

OVERSIGHT BOARD AUTHORIZATION TO NEGOTIATE THE DISPOSITION OF
PROPERTY LOCATED AT 12361 CHAPMAN AVENUE

April 9, 2012

Page 2

RECOMMENDATION

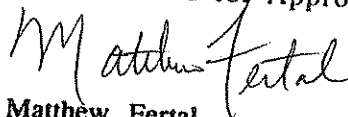
Staff recommends that the Oversight Board authorize Successor Agency staff to negotiate the sale of the former Fandango Restaurant site located at 12361 Chapman Avenue and return for Oversight Board approval once the negotiated sale is approved by the Successor Agency:



JIM DELLALONGA

Department Administrative Officer

Recommended for Approval



Matthew Fertal
Director

Fandango

CITY OF GARDEN GROVE

INTER-DEPARTMENT MEMORANDUM

Garden Grove Agency for Community Development

To: Matthew Fertal
Dept: Director
Subject: PURCHASE AND SALE AGREEMENT
BETWEEN THE GARDEN GROVE
AGENCY FOR COMMUNITY
DEVELOPMENT AND MELROSS, LLC
FOR THE PURCHASE OF 12361
CHAPMAN AVENUE

From: Chet Yoshizaki
Dept: Economic Development
Date: July 13, 2010

OBJECTIVE

The purpose of this staff report is for the Garden Grove Agency for Community Development (Agency) to consider a Purchase and Sale Agreement (PSA) between Melross, LLC (Seller) and the Agency for the purchase of property located at 12361 Chapman Avenue (Property).

BACKGROUND

In recent years, the Property has been leased to non-credit tenants such as Bella Maries, and JC Fandango Restaurants. These restaurants operated as both restaurants and bars. The bars had separate subleases that promoted events that are inconsistent with the adjacent Hotels operations. These promotions and events led to an increased number of service calls for City's police department.

The owners of the Restaurant listed the property for lease but have been unsuccessful in finding a credit tenant for the 10,000 square foot restaurant. Because it is likely that the Property may be leased to another non-credit tenant with similar bar operations as those in the past, Agency staff approached the Seller to purchase the Property and staff and the seller have negotiated terms for an Agency purchase. It is staff's objective to act as a conduit to find developer to purchase the Property and staff is currently in discussions with two groups that would work with credit restaurants tenants to re-tenant the building.

ANALYSIS

The proposed Purchase Price is in the amount of two million five hundred thousand dollars (\$2,500,000) to be paid as outlined below:

- Earnest Money Deposit: fifty thousand dollars (\$50,000) shall be deposited by the Agency into escrow upon execution of the PSA, which

PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND MELROSS, LLC FOR
THE PURCHASE OF 12361 CHAPMAN AVENUE

July 13, 2010

Page 2

will be nonrefundable following the Agency's completion of its due diligence investigation on or before August 5, 2010.

- Seller Carry-back Loan: Seller will provide the Agency with a Carry-back loan in the amount of one million two hundred and fifty thousand dollars (\$1,250,000). This loan shall bear interest of 6.5% annually, payable in monthly installments of \$8,440.09, with the entire principal and interest payable five (5) years from the close of escrow on the Property.
- Balance of Purchase Price: the Agency will pay the balance of the Purchase Price of one million two hundred thousand dollars (\$1,200,000) at the close of escrow.

Pursuant to the PSA, the Agency and the Seller will pay their respective portions of closing costs. Escrow will close on or before September 4, 2010.

FINANCIAL IMPACT

The fiscal impact to the Agency will be the Purchase Price of two million five hundred thousand dollars \$2,500,000 plus interest to accrue on the Seller Carry-back loan. The Agency's share of the closing costs are estimated to be fifteen thousand dollars (\$15,000).

RECOMMENDATION

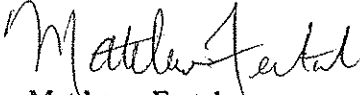
Staff recommends that the Agency:

- Approve the PSA between the Agency and the Seller for the purchase of 12631 Chapman Avenue, and
- Authorize the Agency Director to execute the pertinent documents on behalf of the Agency, including modifications as needed.


CHET YOSHIZAKI
Economic Development Director


By: Greg Blodgett
Senior Project Manager

Recommended for Approval


Matthew Fertal
Director

Attachment: Purchase and Sale Agreement