



Staff Report

File #: 23-0763

**REQUEST FOR CITY COUNCIL AND
CORONA HOUSING AUTHORITY ACTION**

DATE: 10/04/2023

TO: Honorable Mayor and City Council Members
Honorable Chairman and Board of Commissioners

FROM: Economic Development Department

SUBJECT:

THIRD AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT AMONG THE CITY, CORONA HOUSING AUTHORITY, REST AREA, LLC. AND SUN CIRCLE, LLC. AND AMENDED AND RESTATED LICENSE AGREEMENT WITH REST AREA, LLC.

EXECUTIVE SUMMARY:

This staff report asks the City Council and Corona Housing Authority to consider a Third Amended and Restated Disposition and Development Agreement among the City, Corona Housing Authority, Rest Area, LLC., and Sun Circle, LLC. for the bifurcation of the North and South Corona Mall projects. It also asks the City Council to consider a First Amended and Restated License Agreement for the use of the South Mall parking lot for outdoor patio seating in order to remove the City's obligation to reimburse up to \$200,000 in tenant improvement costs.

RECOMMENDED ACTION:

That the City Council:

- a. Approve and authorize the City Manager to execute the Third Amended and Restated Disposition and Development Agreement among the City, Corona Housing Authority, Rest Area, LLC., and Sun Circle, LLC., contingent upon receipt by City of the properly executed grant deed for the North Mall Property.
- b. Approve and authorize the City Manager to execute the First Amended and Restated License Agreement with Rest Area, LLC to remove the \$200,000 Tenant Improvement Credit.

That the Corona Housing Authority approve and authorize the Executive Director to execute the Third Amended and Restated Disposition and Development Agreement among the City, Corona Housing Authority, Rest Area, LLC. and Sun Circle, LLC., contingent upon receipt by Authority of the

properly executed grant deed for the North Mall Property.

BACKGROUND & HISTORY:

On May 17, 2017, the City and the Housing Authority entered into a Disposition and Development Agreement (“DDA”) with Lab Holding, LLC (“Developer”), for the Developer’s acquisition and development of the 17 parcels of real property owned by the Corona Housing Authority (“Corona Mall Property”), as well as an option to acquire and develop 9 parcels of real property owned by the City of Corona that are currently used for parking and common area purposes (“City Option Property”). On May 15, 2019, a first amendment to the DDA was approved to allow for additional flexibility in assigning or transferring the rights under the DDA. As a result of approving the first amendment, the Developer transferred the properties to Sun Circle, LLC, which holds ownership of the Authority North Mall Property and to Rest Area, LLC, which holds ownership of the Authority South Mall Property.

As a result of the COVID-19 pandemic and its negative impact on the commercial development market, the developer asked the City to adjust the performance schedules for the North and South Mall. Therefore, on August 19, 2020, the Council approved Amendments 2A and 2B to the DDA. These amendments adjusted the Schedule of Performance which imposes certain obligations on the Developer to develop the Corona Mall Property, including the exploration of a Business Improvement District. The amendments also extended the city’s maintenance obligations on the North Mall properties.

ANALYSIS:

The Developer has made notable progress on the South Mall properties which are on track for completion in 2024, and anticipated to bring approximately 23,000 square feet of new retail and restaurant uses. Ongoing conversations between Staff and Developer regarding the development of the North Mall properties have identified a number of obstacles to the project for the Developer. Therefore, staff is proposing a Third Amended and Restated Disposition and Development Agreement which include an adjusted Schedule of Performance for the South Mall property, and removal of the obligation to develop the North Mall properties. The Third Amendment also requires that the Developer transfer back to the City/Authority the North Mall Property upon the City/Authority’s release of the Authority North Mall Property Promissory Note.

Staff is currently analyzing product types that would be feasible for the development of the North Mall properties, and will present these findings to the City Council at a future date for feedback and direction. Additionally, staff is requesting that the City Council consider a First Amendment to a license agreement for use of City property in the South Mall. Council approved a License Agreement for LAB’s use of a portion of the South Mall parking lot for outdoor patio/dining space. Originally, Council approved an up to \$200,000 credit for tenant improvements (T.I.) made to the City owned property. This amendment will remove the \$200,000 T.I. credit. LAB will continue to pay fair market rent for the use of this space.

FINANCIAL IMPACT:

The Corona Housing Authority financed the purchase price of the Authority North Mall property as well as Authority South Mall property. The total purchase price of the Corona Housing Authority Properties was \$1,860,000, of which \$970,000 was for the Authority North Mall properties and \$890,000 for the Authority South Mall properties. The purchase price will be adjusted to remain \$890,000 for the South Mall and the promissory note for the North Mall will revert to the Developer in exchange for a reacquisition of the Authority North Mall property.

ENVIRONMENTAL ANALYSIS:

This action before Council is exempt from California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the Guidelines for CEQA, which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely amends a development agreement to remove property and to update the schedule of performance, as well as to amend a license agreement to remove funding reimbursement, and as such there is no possibility that taking these actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: JESS GARCIA, ECONOMIC DEVELOPMENT ADMINISTRATOR

REVIEWED BY: JESSICA GONZALES, ECONOMIC DEVELOPMENT DIRECTOR

Attachments:

1. Exhibit 1 - Site Map
2. Exhibit 2 - Proposed Third Amended and Restated DDA (clean)
3. Exhibit 3 - Proposed Third Amended and Restated DDA (redline)
4. Exhibit 4 - Proposed First Amended and Restated License Agreement (clean)
5. Exhibit 5 - Proposed First Amended and Restated License Agreement (redline)