

City of South Gate Faces \$60 Million Payment Obligation

Developer South Gate Gateway filed a lawsuit on February 2, 2011, against the City of South Gate and the City's Community Development Commission for breach of contract and damages in excess of \$10 million. The lawsuit states that the City could be responsible to reimburse South Gate Gateway for more than \$60 million in development costs.

February 10, 2011 (FPRC) -- SANTA ANA, CALIF. - South Gate Gateway announced today that it filed a lawsuit on February 2, 2011, against the City of South Gate and the City's Community Development Commission for breach of contract and damages in excess of \$10 million.

According to Susan Rounds, the developer's spokesperson, "South Gate Gateway's lawsuit is based on the City's breach of an Option Agreement under which the City had agreed to re-purchase certain property owned by South Gate Gateway."

As outlined in the developer's lawsuit, South Gate Gateway purchased approximately 28.6 acres of land from the City in 2006, located at the northwest corner of Atlantic Avenue and Firestone Boulevard. South Gate Gateway intended to construct a 525,000-square-foot Class A retail and entertainment center, which would transform the City of South Gate and bring millions of dollars of sales tax revenue to the City, Rounds noted.

As part of the purchase transaction, South Gate Gateway paid the City an additional \$4 million to require the City to repurchase the property, if South Gate Gateway did not receive all necessary entitlements and permits from the City to develop the project prior to April 2009.

After spending thousands of man hours and tens of millions of dollars, said Rounds, South Gate Gateway did not receive all of the required entitlements and permits prior to this date and exercised its right to require the City to repurchase the property.

The lawsuit further provides that even though South Gate Gateway notified the City of its re-purchase obligation, the City refused to perform as required and repurchase the property. The lawsuit also provides that as a result of this non-performance, South Gate Gateway's lender foreclosed on the property causing substantial economic damage to South Gate Gateway and that the City could be responsible to reimburse South Gate Gateway for more than \$60 million in development costs.

Contact Information

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Keywords

[South Gate City](#)

[Retail shopping center
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