



Legislation Text

File #: 19-0520, Version: 1

**AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION**

DATE: June 5, 2019
TO: Honorable Mayor and City Council Members
FROM: Community Development Department

SUBJECT:

City Council consideration and review of the developer's compliance with the terms and conditions of the Corona North Main Street Amended and Restated Development Agreement for Phases 2A and 2B on 14 acres located on the west side of Main Street and south of Rincon Street and authorize the Community Development Director to execute the attached Estoppel Certificate on behalf of Corona North Main Development LP.

RECOMMENDED ACTION:

That the City Council determine that the developer is in compliance with the terms and conditions of the Corona North Main Street Amended and Restated Development Agreement for Phases 2A and 2B and authorize the Community Development Director to execute the attached Estoppel Certificate on behalf of Corona North Main Development LP.

ANALYSIS:

The City Council and Corona North Main Development L.P. entered into an Amended and Restated Development Agreement on May 1, 2013, for the development of a mixed-use transit-oriented project consisting of multiple family residential and commercial land uses. The project covered approximately 27 acres and three development phases located on the west side of Main Street between Blaine Street and River Road. The development phases are referred to as Phase 1, Phase 2A and Phase 2B in the Agreement.

Phase 1 consisted of 404 apartments on 12.7 acres located west of Main Street and north of Rincon Street. Phase 1 was completed in 2013 and issued a Certificate of Occupancy by the city on October 17, 2013. The developer sold Phase 1 to a different entity in 2016. However, prior to the land sale the City Council at its meeting on February 17, 2016, approved a Partial Termination of the Amended and Restated Development Agreement for Phase 1 as the developer had satisfied all obligations of the Agreement associated with Phase 1.

Phases 2A and 2B are still owned by the developer, Corona North Main Development LP, and covers

14 acres located at the southwest corner of Main Street and Rincon Street. Phase 2A consists of 171 apartments and parking structure and Phase 2B consists of 293 apartments, parking structure and approximately 77,300 square feet of commercial buildings.

The developer is in the process of obtaining permanent financing for the commercial buildings located in Phase 2B. On May 8, 2019, the developer requested an estoppel certificate from the city certifying that the developer is not in default under the Agreement. Per Section 13.16 of the Agreement, the city has 30 days from receipt of the request to provide an estoppel certificate certifying the Agreement is in full force and effect and that no default in the developer's performance of its obligations under the Agreement exists. The following summarizes the developer's compliance with the Agreement.

- Section 4.2 of the Agreement established timelines for the development of Phases 2A and 2B. The planning development applications for both phases including the environmental review required by the California Environmental Quality Act were required to be submitted to the city on or before March 15, 2015. The applications associated with the project were submitted to the city in November 2012 and were ultimately approved by the City Council in September 2013.
- Section 4.3.1 of the Agreement established the developer's right to develop Phase 2A according to certain timelines. The developer was required to obtain ministerial permits such as grading and building permits on or before May 30, 2016 and was granted a vested right to develop the site until December 31, 2021. Building permits for Phase 2A were issued by the city in January 2015 and the city issued final inspections and a Certificate of Occupancy for the building in August 2016.
- Section 4.3.2 of the Agreement established the developer's right to develop Phase 2B according to certain timelines. The developer was required to obtain ministerial permits such as grading and building permits on or before January 2, 2024 and was granted a vested right to develop the site until June 1, 2028. Building permits for the residential portion of Phase 2B were issued by the city in July 2015 and the city issued final inspections and a Certificate of Occupancy for the residential buildings in August 2017. Permits associated with the various commercial buildings started being issued by the city in 2017. The shells of the commercial buildings have been constructed by the developer and the interior tenant improvements plans for the individual tenant spaces are currently being processed by the commercial tenants. Certificates of occupancy from the city will be issued to each individual tenant space upon completion of the inspections associated with the interior tenant improvement plans.
- Section 5.2.2 (d) of the Agreement required the developer to post payment security of the project's sewer capacity fees in the amount of \$182,931.20 on or before December 1, 2011. The payment security was posted with the city on October 25, 2011.
- Section 5.4 of the Agreement required the property owner to contribute \$100,000 to the city for community improvements within one year of the effective date of the agreement. The agreement went into effect on July 5, 2013 and the owner paid the community improvement contribution to the city on July 2, 2014.

As part of the loan for Phase 2B, the lender is requiring Corona North Main Development L.P. to convey the property to Corona North Retail Development L.P. which is a newly formed subsidiary entity. Although the name of the entity will change, it will have the same ownership and management structure as Corona North Main Development L.P. As such, the transfer constitutes a mere change in form of ownership with no material change in beneficial ownership. Therefore, the transfer in ownership does not require City Council approval because Section 1.49 of the Agreement exempts transfers that are mere changes in the form of ownership with no material change in beneficial ownership. However, the change in ownership was worth mentioning for record keeping purposes.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

Not applicable.

FISCAL IMPACT:

The review of this compliance report has no fiscal impact to the general fund.

ENVIRONMENTAL ANALYSIS:

The review of the compliance report is not considered a project under the California Environmental Quality Act.

PREPARED BY: JOANNE COLETTA, COMMUNITY DEVELOPMENT DIRECTOR

REVIEWED BY: DEAN DERLETH, CITY ATTORNEY

REVIEWED BY: KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

REVIEWED BY: MICHELE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: MITCHELL LANSDELL, ACTING CITY MANAGER

Attachment:

1. Estoppel Certificate.