



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of July 28, 2026

TO: Mayor and Members of the City Council

VIA: Patrick Tang, Interim City Manager

SUBMITTED BY: Tim Rood, Community Development Director

SUBJECT: Adopt a Resolution approving an Assignment and Assumption Agreement by and between Hercules Block Q&R Development Partners LP and IEC RT VI Holdings, LLC to facilitate the sale of The Dylan

RECOMMENDED ACTION:

Staff recommends that the City Council adopt a resolution authorizing the Interim City Manager to execute a Consent and Agreement to an Assignment and Assumption Agreement of Land Use Agreements and Project Approvals by and between Hercules Block Q&R Development Partners LP, a Delaware limited partnership ("Seller") and IEC RT VI Holdings, LLC, a Delaware limited liability company ("Purchaser") (Attachments 2 and 3) to consent to the sale of The Dylan apartment building as required by the Bayfront Implementing Development Agreement.

BACKGROUND:

The apartment building at 2200 John Muir Parkway, now known as The Dylan, formerly The Grand, was completed by Ledcor in 2021 as part of the Bayfront development. The building includes 232 units, of which 15 are deed-restricted affordable units, along with 311 parking spaces and common amenities that include a gym, lounge and meeting room. The property is bound by the Bayfront Implementing Development Agreement, Parking Operations Agreement, and Affordable Housing Covenant, which are the agreements proposed to be assigned to the Purchaser.

ANALYSIS:

On June 24, 2026, Ledcor notified staff of the potential sale of The Dylan to [Interstate Equities Corporation](#), or IEC. Established in 1981, IEC is a real estate investment company specializing in multifamily properties in the Bay Area, Los Angeles, San Diego and Seattle areas. They report that they manage their properties via an in-house management company, with over 5,000 units in their current portfolio.

On June 25, staff participated in a conference call with the seller and purchaser at the seller's request to review and clarify the City's role in consenting to the sale. The City's role includes providing an estoppel certificate, which is the City's statement confirming that the development agreement and other applicable agreements are in good standing and that the City is not aware of any defaults. It provides assurance to buyers and lenders that the City will not later contradict these stated conditions, helping facilitate a smooth transfer of the agreement.

The City Council's written consent to the assignment of the IDA is required, which consent shall not be unreasonably withheld. The IDA provides in Section 10, Transfer and Assignments, that the "Owner and its successors and assigns shall have the right to sell, assign or transfer the Agreement with respect to all or a portion of the Project Site, and all or a portion of its rights, duties and obligations hereunder, to any Transferee; provided, however, that no assignment of Owner's rights, interests and obligations under this Agreement shall occur without approval by the City, which approval shall not be withheld, conditioned, delayed, or denied in a commercially unreasonable manner." Accordingly, staff recommends approval of the Consent agreement.

FISCAL IMPACT:

There is no fiscal impact to this item.

ATTACHMENTS:

Attach 1 – Resolution

Attach 2 – Consent and Agreement to Assignment and Assumption Agreement

Attach 3 – Assignment and Assumption Agreement