

CITY OF BLAINE
REQUEST FOR COUNCIL ACTION
MEETING DATE: January 14, 2019

SUBJECT: Letter of Intent (LOI) for Purchase of Gateway Property for a Manufacturing-Retail Mixed-Use Development

DEPARTMENT: City Manager

PREPARED BY: _____

AGENDA LOCATION: Consent Agenda Council Action Unfinished Business

ATTACHMENTS:

Chewter's Letter of Intent

BACKGROUND/SUMMARY:

On November 26, 2018, City Council received and reviewed a letter of intent and preliminary development concept for seven acres at the gateway redevelopment site. The proposal involves property bordering H Street at the north, extending south to the proposed property line created for the Boblett LLC sale, and from SR-543 on the west to Grant Avenue on the east.

Council directed staff to coordinate with Chewter's to develop the proposal and evaluate options to modify it to further meet the City's development goals for the gateway site. Those goals are difficult to briefly summarize, but in general terms include:

- To provide a mix of services to City residents
- Provide a new service or amenity not already available in the City
- Provide higher than average wage jobs
- Create substantial sales tax revenue generation
- Enhance the entrance to the H Street commercial corridor
- Present an attractive face towards the SR 543 corridor

While these attributes are unlikely to exist in any one project, any potential sale is evaluated based on these and similar goals.

Chewter's proposal would develop a chocolate factory, visitor center, and retail outlet. It would occupy the entire seven acres; however, approximately half the site would remain undeveloped for an unspecified period of time.

After consultation with Chewter's, the City's real estate agent, and Council members, staff recommends that the Council retain two acres at the north side of the site for future retail and

service uses. Staff can coordinate with Chewter’s on a development plan that ensure access to both properties, to develop a signage plan, and discuss the size of a chocolate experience/visitor center, retail area, to be developed with the factory.

Budget Implications: Current Budget New Budget Request Non-Budgetary

The property sale would add income to the City, but it does not impact the 2019 Budget directly.

Recommendation:

The City Manager recommends that the Council decline the offer and request that Chewter’s propose an alternative purchase of the five southernmost acres of the site. The City Manager recommends that Council direct the proposal to include a retail and chocolate experience/visitor center component.

Reviewed By:

City Manager _____ Finance Director _____ City Clerk _____
(Digital Signature) (Digital Signature) (Digital Signature)



RE: BLAINE GATEWAY DEVELOPMENT LAND - 7.1 Acres Blaine WA

Dear Blaine City Council,

On behalf of Chewters Chocolates Inc (with offices located at 1648 Derwent Way, Delta BC V3M6R9) and/or our affiliate ChocXO Chocolatier LLC, (with offices located at 9461 Irvine Center Drive, Irvine, CA 92618), (hereinafter referred to as Buyer) we are pleased to present to City of Blaine (herein referred to as Seller) this letter of Intent to purchase the above referenced property under the following terms and conditions.

- 1) **PROPERTY:** A Commercial site consisting of 7.1 acres (309276 sq. ft.) located at North end of Gateway Commercial/Industrial site bordered by US 543, "H" Street and Grant Avenue.
- 2) **PURCHASE PRICE:** Purchase price to be \$1,600,000 all cash at close. (based on \$5.173 per sq. ft.)
- 3) **CONTINGENCIES:** Buyer shall have One Hundred Twenty (120) days from execution of the purchase agreement to investigate the Property and conduct a feasibility study, to satisfy itself in its sole and absolute discretion as to the suitability of the Property for acquisition. Within 5 days (5) of opening Escrow, Seller shall deliver to Buyer copies of all studies, preliminary title report, permits plus any and all pertinent documents Buyer requests for the evaluation of the Property.

The purchaser does not require financing, therefore this offer is **NOT** contingent on Buyer obtaining financing for the purchase of the land.
- 4) **ZONING APPROVAL:** Seller agrees to work with Buyer in satisfying all zoning and planning department requirements, and support Buyer in obtaining any Special Use Permits (SUP), and approval of commercial property street access from Grant Avenue.
- 5) **DEPOSIT:** Upon delivery of the fully executed purchase agreement to escrow Agent, Buyer shall deposit Fifty Thousand & 00/100 dollars (\$50,000) with the Escrow Agent (the "deposit"). The Deposit shall become non-refundable upon written waiver of

contingencies outlined on Paragraph 3 above. If buyer does not waive contingencies prior to the time frames outlined in Paragraph 3 above, then the escrow shall be cancelled and Buyer shall receive the Deposit back, in full, with no demand or offset.

- 6) **CLOSE OF ESCROW:** Close of escrow to be forty-five (45) days from full execution of the Purchase and Sale Agreement (including sign off from the Buyer on the Buyer's feasibility study), however seller agrees to extend the closing date by up to 6 months and cooperate with buyer in completing a 1031 tax exchange (within 6 months of mutual acceptance at no expense to seller). In the event buyer does not sell the exchange property located at 9461 Irvine Center. Dr. Buyer agrees to close regardless within 6 months of opening of escrow.

- 7) **ESCROW, PRORATIONS AND COSTS:** All fees to be split as customary and Title & Escrow to be mutually agreeable.

- 8) **DOCUMENTATION:** Immediately upon acceptance of this letter of intent, Seller shall prepare for review and execution the Purchase Agreement, reflecting the terms and conditions of this letter of Intent containing such additional covenants, representations and conditions as the parties may agree. Buyer and seller shall reasonably cooperate in preparing and executing such other collateral documentation and agreements as may be necessary to implement the proposed transaction as intended herein.

- 9) **EXCLUSIVITY:** This letter is an expression of interest in the potential purchase and does not constitute a legally binding agreement, except that seller hereby agrees not to enter into letters of intent or purchase and sale agreements for a period of seven (7) days from the date of mutual execution of this letter of intent to give the parties time to enter into a purchase and sale agreement.

We respectfully request your response by Nov. 23, 2018 Please acknowledge your acceptance below.

Buyer:



Seller:

* A copy of our Proposed Use and Business Model Presentation is attached.