

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: November 16, 2023

PREPARED BY: Eric Ceja, Director of Economic Development

REQUEST: APPROVE THE SECOND AMENDMENT TO DEVELOPMENT AGREEMENT 98-1 BETWEEN THE CITY OF PALM DESERT AND MARRIOTT OWNERSHIP RESORTS, INC.

RECOMMENDATION:

1. Approve the Second Amendment to the Development Agreement (DA 98-1) between the City of Palm Desert and Marriott Ownership Resorts, Inc.
2. Direct the City Manager to execute the Second Amendment to the Development Agreement.
3. Direct the City Attorney to make necessary, non-monetary changes to the Second Amendment to the Development Agreement.
4. Authorize adjustment of \$1,600,000 to Timeshare Mitigation Revenue Account Number 1100000-3122900.

BACKGROUND/ANALYSIS:

In 1998, the City of Palm Desert approved a Development Agreement (“DA”) with Marriott Ownership Resorts (“Marriott”), for the development of the Marriott Shadow Ridge Golf Club, located at the southeast corner of Monterey Avenue and Gerald Ford Drive. The agreement required the development of an 18-hole golf course with approximately 1,200 timeshare units. Additionally, Marriott was to remit a facilities fee equivalent to \$30 per week, per unit, and subject to increases in the consumer price index (CPI), to the City for a period of 20-years. The initial 20-year term of the DA has been extended through an amendment and expires in December 2030.

Legal Review:

This report has been reviewed by the City Attorney’s office.

Strategic Plan:

1. Land Use, Housing, and Open Space, Priority 2: *“Facilitate the development of high-quality housing for people of all income levels.”*
2. Land Use, Housing, and Open Space, Priority 5: *“Utilize progressive land use policies and standards to support ongoing and future needs.”*

Project Description:

In 2020, Marriot approached the City and expressed that the timeshare market is saturated in the Coachella Valley and they would like to pursue other options including the development of single-family homes with the Shadow Ridge development. In late 2022, Marriott returned to the City with a proposal to convert roughly 18.75-acres of undeveloped land to 93 higher-end single family homes rather than the remaining timeshare units. City staff expressed concerns with the loss of revenue from the facilities fee as the new single-family homes would not be subject to

the fee. In lieu of the additional facilities fee the second amendment to the Development Agreement anticipates:

- A one-time \$1.6M payment to the City from Marriott upon sale of the property to Toll Brothers, Inc., for the development of the 93-homes. The new homes are situated in a zoning district which allows for short-term rentals. However, there are no current projections on how much additional TOT would be generated from this site.

The Second Amendment to the Development Agreement is limited to Marriott's remittance of \$1.6M to the City of Palm Desert upon the transfer of 18.75-acres to Toll Brothers. A separate Development Agreement will be processed with the planning entitlements that Toll Brothers brings forwards for consideration through a separate public hearing process. The Development Agreement for Toll Brothers also anticipates:

- The creation of a Community Facilities District ("CFD") for the 18.75 acres. The developer projects that the CFD may generate \$204,600+ to the City in year 1. The benefit of a CFD is that it will run in perpetuity and may pay for on-going public service costs such as streets, water, sewage, drainage, electricity, parks, and public safety to newly developing areas. CFD's may also pay for infrastructure, but that is not in this plan.

FINANCIAL IMPACT:

Approval of this amendment will result in the City forgoing the facilities fee for the remaining timeshare units and accept the creation of a CFD for services; and one-time in-lieu fee of \$1,600,000 to the General Fund.

ATTACHMENTS:

1. DRAFT Second Amendment to Development Agreement 98-1