



July 14, 2020

**TO:** CADA Board of Directors

**SUBJECT:** **July 16, 2020 Special Board Meeting**  
**AGENDA ITEM 5**  
**CADA SITE 21 – NOTICE OF INTENT TO PURCHASE THE SITE 21 PROPERTY**  
**(SOUTHWEST CORNER OF 14<sup>TH</sup> AND N STREETS)**

**CONTACT:** Tom Kigar, Special Projects Director  
Wendy Saunders, Executive Director

**RECOMMENDED ACTION:**

Staff recommends the Board adopt resolutions authorizing the following:

1. Issuance of a notice of intent to purchase the Site 21 property, a budget amendment for \$2 million, an expenditure of \$2 million for such purchase and any and all actions required to complete the transaction to purchase the property, and
2. Direction to the staff to endeavor to locate a new developer to build the project as planned.
3. Adoption of a resolution that would allow CADA to reimburse the cost for purchase of the Site 21 property upon issuance of debt in the future, should reimbursement be deemed appropriate.

**BACKGROUND**

At the September 2019 meeting, the Board approved a Second Amendment to the Disposition and Development Agreement (DDA) to allow Cresleigh to build The Vantage, an 87 unit project as condominiums but operate it as apartments for 10-years following building completion because the project was over budget as a condominium. The amendment includes a provision to give CADA the right to purchase the land back if Cresleigh fails to meet certain timelines, including beginning site preparation by June 30, 2020. On May 15, 2020 Robert Walter, Cresleigh's Senior Vice President requested a 90 day extension of the June 30 deadline in accordance with the excusable delay provision in the DDA due to COVID 19 related delays. On May 19, 2020, Wendy Saunders responded that Mr. Walter had not provided evidence to justify a 90 day delay and instead granted a 30 day extension until July 30.

On June 17, Mr. Walter advised CADA that Cresleigh was unable to secure financing to meet the July 30 deadline due to the impact of the pandemic. He further expressed their desire to terminate the DDA thereby giving CADA the right to exercise its option to purchase the property.

The Board met in closed session on June 19 to discuss the matter and on July 3 CADA staff asked Mr. Walter if Cresleigh would be able to secure financing if granted a six-month extension and he replied he did not expect they could. As a result, CADA staff advised Mr. Walter that subject to

Board approval they would terminate the DDA and exercise the option to purchase the property from Cresleigh. The DDA further stipulates that all work product developed by Cresleigh, including construction documents and architectural plans, become the property of CADA upon default by Cresleigh. Cresleigh has provided CADA notice that it will default, and thus, this provision applies.

## **ANALYSIS**

The Second Amendment gives CADA the right to purchase the property back from Cresleigh for the \$2 million Cresleigh paid for the property by giving Cresleigh written notice of intent to exercise the option to purchase back the property within six months after Cresleigh's failure to meet the required timelines. CADA must close on the property within 30 days of issuing the notice. Upon approval of the recommended action, staff will issue the notice of intent to Cresleigh.

The Second Amendment includes the provision that, should CADA repurchase the land, DGS will have the right, but not the obligation, to buy the land back from CADA. DGS is required to advise CADA of its interest in buying the land back from CADA within 60 days of CADA closing escrow.

Because CADA will be taking ownership of both the land and the work product, including construction documents that are nearly construction-permit ready, the staff would endeavor to locate a developer capable of building the project as planned and under the terms provided to Cresleigh. The staff would commence the search for a developer once stabilization of the financial markets occurs, likely pending a foreseeable end to the coronavirus pandemic.

## **POLICY ISSUES**

Site 21 is the only available vacant residential site overlooking Capitol Park. CADA has been entrusted with this site and the goal to construct a high quality for-sale condominium project. Assuming approval of the recommended action, CADA will re-gain control of the site and be in possession of a nearly permit ready project that meets the above criteria. CADA will be able to use its experience and have the benefit of offering the site with plans to a qualified developer who can build the project and fulfill CADA's goal.

## **STRATEGIC PLAN**

Development of Site 21 meets several CADA 2016-21 Strategic Plan goals including 1) overcoming the complexities of developing high quality infill projects, 2) exhibiting leadership in urban development, 3) implementing environmentally sustainable practices, and 4) focusing on quality in design.

## **FINANCIAL IMPACT**

The recommended budget amendment will authorize the drawdown of \$2 million from the Development Reserve and the Acquisition Reserve. CADA will recoup these funds when it sells the site to a developer. The use of these funds will affect the funding available for the 1322 O Affordable Housing Project and as a result, the staff will be analyzing the possibility of issuing bond debt to support all of our outstanding projects for CADA Board consideration. The State's extension of CADA's expiration date to 2055 and current advantageous interest rates enhance the attractiveness of debt issuance at this time.

A separate resolution is also attached that would allow CADA to reimburse itself from a future tax exempt bond issuance should the CADA Board determine in the future to pursue an affordable housing project on the site rather than sell the site for a market rate project. Adopting a reimbursement resolution now, in advance of expenditure of the funds, is necessary to allow the

reimbursement. Please note that this is not that action that the staff anticipates at this time, but recommends adoption of the resolution in abundance of caution to as to not hamper any future decisions of the Board based on changing circumstances.

### **ENVIRONMENTAL REVIEW**

Staff previously determined, and the CADA Board has found, that development of a project consistent with the Site 21 RFP is categorically exempt from the California Environmental Quality Act (PRC §21083.3, 2 CCR §15183).

No additional environmental review is required for the proposed action.

### **CONTRACT AWARD CONSIDERATIONS**

N/A