

## STAFF MEMO

**DATE OF MEETING: FEBRUARY 22, 2021 / AGENDA ITEM NO. 8**

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**

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**SUMMARY STATEMENT:** RCG Ventures, I, LLC (“RCG”), the current owner of the Westland Town Center and successor in interest to all rights and liabilities of the previous owners of such real property, has asked to exercise an option to purchase the Westland Town Center parking lot (“Parking Lot”) from the City for the pre-established price of one million dollars (\$1,000,000).

**BACKGROUND INFORMATION:** The City of Lakewood (the “City”) acquired by condemnation 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 & 17<sup>th</sup> 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 experiencing greatly declining sales, high vacancy and the deterioration of buildings.
- Because a significant share of the operating revenue of the City at that time was derived from sales tax revenue, the City worked with the owner of the retail center to redevelop the Westland Mall into the Westland Town Center in an effort to restore its status as an economic driver within the City and to avoid the material and adverse negative social and public consequences of allowing the continued deterioration of the property.
- Through eminent domain the City acquired the Parking Lot. While eminent domain does not involve a willing seller, the owners of the Westland Mall agreed not to contest the condemnation action if the compensation to be paid by the City was at least \$5,000,000, and the City agreed to such value contingent upon payments being made in accordance with the completion of critical steps toward redevelopment of the Mall property.
- A Construction, Operation, and Reciprocal Easement Agreement entered into by all owners of real property associated with the redeveloped mall provided that the owners of the adjacent retail property would assume responsibility for the maintenance and insurance of the Parking Lot while the City agreed to never use the property for anything other than public parking.
- 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 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. Therefore, the transfer value of the Parking Lot pursuant to the Option Contract is one million dollars (\$1,000,000). The City has administratively 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 became 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 reacquire the Parking Lot. By reuniting it with the balance of the Westland Towne Center property the opportunities for re-use or redevelopment of the whole area are greatly enhanced. Despite the commitments made under the Option Contract, to comply with the mandatory provisions of the City’s Charter, transfer 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) for the transfer of the Parking Lot. Additionally, the currently tax-exempt, city-owned property, will generate income to the City when it becomes subject to property tax.

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

**ALTERNATIVES:** If this Ordinance is not approved, the transfer back to previous ownership 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  
Alison Brown McKenney, City Attorney