CITY OF CLEARLAKE

City Council/Successor Agency

STAFF REPORT

SUBJECT:	Discussion and Consideration of Approval of Purchase and Sale Agreement for the Former "Austin Resort" Property, Located at 14061 & 14071 Lakeshore Drive, Clearlake	**MEETING DATE:** September 3, 2026
SUBMITTED BY:	Alan D. Flora, City Manager	
PURPOSE OF REPORT:	☐ Information only ☒ Discussion ☒ Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to approve a Purchase and Sale Agreement (PSA) to sell two parcels of City/Successor Agency land to AJ Developers, LLC to construct a mixed-use waterfront resort development.

BACKGROUND/ DISCUSSION:

The former Austin Resort, located on two lakefront parcels along Lakeshore Drive, is central to Clearlake's history. In the early 1920's Charles Austin assembled approximately 330 acres along Clear Lake. He subdivided portions of the property into six tracts and marketed lots to the public. The development included a lakefront beach, boat harbor, and an athletic field as amenities to encourage sale of lots for private home development. The beach remains (Austin Beach) and the athletics fields are what is now Austin Park.

Austin Resort (or its original name, Austin's Point) was developed as a tourist focused development that encouraged visitors to consider private property purchases in the area and use of the public facilities. The resort property sustained various owners over the years from its opening in 1927 to its heyday from 1938 to 1954. During the 1940's and 1950's the resort sported a café and store, a dance hall, a boat and bathing suit concession, tent and trailer camp sites, rental cabins, a bathhouse, and boat docks and piers. Over the years the property fell into disarray and was abandoned by 1980. The former Clearlake Redevelopment Agency acquired the site in 1997. The last building was demolished by the City in 2016.

The two parcels, one owned directly by the City and the other by the Successor Agency to the Redevelopment Agency, were part of repeated resort redevelopment concepts in the 2000's, but none of the proposals stuck. In 2020, the City began negotiating with an interested developer, but the COVID pandemic shifted their interest and the deal wasn't finalized.

Over the past year the City has been working with AJ Developers regarding the proposed project and would like to complete the sale and proceed with entitlements. The overall project would be a mixed-use waterfront resort development that includes, an approximately 110-room hotel, four restaurants, retail stores, a marina, as well as recreational elements such as splash pad and amphitheater. The proposed plan also includes the City and AJ completing a lease or license agreement for a portion of the Austin Beach property in order to utilize that space for additional amenities. While AJ initially proposed the purchase of this property as well, limitations on the use of this property exist from the initial subdivision by Charles Austin and case law from previous litigation, which require the City to maintain public access to the beach. This arrangement provides long term public access, limited development on the property that benefits the project and overall community, and a cohesive project along Lakeshore Drive.

Sale of these properties requires a significant workload and clearing various procedural steps. The parcel owned by the Successor Agency to the Clearlake Redevelopment Agency required Successor Agency Oversight Board approval. This was completed in June 8, 2020. Further, state law requires sale of public property is subject to the Surplus Lands Act. Among other things, this requires public agencies to offer public property to affordable housing developers. Completion of the required process is culminated with a Compliance Letter from California Housing and Community Development (HCD). That letter was received on July 2, 2026. State law does require that a deed restriction be recorded on the property that requires if more than 10 residential units are constructed on the property, at least 15% of those units shall be affordable. This restriction lasts for up to 55 years, however since no residential uses are proposed, it does not impact the project.

Key PSA Terms - The PSA is structured similar to the agreement completed by the City for the sale of property for a hotel development at the former Pearce Field.

The proposed purchase price is $750,000, with a $25,000 deposit. The City has agreed to finance the remaining sale price with three payments of $241,666.67. All three of these payments can be forgiven if the developer meets certain timelines. Payment #1 is forgiven if entitlements are received within one year. Payment #2 is forgiven if construction starts within 18 months. Payment #3 is forgiven if the certificate of occupancy for the hotel is received within 36 months. The City will provide extensions or forgiveness for delays caused by the City or other impacts outside the developer's responsibility.

The City retains the right to re-purchase the property for an amount equal to the payments made to the City, if the developer fails to meet the terms of the agreement, including a pause in construction for over 180 days. This type of arrangement provides flexibility for all parties and incentivizes the developer to complete the project quickly, resulting in on-going revenue to the City.

While the City has already provided review of various sets of draft development plans, the developer is prepared to immediately submit official application for permits and environmental review, upon approval of a PSA. The City and AJ will also begin negotiation of a lease/license agreement related to use of the Beach property.

OPTIONS:

1. Approve the Purchase and Sale Agreement and Authorize the City Manager/Executive Director to Execute all Necessary Documents.
2. Direction to Staff.

FISCAL IMPACT:

☐ None ☒ $25,000 to $750,000 Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☒ No If yes, amount of appropriation increase: $

Affected fund(s): ☒ General Fund ☐ Measure P Fund ☐ Measure V Fund ☐ Other:

Comments**:** The sale will generate a minimum of $25,000 in revenue to the City and a maximum of $750,000 depending on developer performance. Proceeds from the sale of Successor Agency parcel will be distributed to taxing agencies, including the City. The build out of the project will result in significant on-going revenue from sales tax, property tax, and hotel tax.

STRATEGIC PLAN IMPACT:

☒ Goal #1: Economic Development

☒ Goal #2: Public Facilities and Infrastructure

☒ Goal #3: Celebrate Clearlake

☒ Goal #4: Clean

☒ Goal #5: Fiscal Sustainability

☒ Goal #6: Safe

SUGGESTED MOTIONS:

"I move to approve the Purchase and Sale Agreement between the City of Clearlake/Successor Agency to the Clearlake Redevelopment Agency and AJ Developers and Authorize the City Manager/Executive Director to Execute all Necessary Documents."

☒ **Attachments:**

1. Draft Purchase and Sale Agreement
2. Exhibit Map