



STAFF REPORT

7/8/2025

AGENDA ITEM

**TO: HONORABLE MAYOR
AND MEMBERS OF THE CITY COUNCIL**

**FROM: CARLO TOMAINO
CITY MANAGER**

**BY: ALFA LOPEZ
ASSISTANT TO THE CITY MANAGER/
ECONOMIC DEVELOPMENT MANAGER**

SUBJECT: EXCLUSIVE NEGOTIATION AGREEMENT WITH RED MOUNTAIN GROUP

Summary:

Red Mountain Group, based in Santa Ana, California, is a private real estate investment, development, and redevelopment firm with a national portfolio of over 5 million square feet. The developer specializes in revitalizing underutilized commercial and retail properties and has a strong track record of working with cities to support long-term economic development and commercial corridor reinvestment. The developer proposed two concepts to redevelop properties on Cherry Street. Staff collaborated with Red Mountain Group to prepare the proposed Exclusive Negotiation Agreement (ENA) which outlines the terms, conditions, and project milestones for the exclusive negotiation period. The ENA sets a defined timeframe for Red Mountain Group to complete specific performance tasks, such as due diligence and preliminary design efforts. If these requirements are met, the City and Red Mountain Group would then negotiate a Disposition and Development Agreement. Staff recommends the City Council approve the proposed ENA, substantially in the form presented, to initiate negotiations with Red Mountain Group for the potential development of the Cherry Property sites.

Strategic Plan Goal(s):

- Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.
- Goal No. 3 Economic Development: Improve the local economy, support local businesses, and create a vibrant downtown core.
- Goal No. 4 Infrastructure: Maintain and Improve the City's physical infrastructure, waste system, and recreational spaces.

Recommendation:

Staff recommends the City Council approve the Exclusive Negotiation Agreement (ENA) between the City of Signal Hill and Red Mountain Group substantially in the form presented for the development of the Cherry Site, located on Cherry Avenue between Willow Street and 27th Street, comprised of multiple parcels, totaling approximately 1.98 acres, and authorize the City Manager to execute the ENA.

Fiscal Impact:

There is no fiscal impact associated with the recommended action. The intended property developer, Red Mountain Group, funds all costs associated with work during the proposed exclusive negotiation period.

Background:

The Signal Hill Redevelopment Agency acquired various properties between 2010 and 2011. The State of California dissolved all redevelopment agencies with the passage of ABX1 26 and ABX1 27. As part of the dissolution process, the City of Signal Hill became the Successor Agency for these properties. In 2012, AB 1484 established new procedures for the disposition and transfer of former redevelopment properties, including the requirement for a Long-Range Property Management Plan (LRPMP) to be approved by the Successor Agency, the local Oversight Board, and the California Department of Finance (DOF). On February 20, 2015, the DOF approved the LRPMP which included the transfer of the Cherry properties by the Agency to the City for future development purposes.

The Cherry Site is properties located on Cherry Avenue between Willow Street and 27th Street and is comprised of multiple parcels. In total, the Cherry Site consists of approximately 1.98 acres and is more specifically described in the attached exhibit (Attachment A). The Cherry Site has historically supported a wide range of uses, including various automobile-related uses, including service and repair facilities, metal fabrication, automobile manufacturing, and dealership operations. The site has also been used for surface parking and commercial purposes, including office, restaurant, retail, and storage uses, such as the former Giant Grinder Deli. Due to its past use for oil operations, the Cherry Site has a total of six wells, five wells classified as plugged, and one well classified as idle.

Analysis:

Red Mountain Group, based in Santa Ana, California, is a private real estate investment, development, and redevelopment firm with a national portfolio of over 5 million square feet. The company specializes in revitalizing underutilized commercial and retail properties and has a strong track record of working with cities to support long-term economic development and commercial corridor reinvestment. Red Mountain Group has shared preliminary ideas and potential conceptual plans for the Cherry Site, with the first proposed concept featuring a high-end specialty convenience market as a potential anchor tenant paired with an electric vehicle charging station. The second option proposed by the developer envisions a 10,000-square-foot mixed-use building that would accommodate a variety of retail pads, eateries, and neighborhood-serving businesses. Both concepts would create a walkable commercial center that brings diverse amenities to the community and supports small business opportunities.

While both concepts remain in an early exploration phase, these reflect a forward-thinking approach to activating the site with high-quality commercial uses. The proposed ENA would secure the Cherry Site for Red Mountain Group for 120 days, allowing the developer to conduct due diligence, evaluate environmental conditions, and critically assess market demand and engage potential tenants. The ENA outlines mutual performance requirements to ensure meaningful progress toward project entitlement and development. If approved, Red Mountain Group would proceed with detailed environmental assessments and a cost analysis related site remediation before advancing to the design and entitlement phase.

The City is not obligated to reimburse Red Mountain Group for costs incurred during the exclusive negotiation period, including expenses related to engineering, architecture, legal, financial, or planning consultants. Additionally, all costs associated with formal project submittals and the preparation of environmental documents under the California Environmental Quality Act (CEQA) would be the sole responsibility of Red Mountain Group. If the developer successfully completes the performance milestones outlined in the ENA, the City and Red Mountain Group would enter negotiations for a Disposition and Development Agreement (DDA). As with any complex development effort, the ENA allows flexibility to extend the negotiation period if unforeseen or exigent circumstances arise.

As part of the terms of the ENA, Red Mountain Group would provide the City with a detailed financial plan for the development of the property. For the City Council's information, staff is highlighting key clauses of the ENA. Staff has attached the ENA, as prepared by the City Attorney's Office, to this report (Attachment B).

- Deposit: A \$10,000 deposit to be utilized to defray third-party costs during the Negotiation Period; examples of reasonable costs include consultant and attorney fees.
- Developer Paid Costs: All fees or expenses of engineers, architects, financial consultants, legal planning or other consultants or contractors, retained by the Developer for any study, analysis, evaluation, report, schedule, estimate, environmental review, planning and/or design activities, drawings, specifications or other activity or matter relating to the property.
- Evidence of Financing: Within the time set forth in the schedule, Red Mountain Group shall provide the sources and uses of funds and financial pro-forma for the development.
- Due Diligence and Environmental Review: Red Mountain Group will begin performing due diligence, and any preliminary environmental review legally required under the California Environmental Quality Act. The developer is responsible for all costs related to the environmental process.
- Disposition and Development Agreement (DDA): City and Red Mountain Group shall negotiate the terms of an DDA or other form of agreement(s) for the development of the properties with a mixed-use development.

The effective date of the ENA marks the starting point for a clear timeline outlined in the proposed project schedule. The full scope of Red Mountain Group's responsibilities under the ENA are outlined

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within the Schedule of Performance (Exhibit B of the ENA).

Conclusion:

Revitalizing the Cherry Site would provide a significant benefit to the Cherry Avenue commercial corridor, transforming a collection of vacant and blighted parcels into a productive, revenue-generating destination. The proposed development has the potential to enhance neighborhood character, increase foot traffic, generate local tax revenue, and contribute to the City's broader economic development goals, offering a marked improvement over the site's current underutilized condition.

Reviewed for Fiscal Impact:

Siamlu Cox

Attachments:

- A. Exhibit A-Parcel Map
- B. Red Mountain Group Exclusive Negotiation Agreement