

STAFF MEMO

DATE OF MEETING: JANUARY 11, 2021 / AGENDA ITEM NO. 11

To: Mayor and City Council

From: Robert Smith, Economic Development Director, 303-987-7732

Subject: **ORDINANCE O-2021-2 SALE OF THE CITY-OWNED WESTLAND TOWN CENTER PARKING LOT TO RCG VENTURES I, LLC PER EXISTING OPTION CONTRACT**

SUMMARY STATEMENT: RCG Ventures, I, LLC (“RCG”), the current owner of the Westland Town Center and successor in interest to an Option Contract, is wishing to exercise their option to purchase the City-owned Westland Town Center parking lot (“Parking Lot”) for the pre-determined price of one million dollars (\$1,000,000).

BACKGROUND INFORMATION: The City of Lakewood (the “City”) owns the 21.54-acre Parking Lot at the Westland Town Center located at 10425-10755 West Colfax Avenue (identified by Parcel ID 39-333-11-002 & 39-334-11-026). In 2016, RCG acquired the Westland Town Center property (identified by Parcel ID 39-334-11-021 & 39-334-11-027), which includes the Lowe’s building and retail strip. The adjacent former Sears property (identified by Parcel ID 39-333-11-003), is now owned by Seritage Growth Properties.

- In the 1960s, the above properties, generally between Colfax & 17th Avenues and Owens & Miller Streets, were developed into the Westland Mall and included some additional retail pad sites.
- For the better part of three decades, the Westland Mall played a top tier role in the commercial success of Lakewood. By the late 1980s/early 1990s, the properties were caught up in a rapid downturn in the economy.
- In the early 1990s, with greatly declining sales, high vacancy and the deterioration of buildings, the City worked with the owner of the retail center to convert the Westland Mall into the Westland Town Center. In the process, the City acquired ownership of the Parking Lot for public parking through a “friendly” condemnation that infused approximately \$5M into the project. Since that time, responsibilities for the maintenance and insurance of the Parking Lot have been with the owners of the adjacent retail property.
- For the two decades following, the Westland Town Center again played a significant role in Lakewood’s commercial success. However, by the late 2010s, the property was struggling to maintain commercial viability.

The City entered into numerous agreements (approved by City Council Ordinances and Resolutions) with the owners of the retail center to facilitate the redevelopment in the 1990s. Some of those agreements strictly limit the use of the City-owned parcel to a parking lot for the use of the adjacent retail properties. Another one of those agreements was an Option Contract, which gave the owners of the Westland Town Center the option to buy back the Parking Lot from the City for the greater of the remaining balance of the Sales Tax and Revenue Bonds (“Bonds”) or one million dollars (\$1,000,000), whichever is greater. The Bonds (which were issued to finance the acquisition and improvement of the Parking Lot) were paid off in 2012, so therefore, since then, the pre-determined price of the Parking Lot has been the one million dollars (\$1,000,000). The City has executed various estoppel certificates over the years representing to successors in ownership, including RCG, that the Option Contract was and remains valid.

With their purchase of the Westland Town Center, RCG are the successors in interest to all of the previously executed agreements. RCG has notified the City that it wishes to exercise their rights under Option Contract and purchase the Parking Lot, reuniting it with their property and greatly enhancing the opportunities for re-use or redevelopment of the whole area. Despite the commitments made under the Option Contract, sale of City-owned property requires the approval of the City Council via Ordinance.

BUDGETARY IMPACTS: In alignment with the Option Contract, the City will receive one million dollars (\$1,000,000) as the pre-determined purchase price for the Parking Lot. Additionally, the currently tax-exempt, city-owned property, will be subject to property tax.

STAFF RECOMMENDATIONS: Staff recommends approving Ordinance O-2021-2

ALTERNATIVES: If this Ordinance is not approved, the sale would not take place, and the City would retain ownership of the Parking Lot under the various agreements, requiring the property to be used solely for pedestrian and vehicular access and parking for the Westland Town Center. According to RCG, this would make redevelopment or reuse of the Westland Town Center impractical, and RCG would have to decide whether to accept the Council's decision or take other action.

PUBLIC OUTREACH: Proper notice of this Council consideration of O-2021-2 was given.

ATTACHMENTS: Ordinance O-2021-2
Parking Lot Option Contract
Property Map

REVIEWED BY: Kathleen E. Hodgson, City Manager
Benjamin B. Goldstein, Deputy City Manager
Gregory D. Graham, Deputy City Attorney