



# CITY COUNCIL AGENDA STATEMENT



December 8, 2020

File ID: 20-0457

## TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A SECOND AMENDMENT TO THE REAL PROPERTY PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS BETWEEN THE CITY OF CHULA VISTA AND TECTURE RED, LLC FOR THE SALE OF A 0.14-ACRE COMMERCIAL PROPERTY LOCATED AT 224 THIRD AVENUE

## RECOMMENDED ACTION

Council adopt the resolution.

## SUMMARY

In February 2015, the City Council authorized the purchase of the 0.14-acre parcel at 224 Third Avenue, directly north of the Vogue Theater, for a purchase price of \$260,000 dollars. The City's acquisition of the subject parcel was an open-market opportunity purchase made with the intent of holding the property for future use as an economic incentive to encourage redevelopment of the adjacent Vogue Theater property. The parcel's current use is a vacant lot (**Attachment 3**).

In April 2019, the City Council approved the Purchase and Sale Agreement by and between the City and Tecture Red, LLC. Escrow opened on May 29, 2019 with an 18-month timeframe to close by November 29, 2020. Close of escrow requires the buyer to have submitted complete construction documents and subsequently pulled permits by November 29, 2020. The completion of this requirement has not been achieved as progress was impeded by the COVID-19 pandemic. Staff is recommending approval of a second amendment (**Attachment 2**) to the approved Purchase and Sale Agreement to provide the buyer with 24 months of additional time. Included in the addendum are performance measures to serve as a safeguard to the City's property and to encourage its future development as described in the discussion section of this report. Pending action on this item, staff administratively extended escrow to December 29, 2020 and updated the first amendment to the agreement.

## ENVIRONMENTAL REVIEW

The proposed Project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and it has been determined that the Project qualifies for an exemption pursuant to State CEQA Guidelines Section 15183 (Projects Consistent with a Community Plan or Zoning); Section 15332 (In-Fill Development Projects); and Section 15061(b)(3), because the proposed project would not result in a significant effect on the environment, create a cumulative impact, damage a scenic highway, or cause a

substantial adverse change in the significance of a historical resource. Thus, no further environmental review is required.

**BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

**DISCUSSION**

In February 2015, the City Council authorized the purchase of the vacant 0.14-acre parcel at 224 Third Avenue, directly north of the Vogue Theater, for a purchase price of \$260,000. The City’s acquisition of the subject parcel was an open-market opportunity purchase made with the intent of holding the property for future use as an economic incentive to encourage redevelopment of the adjacent Vogue Theater.

In April 2019, the Real Property Purchase and Sale Agreement and Joint Escrow Instructions (“Agreement”) was presented to and approved by the City Council. Escrow opened on May 29, 2019 with a deadline for the intended buyer to close escrow on the property no later than November 29, 2020. Prior to close of escrow, the Agreement stipulated that building permits would need to be pulled. Pending action on this item by the City Council, the parties administratively extended escrow to December 29, 2020.

Over the course of the last 18 months, staff has been in consistent communication with the intended buyer in order to monitor progress. In February, staff provided a 90-day performance monitoring letter to the intended buyer advising that complete construction drawings would need to be submitted to the City by April. Shortly after the letter was sent, the Coronavirus pandemic reached San Diego County in mid-March.

Due to the Coronavirus pandemic, the prospective buyer has encountered difficulties moving forward with the design of the construction documents and financial furtherance of the project. As it is a trying time for restaurateurs, event promoters and the hospitality and entertainment industries, staff is proposing a two-year extension in an amendment to the approved Agreement. This will provide the buyer with additional time while the economy stabilizes during the remainder of the pandemic and until music/entertainment venues can open and operate. To safeguard the City’s property and encourage its future development, staff is proposing the addition of performance measures within the addendum to the agreement. Failure to meet any of the below standards on or before the extended date for close of escrow would result in a failure to transfer the property to Buyer.

<b>Task Outlined in Second Amendment</b>	<b>Description</b>	<b>Completion Date</b>
17.a.	Submit 100% complete construction documents to the City	November 29, 2021
17.b.	Provide proof of financing	November 29, 2022
17.c.	Pull permits	November 29, 2022
17.d.	Maintain adjacent property, The Vogue Theater	Ongoing with immediate maintenance needs to be addressed by March 1, 2021

Should the amendment to the Agreement be approved, the intended Buyer will be required to provide quarterly progress reports over the course of the next 24 months. At close of escrow, the property sale price of \$210,000 would remain the same as was determined to be fair market value at the time the Agreement was entered into. Additionally, due to the extended delay, exterior maintenance and upgrades to the Vogue Theater will be required such as the addition of exterior lighting and painting/maintaining a clean façade. Costs for the improvements will be paid by the Tecture as they own the Vogue property. While the adjacent 224 Third Ave. property is in escrow, staff intends to activate the site by entering into a separate license agreement for the site to be utilized for outdoor dining to accommodate social distancing protocols.

### *The Vision and Use*

Tecture's mission for the Vogue Theater is to embrace and celebrate the existing culture of Chula Vista and Third Avenue while providing an entertainment venue that stimulates the region and cultivates South San Diego's creative scene. The Vogue Theater has been a symbol of Third Avenue for over 70 years and has historical and sentimental significance to the community. The theater's location on Third Avenue offers enormous potential to further improve the business district by offering a family-friendly entertainment option to complement the existing eateries and retail stores. The proposed remodel is anticipated to be a catalyst to encourage further revitalization on Third Avenue.

Tecture's vision for The Vogue is to preserve the theater's historic attributes while providing an entertainment alternative to the single-screen theater model. The space is designed as an all-ages and family friendly venue for an estimated 500-1,000 seats. The venue would offer on-site alcohol and food sales to support the theater's operation. Tecture's intent is to support and compliment the local craft beer tasting rooms and local dining establishments to ensure there is non-direct competition.

A draft preliminary concept design proposes an approximate total of 6,189 square feet of interior and exterior improvements. The project proposal includes the addition and remodel of: the box office, a single-screen and entertainment space, downstairs main floor bar, upstairs marquee bar, mezzanine seating, and multi-function spaces. The exterior remodel and proposed build-out onto the 0.14-acre parcel include an outdoor game area, communal seating, a lounge for live music and movie viewing, fixed food service area, green rooms, storage rooms, an outdoor screen surrounded by communal tables and a food/mobile truck access point. These features and activities will be best enjoyed in a post-COVID-19 environment. The intended buyer envisions being one of the first safe entertainment venues to open post-COVID-19 with new health safeguards in place.

### *Impacts of COVID-19 on the Entertainment Industry*

COVID-19 has impacted every facet of life and the economy and consumer behavior have not been immune to broad disruptions. In mid-March 2020, live events were halted almost immediately. Post-COVID-19, making live venues physically and psychologically safe for employees and consumers will be a significant challenge. Physical limitation for social distancing requirements will continue to threaten transactional revenues for live performances. According to Deloitte's *COVID-19 Outlook for the US Media and Entertainment Industry*, key concerns facing the entertainment industry's future success include:

- Will customers return to live venues when they are allowed?

- When advertisers come back, where will they go?
- How will the health and economic crisis reshape entertainment for a changed society?

Additional time is needed for the intended buyer to consider these concerns and others that may affect the venue's design and overall business model.

#### *About Tecture*

Tecture is a design and fabrication studio of designers, craftsmen, artists and builders who pride themselves on bringing alluring and functional concepts to life. Tecture has experience in taking a project from the initial idea and concept through the design and construction process to completion. The studio offers a wide breadth of services including concept design, interior design, exterior design, space planning, custom furnishings, fabrication, project management, construction administration and general contracting in the retail, commercial, residential and service industries. Their portfolio of featured design-build projects in San Diego County includes Nolita Hall, Kettner Exchange, George's at the Cove, Firehouse American Eatery, Bivouac Ciderworks and more. Slade Fischer is currently serving the City of Chula Vista on the Third Avenue Village Association 2020 Board of Directors.

#### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council and has found that Mayor Mary Casillas Salas has real property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702.2(a)(7), this item presents a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.) for the above-identified member.

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

#### **CURRENT-YEAR FISCAL IMPACT**

There is no current year fiscal impact by approval of the amendment to agreement.

#### **ONGOING FISCAL IMPACT**

There is an anticipated impact of \$210,000 as one-time revenue to the City's General Fund from the property's sale at the close of escrow. Additionally, the sale will convert the once government-owned tax-exempt property into a taxable parcel resulting in future property tax revenue.

#### **ATTACHMENTS**

1. Second Amendment to Real Property Purchase and Joint Escrow Instructions
2. Subject Parcel Location Exhibits

*Staff Contact: Miranda Evans, Economic Development Specialist*