate the disposition of certain former redevelopment agency owned property located at 12361 Chapman Avenue, the former Fandango Restaurant.

#### BACKGROUND/DISCUSSION

Pursuant to the Dissolution Act, the Oversight Board is required to oversee and approve the liquidation of real property, owned by the former redevelopment agency. One of these properties is the former Fandango Restaurant property located at 12361 Chapman Avenue. Prior to the dissolution of redevelopment, the former redevelopment agency was working with a broker to sell the site to a new restaurant operator. This transaction was delayed by the redevelopment litigation and the subsequent dissolution of redevelopment agencies statewide.

Staff is requesting the Oversight Board authorize the Successor Agency to continue with the negotiations. Once complete and a purchase and sale agreement has been signed by the buyer, staff will present the agreement to the Successor Agency for approval prior to returning to the Oversight Board for approval of the agreement.

OVERSIGHT BOARD AUTHORIZATION TO NEGOTIATE THE DISPOSITION OF PROPERTY LOCATED AT 12361 CHAPMAN AVENUE April 9, 2012 Page 2

## **RECOMMENDATION**

Staff recommends that the Oversight Board authorize Successor Agency staff to negotiate the sale of the former Fandango Restaurant site located at 12361 Chapman Avenue and return for Oversight Board approval once the negotiated sale is approved by the Successor Agency:

JIM DELLALONGA

Department Administrative Officer

Recommended for Approval

Matthew Fertal Director

# Fandango

## CITY OF GARDEN GROVE

#### INTER-DEPARTMENT MEMORANDUM

# Garden Grove Agency for Community Development

To:

Matthew Fertal

From: Chet Yoshizaki

Dept:

Director

Dept: Economic Development

Subject: PURCHASE AND SALE AGREEMENT

Date: July 13, 2010

BETWEEN THE GARDEN GROVE

AGENCY FOR COMMUNITY

DEVELOPMENT AND MELROSS, LLC FOR THE PURCHASE OF 12361

CHAPMAN AVENUE

## **OBJECTIVE**

The purpose of this staff report is for the Garden Grove Agency for Community Development (Agency) to consider a Purchase and Sale Agreement (PSA) between Melross, LLC (Seller) and the Agency for the purchase of property located at 12361 Chapman Avenue (Property).

## **BACKGROUND**

In recent years, the Property has been leased to non-credit tenants such as Bella Maries, and JC Fandango Restaurants. These restaurants operated as both restaurants and bars. The bars had separate subleases that promoted events that are inconsistent with the adjacent Hotels operations. These promotions and events led to an increased number of service calls for City's police department.

The owners of the Restaurant listed the property for lease but have been unsuccessful in finding a credit tenant for the 10,000 square foot restaurant. Because it is likely that the Property may be leased to another non-credit tenant with similar bar operations as those in the past, Agency staff approached the Seller to purchase the Property and staff and the seller have negotiated terms for an Agency purchase. It is staff's objective to act as a conduit to find developer to purchase the Property and staff is currently in discussions with two groups that would work with credit restaurants tenants to re-tenant the building.

## ANALYSIS

The proposed Purchase Price is in the amount of two million five hundred thousand dollars (\$2,500,000) to be paid as outlined below:

• Earnest Money Deposit: fifty thousand dollars (\$50,000) shall be deposited by the Agency into escrow upon execution of the PSA, which PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND MELROSS, LLC FOR THE PURCHASE OF 12361 CHAPMAN AVENUE July 13, 2010 Page 2

will be nonrefundable following the Agency's completion of its due diligence investigation on or before August 5, 2010.

- <u>Seller Carry-back Loan</u>: Seller will provide the Agency with a Carry-back loan in the amount of one million two hundred and fifty thousand dollars (\$1,250,000). This loan shall bear interest of 6.5% annually, payable in monthly installments of \$8,440.09, with the entire principal and interest payable five (5) years from the close of escrow on the Property.
- Balance of Purchase Price: the Agency will pay the balance of the Purchase Price of one million two hundred thousand dollars (\$1,200,000) at the close of escrow.

Pursuant to the PSA, the Agency and the Seller will pay their respective portions of closing costs. Escrow will close on or before September 4, 2010.

## FINANCIAL IMPACT

The fiscal impact to the Agency will be the Purchase Price of two million five hundred thousand dollars \$2,500,000 plus interest to accrue on the Seller Carryback loan. The Agency's share of the closing costs are estimated to be fifteen thousand dollars (\$15,000).

#### RECOMMENDATION

Staff recommends that the Agency:

- Approve the PSA between the Agency and the Seller for the purchase of 12631 Chapman Avenue, and
- Authorize the Agency Director to execute the pertinent documents on behalf of the Agency, including modifications as needed.

CHET YOSHIZAKI / > Economic Development Director

By: Ğreg Blodgett

Senior Project Manager

Attachment: Purchase and Sale Agreement

So(h:chron/Katie/PSA 12361 Chapman 071310 v2)

Recommended for Approval

Matthew Fertal

Director