



CITY COUNCIL AGENDA REPORT

City of Anaheim OFFICE OF THE CITY MANAGER

DATE: MAY 12, 2020

FROM: CITY MANAGER'S OFFICE

SUBJECT: LETTER OF UNDERSTANDING REGARDING IMPLEMENTATION OF CERTAIN ASPECTS OF THE PURCHASE AND SALE AGREEMENT BETWEEN SRB MANAGEMENT COMPANY, LLC, AN ENTITY CONTROLLED BY THE OWNERS OF ANGELS BASEBALL LP, AND THE CITY OF ANAHEIM

ATTACHMENT (Y/N): YES

ITEM # 20

RECOMMENDED ACTION:

That the City Council, by Motion, authorize the Interim City Manager to execute the Letter of Understanding regarding implementation of certain aspects of the Purchase and Sale Agreement (Agreement) by and between SRB Management Company, LLC (SRB/Buyer) and the City of Anaheim (Seller) pertaining to the proposed purchase of approximately 153 acres of City-owned property commonly referred to as Angel Stadium of Anaheim, the City National Grove, and the surrounding parking areas, to extend the Inspection Deadline by ninety (90) days, as contemplated in the Agreement, and accelerate the Buyer's delivery to escrow of the Third Deposit to be applied toward the purchase price for the property.

BACKGROUND:

At the meeting on December 20, 2019, the City Council approved a Purchase and Sale Agreement (Agreement) with SRB Management Company, LLC, (SRB) an entity controlled by the owners of Angels Baseball, LP. The Agreement provides a multi-step process leading to the potential sale and development of the property. The property includes the approximately 153 acres commonly known as Angel Stadium of Anaheim, the City National Grove, and the surrounding surface parking areas. The Agreement is attached for the City Council's information and reference. Key provisions include:

- A purchase price of \$325 million based on an independent fair market appraisal, as valued with the property's current parking obligations, with potential for adjustment based on negotiated community benefits;
- A commitment by the Angels to play home games in Anaheim through at least 2050;
- \$70 million in periodic earnest money deposits made by SRB, to be credited against the purchase price at closing; and
- A milestone schedule for establishing development entitlements.

Major milestones in the Agreement are noted below, each of which are conditions to closing the transaction.

- The Agreement provides an Inspection Deadline of June 30, 2020 by which SRB must complete its inspection of the property and by which the parties are to negotiate and present for City Council consideration a Disposition and Development Agreement (DDA), a Lease Assignment Agreement, and Angels Commitment Agreement. Each of these agreements is discussed in greater detail in the attached Agreement. The Agreement allows the Inspection Deadline to be extended in 30-day increments with the parties' mutual consent.
- Within fourteen (14) months after the Inspection Deadline, SRB must submit a Master Site Plan to the City in accordance with the requirements of the Platinum Triangle Master Land Use Plan (the "Master Site Plan Submittal Deadline"). The Agreement allows SRB to request up to three (3) six- (6) month extensions for submitting the Master Site Plan, subject to payment of extension deposits as provided in the Agreement.
- Within eighteen (18) months after the City's approval of the Master Site Plan, SRB must submit to the City a Vesting Tentative Tract Map (VTTM) depicting the proposed subdivision of the property for future development. The Agreement allows SRB to request one (1), six- (6) month extension for filing the VTTM, subject to payment of the required deposit as provided in the Agreement.
- Ten (10) days following the City's approval of the VTTM, and provided all other conditions precedent have been satisfied, the parties will close escrow. The Agreement provides an outside closing date of September 30, 2025.
- The Agreement requires SRB to deposit into escrow a series of deposits coinciding with the major milestones. For example, SRB deposited \$5 million upon approval of Agreement. The Second Deposit of \$15 million is due two (2) business days after the Inspection Deadline; the Third Deposit of \$10 million is due two (2) business days after the Master Site Plan Submittal Deadline. The timing and associated milestone for each deposit is set forth in Section 3.1 of the Agreement.

DISCUSSION:

Since the December approval of the Agreement, and despite the significant obstacles arising from the COVID-19 crisis, the City and SRB have been working diligently to advance the action items contemplated during the Inspection Period. To this end, SRB has completed an ALTA Survey which identifies and plots the existing easements and agreements that encumber the property. The parties are working together to understand the effects of all the encumbrances. In certain cases, existing easements will need to be removed or potentially relocated to facilitate the future development of the property. This

process has been more complicated than anticipated due to the volume of encumbrances and their historical context (many are several decades old or older).

Consideration of the DDA by the City Council will require compliance with the California Environmental Quality Act (CEQA). To this end, SRB and its consultant team have been working with City staff to finalize a project description (required by CEQA) that will enable the City to evaluate the potential environmental impacts associated with the proposed purchase and development of the property. SRB's team anticipates formally submitting draft documents for the City's review within the coming weeks. Advancing these efforts has been complicated by the COVID-19 public health crisis, which has demanded the time and attention of both organizations and essentially precluded in-person meetings.

As noted above, the Agreement allows SRB to submit its Master Site Plan within fourteen (14) months after the approval of a DDA, with the ability to extend the submittal date for up to 18 months. SRB has opted to prepare and submit its Master Site Plan by May 30, 2020 so that it may be reviewed and considered by the Planning Commission and City Council concurrent with the consideration of the DDA. Staff views this approach positively because it will provide a more comprehensive context when the items are reviewed during the public hearing process and will likely accelerate the steps leading to the close of escrow.

Notwithstanding the progress made to date, SRB acknowledges that it is not likely all the items required to be completed by the June 30, 2020 Inspection Deadline will be complete. SRB is requesting the Inspection Deadline be extended by ninety (90) days from June 30, 2020 to September 30, 2020. As noted above, the Agreement contemplates that the Inspection Deadline may be extended upon mutual consent of the parties. In addition, SRB proposes to accelerate payment of the Third Deposit: rather than wait until anywhere from late 2021 until sometime in 2023, under the current terms of the Agreement, SRB now proposes to make the Third Deposit (\$10 million) at the same time as the Second Deposit (\$15 million), within two (2) business days after the Inspection Deadline (i.e., October 2, 2020). This will result in the Third Deposit being deposited into escrow significantly sooner.

SRB proposes that the terms for extending the Inspection Deadline and accelerating the Third Deposit be acknowledged and agreed to by the parties via the attached Letter of Understanding. While implementing these proposed modifications is arguably within the City Manager's authority, as the modifications were either contemplated in the Agreement (in the case of the Inspection Deadline) or result in a positive outcome for the City (with respect to accelerating the Third Deposit), staff is presenting the item to the City Council in an abundance of caution and for transparency. Staff recommends the City Council authorize the Interim City Manager to execute the Letter of Understanding between the City and SRB.

Aside from the extension of the Inspection Deadline and acceleration of the Third Deposit, all of the other terms and performance dates in the Agreement remain the same.

IMPACT ON BUDGET:

There is no budgetary impact; all deposits are applied to the purchase at the close of escrow and, in accordance with the terms of the Agreement, are refundable in the event the purchase is not effectuated.

Respectfully submitted,

David Belmer
Deputy City Manager

Attachment:

1. Purchase and Sale Agreement
2. Letter of Understanding