

Council Recap - October 17, 2023

Council members on Tuesday approved an amended Purchase, Sale, and Development Agreement (PSDA) between the City and SilverRock Development Company, paving the way for recapitalization loans to close and construction of the hotels at TALUS to resume.

The luxury hotel, shared facility, and conference center are now scheduled for completion in March 2025, while the new golf clubhouse must be completed in November 2024. The lifestyle hotel is scheduled for completion by the end of December 2026. Amendment No. 5 to the PSDA resets financial penalties for missed milestones, resets the performance schedule to coincide with loan closings, and gives the City additional oversight over how project funding is used by SilverRock Development Company (SDC). It helps SDC to close on recapitalization loans, pay off liens, and recall the contractors to resume construction of the commercial components.

Amendment No. 5 outlines further reductions in Transient Occupancy Tax (TOT) rebates that SDC faces if SDC misses the completion dates for either of the hotels. For example, should the hotels be six months late, the TOT rebate program agreed to in the original PSDA will be reduced from 15 to 14 years and six months.

The amended agreement also raises the purchase and sale prices of future resort property to the developer by \$2 million and resets additional penalties for missing the new project milestones.

It has been two years since Amendment No. 4 with SDC was executed, during which project construction on the two hotels, conference center and shared facility and new golf clubhouse continued on scheduled until the second half of 2022 when construction was paused. Major milestones have gone unmet while SDC works to close on new funding sources, including a bridge loan for up to \$25 million through Keillor Capital which closed escrow Friday, October 13, 2022. Of that loan, \$12.5 million is available as an initial installment with at least \$10 million available to pay off subcontractor mechanics liens.

A \$79 million bridge loan was secured and expected to close escrow soon through Silver Arch Capital. This would be a placeholder loan to pay off the first bridge loan through Keillor Capital, liens by general contractors Granite Construction and R.D. Olson Construction, and Poppy Bank, which holds the debt on the master site infrastructure.

SDC is near closing on about \$170 million from Lief loan, and approximately \$95 million in bond sales through Ziegler. When escrow closes on the Ziegler funds (senior loan) it will trigger the closing of the Lief loan.

Before approving Amendment No. 5, Council received an update from Green on the status of the various loans. Watch his presentation at Council Recap for the December 19, 2023, Meeting

City Council members on Tuesday discussed options for funding the undergrounding of utilities throughout the city, estimated to cost more than \$200 million.

The financial analysis presented Tuesday outlined options for funding that include the formation of assessment districts or Mello-Roos Community Facilities Districts, state and federal grants and funds, local funds including Imperial Irrigation District (IID) cost sharing along with the pros and cons of each option.

There are approximately 4,600 single-family homes and 266 vacant lots in the Cove, which would be done in phases of about 300 homes each. The Cove area is bordered by Avenida Montezuma to the west, Avenida Bermudas to the east, Calle Tampico to the north and Calle Tecate to the south.

Most costly would be the Cove at \$147 million to \$172 million.

The second most costly area is the Downtown Residential area, estimated at \$12.7 million to \$15.3 million. The other four areas range in cost from \$4.1 million to \$6 million.

NV5 Inc. did an undergrounding feasibility study that estimates the cost per parcel, which does not include participation by utility companies, including Imperial Irrigation District (IID), which could lower the price for property owners.

NV5's estimated costs per parcel range \$23,207.83 to \$48,725.78 if in cash. If bonds are used to cover the costs for undergrounding, property owners could pay \$38,761 to \$89,699 per parcel over 20 years at 4.5% interest, or \$1,938 to \$4,484 per year.

With completion of undergrounding, property owners will have to pay a reconnection fee which ranges \$8,000 to \$12,000.

In presenting the options, NV5 Senior Project Manager Jeff Cooper said assessment districts, formed through the Municipal Improvement Act of 1913, are most commonly used by communities and more easily formed through a vote by the property owners involved rather than a Mello-Roos which would be voted on by all residents.

The amended PSDA is included in the Council agenda packet which can be viewed and downloaded at www.laquintaca.gov.

Additional highlights from Tuesday's City Council meeting:

- Approved a contract agreement with Carahsoft Technology Corporation for the purchase and installment of a new Zoom Cloud phone system at City facilities for up to \$164,454 for a four-year term, which includes new software and hardware.

Frequent phone outages and an expiring contract drove the need to find a new service provider. Staff researched various systems and recommended the Zoom Cloud system as the most secure one that can accommodate growth and remote access. All staff will be able to receive calls and voicemails through their computers and cell phones, leaving fewer missed calls. With redundancy systems in place, outages are anticipated to be rare, if at all. The purchase allows the City to bundle its existing contract with Zoom for virtual meetings and webinars software, while transitioning away from the existing contract with Mitel. Anticipated cost savings are \$1,200 per year.

- Appropriated \$29,000 for Cove Trails parking lot improvements to include removal of 4 inches of unstable native dirt and rock and replace it with 4 inches of compacted aggregate base. The project is estimated to cost up to \$129,000 and is being mostly paid for with a \$100,000 tourism grant from the Greater Palm Springs Convention and Visitors Bureau.
- Discussed options for the recently acquired historical casita at 51001 Eisenhower Drive, built in La Quinta in 1938. The City purchased the 976-square-foot casita, which sits off the Bear Creek Trail entrance, in 2023 for historical preservation. Though some businesses have inquired about leasing or buying the building, Council members favor it for City use, possibly as a visitors center that could include a gift shop for City-branded items, maps, and other memorabilia, and a bike repair stop. Staff will issue a Request for Proposals and return to Council with recommendations.

The La Quinta City Council meets every first and third Tuesday of the month at 4 p.m. at City Hall. The next scheduled meeting is November 7. We invite the public to attend to stay in the know of all things LQ.

If you can't make it to a meeting or missed a meeting, you can livestream or watch the video online at <https://laquinta.12milesout.com>.

Agenda packets with staff reports can be viewed on the City's website, www.laquintaca.gov, or received via email or text by signing up for Quail Mail.