



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

H-3

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

September 7, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Public Hearing to Consider a Disposition and Development Agreement With Olson 737 – Long Beach 2, LLC for the Sale of Property on the Southwest Corner of Broadway and The Promenade – Downtown Long Beach Redevelopment Project Area (District 2)

DISCUSSION

Background

As a result of a selection process for development of three Redevelopment Agency-owned sites on The Promenade, the Agency entered into negotiations with The Olson Company (Developer) in November 2001. Since their selection, staff and the Developer have worked to finalize plans, transaction terms and a Disposition and Development Agreement (DDA) for construction of a mixed-use project on Site No. 2 on The Promenade (Exhibit A – Site Map). The foregoing items were completed and a DDA was approved by the Redevelopment Agency Board on August 23, 2004.

Project Plans

The Developer proposes a mixed use project with 12,820 square feet of commercial/retail space, 97 residential units, and 302 parking spaces. The development is configured in two buildings ("North" and "South" Buildings). The North Building contains 8,200 square feet of commercial/retail space. The South Building contains 4,620 square feet of "shopkeeper" commercial space within seven units. The residential component includes a mix of townhomes (9), flats (61), shopkeeper units (10) and lofts (17), ranging in size from 832 square feet (3 units) to over 2,000 square feet (11 units). The project includes 62 public parking spaces in excess of Zoning Code requirements. These spaces are meant, in part, to replace the existing onsite public parking spaces. The Redevelopment Agency Board granted conditional Stage III design approval of the project on August 23, 2004.

Project Land Sale Price, Parking, Profit Participation and Public Art

Under the proposed DDA, the Agency will receive a land sale price of \$37.00 per square foot or a total of \$1,989,000. In lieu of a cash purchase price, the Developer will construct 62 public parking spaces in excess of Zoning Code requirements and convey an easement for the spaces to the Agency. The Agency may convey rights to the parking spaces to a third party to satisfy parking requirements for future downtown projects. In addition, the Agency's spaces (62) and the Developer's retail and residential guest stalls (38 and 24, respectively) will be available for public use under the Agency's Downtown Parking Validation Program.

Profit participation provisions have been included in the DDA. Under those provisions, the Agency would share in project profits on a 50/50 basis should the development outperform the financial pro forma from which the land sale price was determined. The Developer return allowed under the pro forma is 10 percent.

In addition, the Developer will pay a 1 percent art fee to be pooled with the other Promenade developer fees to fund a comprehensive, coordinated public art program for public areas on the Promenade.

Contingencies to Close of Escrow and Start of Construction

In order for the project to move forward through close of escrow and start of construction, the following major milestones remain to be completed:

- Planning Commission Approval Scheduled for Fall 2004
- Relocation of Bikestation Scheduled to be Completed by
Spring 2005
- Approval of Stage IV (Construction)
Plans and Project Financing Prior to Close of Escrow

Compliance with California Environmental Quality Act

The City's Environmental Planning Officer prepared an Initial Study of Environmental Impact and determined that a Negative Declaration of Environmental Impact was the appropriate environmental document for the project. The Agency approved the Negative Declaration for the project on July 26, 2004

Summary Report and City Council Approval

Section 33433 of the California Health and Safety Code requires preparation of a Summary Report describing:

- The estimated value of the interest to be conveyed determined at the highest and best use permitted under the Redevelopment Plan;
- The estimated value of the interest to be conveyed, determined at the use and with the conditions, covenants and development costs required by the Agreement;
- The purchase price;
- The cost of the DDA to the Agency;
- An explanation of why the sale of the property to the Developer will assist in the elimination of blight; and
- An explanation of why the sale of the property is consistent with the Agency's Five-Year Implementation Plan.

The Summary Report was prepared and made available to the public as required by Section 33433 and is attached as Exhibit B.

State law requires that the DDA be approved by the City Council by resolution after a public hearing since the Agency parcels were acquired with tax increment funds.

This item was reviewed by Assistant City Attorney Heather Mahood on August 31, 2004, and Budget Management Officer David Wodynski on August 30, 2004.

TIMING CONSIDERATIONS

It is requested that the City Council ratify the action of the Redevelopment Agency and approve the DDA on September 7, 2004, to allow the project to move forward as provided in the Schedule of Performance.

FISCAL IMPACT

In lieu of a cash purchase price of \$1,989,000 for the property, the Developer will construct 62 public parking spaces and provide significant public improvements to the Promenade. There is no fiscal impact to the Redevelopment Agency or the City.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

- 1) Receive supporting documentation into the record, conclude the Public Hearing, and approve the Disposition and Development Agreement;
- 2) Adopt the attached Resolution making certain findings with respect to the project; and
- 3) Approve and authorize the City Manager to execute the Disposition and Development Agreement and any additional agreements to implement the Disposition and Development Agreement.

Respectfully submitted,



MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT

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APPROVED:



GERALD R. MILLER
CITY MANAGER

Attachments: Exhibit A – Site Map
Exhibit B – Section 33433 Summary Report
City Council Resolution