



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

September 24, 2019

SUBJECT: Council discussion and consideration of Resolution No. 35-19 approving the Second Amendment to Jones Ranch Subdivision, Village 1 (now referred to as Caliterra Ranch Subdivision) Subdivision Improvement Agreement

PREPARED BY: Jim Goodwin

Recommendation

Staff recommends the City Council adopt Resolution No. 35-19 as presented.

Background/Discussion

In March 2018 the City Council approved a final map and Subdivision Improvement Agreement (SIA) for the first phase of the Caliterra subdivision. In October 2018, that SIA was amended to substitute a lien instead of a bond for security.

The original SIA included a deadline of 18 months from its approval to start construction, that date being September 27, 2019. The developer has informed the City that they have been unable to secure a home builder for the project and are therefore unable to begin construction by the deadline. The failure to start construction would put the project in default of the agreement. At that point the City could provide a notice of default and the developer would have 30 days to cure the default or the city could then exercise its rights under the lien currently providing security for this agreement.

In order to avoid default, the developer has requested a two-year extension of the performance dates in the SIA. The attached correspondence from the project's Authorized Representative Rick Langdon outlines the reasons for the request. Mr. Langdon and the owner, Sunny Dale, both will be present at the meeting to answer any questions you may have about this request.

The intent of the extension is to allow time to re-work the infrastructure requirements for Village 1 to spread costs over more lots in the overall tentative map. The developer believes reducing the finished lot cost will make the project more attractive to a home builder. This approach is consistent with action item 1(c) in the 2019 Wheatland Community and Economic Development Action Program directing staff to "Continue to work with development interests to reduce or defer, when possible, up-front costs that may hinder their investment in Wheatland." The approach is

also consistent with ongoing discussions with the developers of the Heritage Oaks East subdivision.

Staff has considered the request and is recommending the proposed extension of the SIA timelines. The City Engineer is still required to ensure the proposed public improvements meet city standards and fulfill the conditions of approval of the tentative map for the full subdivision.

Alternatives

The City Council could choose not to adopt Resolution No. 35-19 to amend the SIA agreement and extend the deadlines. The project would go into default on Friday of this week, September 27. If the developer could not cure the default within 30 days following receipt of a notice of default, the city could commence legal action to enforce the lien on the property.

Fiscal Impact

There is no immediate fiscal impact to approving the extension of the agreement as the developer reimburses the city for all costs related to the project. The legal costs following a project default are unknown at this time.

Attachments

- 1. Resolution 35-19**
- 2. September 5, 2019 letter from Rick Langdon**
- 3. August 26, 2019 from Rick Langdon**
- 4. August 20, 2019 letter from KB Homes**

RESOLUTION NO. 35-19

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHEATLAND
APPROVING THE SECOND AMMENDMENT TO JONES RANCH
SUBDIVISION, VILLAGE 1 SUBDIVISION IMPROVEMENT AGREEMENT**

WHEREAS, on March 27, 2018, City and Developer entered into that certain City of Wheatland Subdivision Improvement Agreement (“Subdivision Improvement Agreement”) concerning the Caliterra Ranch Subdivision, Village 1; and

WHEREAS, on October 23, 2018, City and Developer entered into a First Amendment to the Subdivision Improvement Agreement; and

WHEREAS, the Developer has requested, and the City has agreed, to extend certain timelines provided in the Subdivision Improvement Agreement on the terms set forth in the City of Wheatland Second Amendment to Subdivision Improvement Agreement Caliterra Ranch Subdivision, Village 1 (Lots 1 – 55) attached as Exhibit 1.

NOW, THEREFORE, BE IT RESOLVED the City Council approves the City of Wheatland Second Amendment to Subdivision Improvement Agreement Caliterra Ranch Subdivision, Village 1 (Lots 1 – 55) and directs the City Manager to sign.

PASSED AND ADOPTED this 24th day of September, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Joe Henderson, Mayor

Lisa J. Thomason, City Clerk

**CITY OF WHEATLAND
SECOND AMENDMENT TO SUBDIVISION IMPROVEMENT AGREEMENT
Jones Ranch Subdivision, Village 1**

This Amendment is made this ____ day of _____, 2019, between the City of Wheatland, a general law city ("City"), and Dale Investments, LLC, a California limited liability company ("Developer"), who agree as follows:

1. Recitals. This Amendment is made with reference to the following background recitals:

1.1. On March 27, 2018, City and Developer entered into that certain City of Wheatland Subdivision Improvement Agreement ("Subdivision Improvement Agreement") concerning the Caliterra Ranch Subdivision. Defined terms in this Amendment have the same meaning as the defined terms in the Subdivision Improvement Agreement.

1.2. On October 23, 2018, City and Developer entered into a First Amendment to the Subdivision Improvement Agreement.

1.3. The Developer has requested, and the City has agreed, to extend certain timelines provided in the Subdivision Improvement Agreement on the terms set forth in this Amendment.

2. Amendments to Subdivision Improvement Agreement.

2.1. Section 10.1 of the Subdivision Improvement Agreement is deleted and replaced with the following:

10.1 Developer shall commence construction of the Work no later than September 27, 2021 and shall complete construction of the Work no later than September 27, 2022. Time is of the essence of this Agreement. Upon a showing of good cause by Developer, City may, in its sole discretion, agree to extend these deadlines; no extension will be valid unless it is made in writing. However, the City may require modifications to previously approved plans, specifications and drawings for the Work if more than two years pass between the date of the approval and acceptance of the Work. Any extension granted by City may be done without notice to any of Developer's sureties, and the extension shall not relieve any surety's liability. The granting of any extension also may be conditioned by City by requiring acceptable new or amended improvement security pursuant to section 7. If construction of the Work has not been completed and accepted by City within these deadlines, and any extensions, City may terminate this Agreement at any time thereafter by giving thirty (30) days written notice of intent to terminate to Developer.

2.2. Except as provided in this Section 2, there are no other changes to the Subdivision Improvement Agreement, as amended.

CITY OF WHEATLAND

DEVELOPER

By: _____

By: *[Signature]*

Attest:

Sundeep S. Dale [name]

City Clerk

managing member [title]

September 5, 2019

VIA EMAIL

Mr. Jim Goodwin
City Manager
City of Wheatland, CA
111 C Street
Wheatland, CA 95692

Mr. Tim Raney
City Planning Director
City of Wheatland, CA
111 C Street
Wheatland, CA 95692

Re: Caliterra Ranch

As a follow up to our conversations about the Caliterra Ranch project, I would like to add the following comments about the project:

- Dale Investments has spent the last 3 plus years revising the already approved Caliterra Ranch (previously known as Jones Ranch) Specific Plan to be more pleasing to the community. The plan, as approved, included a group of 4,500 square foot lots that were a concern to the city so Dale Investments decided to incur the additional costs and worked closely with the city to make the necessary changes to the plan to increase the size of those lots therefore eliminating the concerns and creating a very desirable community in Wheatland.
- We understand this project has been before the city council numerous times over the life of the project but, it is important to note that Dale Investments is the third owner of this property and have been instrumental in "fixing" many of the issues the city felt need to be corrected with the project at a substantial cost to Dale Investments. We have been good partners with the city by making sure the city is not carrying any costs related to the Caliterra Ranch project. We have made sure we stay current each month on any invoices sent to us which include the city's consultant's costs along with the city's administration costs.
- We also understand the City staff and City Council's frustration with the lack of progress with the Caliterra Ranch project, but no one is more frustrated than Dale Investments. Sunny Dale has spent over a million dollars over the past couple of years trying to bring this project to fruition. Once the final approvals were achieved, we believed many builders would want to build a project in Wheatland however, after an exhaustive search for a builder, it became obvious that we had several roadblocks that we needed to try to remove. One was the fact that there have been no new production homes built in Wheatland in the past ten plus years therefore making it extremely difficult to prove what anticipated absorption rates would be. Without that history, it becomes difficult for a

builder to get an acquisition approved for a new home project in the city of Wheatland. Another hurdle is the fact that Dale Investments needed to find a buyer to agree to purchase over 250 lots in order to be able to absorb the upfront development costs and make the economics work. Not one single builder was willing to commit to 250 lots in an untested market. We then tried to attract a buyer with just the first phase of 55 lots but the combination of excessive offsite development costs for 55 lots just that phase was nearing \$100,000 per lot which far exceeds the amount that would make the project feasible.

- Dale Investments has also made a concerted effort to work with Bishop's Pumpkin Farm to maximize their ability to access their property through the Caliterra Ranch property and to be able to farm as many pumpkins as possible. We intend to continue to do so and develop the property so Bishop can continue to farm as much of the property as possible until Caliterra Ranch gets completely built out.

It is Dale Investments' desire to continue to partner with the city staff to make the necessary adjustments to the first 145 lots so the project becomes attractive to a builder and we are in hopes the city will agree.

Sincerely,

Rick Langdon
Authorized Representative
Dale Investments, LLC

August 26, 2019

VIA EMAIL

Mr. Jim Goodwin
City Manager
City of Wheatland, CA
111 C Street
Wheatland, CA 95692

Mr. Tim Raney
City Planning Director
City of Wheatland, CA
111 C Street
Wheatland, CA 95692

Re: Improvement reduction request

Dear Sirs,

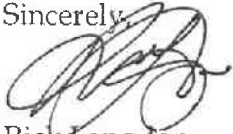
As per our discussion, we are requesting the following list of items be considered by the City in order for the Caliterra Ranch project to become a viable project and attractive to one or more home builders.

- Reduce portions of the onsite and offsite subdivision improvements to reduce upfront costs.
 - Construction frontage improvements along Wheatland Drive (South side only) from Wheatland Park Drive, west approximately 1,800 linear feet.
 - Construct Landscape Improvements from approximately 900 linear feet west of Wheatland Park Drive, west an additional 900 linear feet.
 - Reduce the drainage infrastructure improvements by replacing portions of the offsite pipe network with an open swale to convey flows to the detention basin.
 - Reduce the drainage improvements by constructing a phased detention basin necessary to accommodate the initial 145 lots.
 - Defer the commencement of park improvements until after the 250th building permit is pulled.
 - Defer Oakley Lane improvements until access needs are required.
 - Require development impact fees to be paid at the time of final inspection.
- Extend Subdivision Improvement Agreement and Lien Agreement timelines by two years from the date the extension is granted.

By making the revisions to the upfront burden on the project the lot development costs for the first 145 lots will be reduced to approximately \$65,000 which is a 32% decrease. Although this number is still over \$10,000 higher than a typical development in Roseville, Rocklin or Lincoln, it is much closer and we believe we can make a deal with a builder if we can achieve the reductions requested.

I thank you in advance for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Langdon", written in a cursive style.

Rick Langdon
Authorized Representative
Dale Investments, LLC



August 20, 2019

VIA EMAIL

Dale Investments, LLC
Attn: Rick Langdon
P.O. Box 272
Yuba City, CA 95992
Email: rlangdonemail@gmail.com

Re: Caliterra Ranch – Wheatland, CA

Dear Mr. Langdon,

This letter sets forth KB Home's interest in acquiring lots in the Caliterra Ranch project located in Wheatland, CA. KB's interest includes securing multiple lots sizes and product types, provided the lots have a recorded Final Map and approved improvement plans. We would anticipate our needs to be approximately 35-60 units per year for each product type.

Assuming we can agree on financial terms and a corresponding deal structure, we can proceed to a formal Letter of Intent and negotiations on a Purchase and Sale Agreement.

Sincerely,

KB HOME SACRAMENTO INC.

A handwritten signature in black ink, appearing to read 'Steve Tierney', written in a cursive style.

By: Steve Tierney
Its: Vice President of Land Acquisitions