

LOCAL NEWS

West Covina pays out \$900,000 in settlement with developer over failed civic center project



Residents are upset over a proposed new four-story medical office building, where the current West Covina Library parking is, because it will require the removal of 114 mature trees, shrubs and other earthen berms on Friday, Nov. 11, 2011. (SGVN/Staff photo by Watchara Phomicinda/SVCity)

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WEST COVINA >> The city has agreed to settle with CGM Development for \$900,000 in an effort to stop further litigation related to a failed project at the civic center.

West Covina settled with CGM Development “to avoid costly litigation fees and potential exposure which would have been substantially more than the settlement” should the City (have) litigated the case and not had a favorable outcome,” according to a written response by City Manager Chris Chung.

The lawsuit stems from a 2011 attempt to sell a portion of the city’s civic center for \$700,000 to CGM Development for the development of a \$13 million medical building. Councilman Fred Sykes and former councilwoman Shelley Sanderson originally voted against the civic center project, but Sykes and his colleagues agreed to settle the matter in a closed session meeting Nov. 5. The agreement was obtained in a public record’s request as the terms could not be disclosed as part of the settlement.

“Our thinking was simply, again, to stop the constant flow of funds for legal costs,” Sykes said. “We thought it would be, in the long run, less costly to solve the matter than to perhaps risk going to court.”

Carolyn Arndt, who helped lead the West Covina Improvement Association’s efforts, said she believes the settlement happened to keep those involved from having to give depositions.

“In the lawsuit, her attorney wanted to know who promised what and who could not fulfill that promise,” she said. “By paying it off, with taxpayer money, they got out of it.”

The project drew a lawsuit from the West Covina Improvement Association, a group of citizens who legally opposed and successfully blocked the sale. After the association took the city to court over the property, CGM alleges the city reassured the company that it “had sufficiently and adequately performed all acts necessary to ensure the sale of the Property.” A judge ruled otherwise in November 2012, stating that officials neglected to follow the proper environmental laws.

CGM then filed its own lawsuit against West Covina in August, seeking damages for the money it spent on the project. The company claimed it performed feasibility studies, procured financing, generated design and construction plans and entered into contracts regarding the property before the court made its determination.

The company states in its claim that the city failed to disclose that it did not properly follow California's Surplus Land Act, Planning and Zoning Law and the Environmental Quality Act. The claim states the city also failed to properly disclose the legal actions that ultimately killed the project and that the successful litigation would make it impossible for the city to uphold its part of the agreement, according to a letter from CGM Development's attorney Jerry Dagrella.

The settlement agreement requires the city to cough up the \$900,000 as well as pay the attorneys' fees rewarded in the association's lawsuit. CGM dismissed its claim against the city at the end of November following the approval of the settlement by the city's outgoing council. Both parties will pay their own legal fees related to the dismissed lawsuit.

In August, the council approved an ordinance requiring a public vote to be able to sell property near City Hall.