

CITY OF GARDEN GROVE

INTER-DEPARTMENT MEMORANDUM

To:	Matthew J. Fertal	From:	Economic Development
Dept:	City Manager		
Subject:	ACQUISITION OF REAL PROPERTY AT 12291, 12311 HARBOR BLVD AND 12292 AND 12312 THACKERY DRIVE, GARDEN GROVE	Date:	June 26, 2012

OBJECTIVE

The purpose of this report is to request that the City Council approve a Purchase and Sale Agreement (PSA) for the acquisition of real property located at 12291, 12311 Harbor Boulevard and 12292 and 12312 Thackery Drive, Garden Grove ("Subject Property"), owned by Martha Reis ("Owner").

BACKGROUND

Staff received a proposal from the Owner offering to sell the Subject Property. The Subject Property contains four parcels improved by two commercial structures and two single-family homes. Successor Agency staff negotiated the terms of the attached purchase and sale agreement ("PSA") for the Successor Agency to acquire fee title interest of Subject Property. Pursuant to the proposed PSA, the purchase price of the Subject Property is \$2,555,000 and the Owner has agreed to waive relocation benefits and goodwill claims for the owner-operated commercial businesses.

On April 24, 2012, the Successor Agency to the Garden Grove Agency for Community Development approved the acquisition of these properties. Since that time, staff has been notified by the State of California Department of Finance (DOF) that it is the DOF's position that the Disposition and Development Agreement (DDA) is not an enforceable obligation. Discussions with the DOF continue and could eventually result in the DDA being approved as enforceable. At that time, action could be taken to transfer the properties to the Successor Agency and reimburse the City.

DISCUSSION

The Garden Grove Agency for Community Development and Palm Court Lodging, LLC, entered into a Disposition and Development Agreement dated June 4, 2001 ("Original DDA"). The Original DDA provided for the development of two hotels and a restaurant on certain real property in the City of Garden Grove. The first hotel, a 275-room Sheraton, was constructed by Garden Grove New Age, LLC. Kam Sang Company, Inc. ("Developer") is the successor in interest of all of the obligations and duties under the Original DDA with regard to the second hotel pursuant to an

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Assignment Agreement dated April 27, 2004. The Original DDA has twice been approved by the Oversight Board and the Successor Agency as an enforceable obligation and requires the Successor Agency to acquire the Subject Property and convey the Subject Property to the Developer.

FINANCIAL IMPACT

The purchase price of \$2,555,000, inclusive of relocation costs for the owner-operated business, broker's commission of \$70,000 and closing costs will be paid out of City funds - from the sale of real property. The initial financial impact of this transaction will be absorbed by the City, but could be transferred at a later date to The City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development.

RECOMMENDATION

It is recommended that the City of Garden Grove:

- Approve the acquisition of the subject properties;
- Authorize the City Manager to prepare and enter into a purchase and sale agreement and related documents for the acquisition of the subject properties;
- Authorize the City Clerk to accept the grant deed;
- Authorize the Finance Director to draw a warrant in the amount of \$2,625,000 and funds necessary for closing costs and payment of the broker commission from available proceeds of the sale of other City assets/properties in City funds.
- Approve and authorize the future transfer of the properties to the Successor Agency of the Garden Grove Agency for Community Development upon a determination by the Department of Finance or an appropriate court that the original Disposition and Development Agreement is an enforceable obligation, and upon reimbursement to the City for the purchase price, including closing costs.

GREG BROWN
Senior Project Manager



Recommended for Approval


Matthew Fertal
City Manager