



CITY OF LONG BEACH

H-1

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 3rd Floor Long Beach, CA 90802 Phone: 570.5237 Fax: 570.6215

August 10, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record, conclude the public hearing, and adopt the attached resolution making certain findings for an Owner Participation Agreement with Lester Box, Inc., for the development of 1463 Cota Avenue. (District 1)

DISCUSSION

The Long Beach Redevelopment Agency (Agency) has concluded the negotiation of an Owner Participation Agreement (Agreement) with the owners of Lester Box, Inc., (Developer), for the sale and development of Agency-owned property located at 1463 Cota Avenue (Site) (Exhibit A – Site Map). The Site is located in the West Long Beach Industrial Redevelopment Project Area (Westside).

Lester Box, Inc. has been in business at 1470 Seabright Avenue on the Westside since 1946. The company produces custom wooden boxes, crates, and pallets. They also provide commercial and export packing and crating services to many key industries, such as aerospace, defense, automotive, medical, petroleum, and telecommunications. Lester Box, Inc. is also a direct supplier to the United States government, particularly the military, for wooden products and crating services.

The company's continuous sales growth and increased demand for services, particularly from the military, have prompted the Developer to look for additional space in the immediate area. The neighboring Agency-owned property is an ideal acquisition for the company's needs. The Developer anticipates hiring an additional three to five employees upon expansion.

The Developer intends to remodel and re-roof the existing 800-square-foot building on the Site, and improve the remainder of the Site with concrete paving, install block walls with tube steel fencing and gates with a five-foot-deep landscaping planter along Cota Avenue (Exhibit B – Site Plan). No new structures are proposed for the Site.

The Agreement includes the following major provisions:

- Under the terms of the Agreement, the Developer will pay the Agency \$355,000, as compensation for the approximately 9,755-square-foot site.
- The Developer will utilize the Site in accordance with the West Long Beach Industrial Redevelopment Plan and all applicable City of Long Beach codes and regulations including providing appropriate landscaping and screening.
- An Agreement Containing Covenants will be recorded at closing. This document will prohibit certain uses, describe maintenance responsibilities, levels of maintenance, and require that any future improvements be subject to the Design Guidelines for the Project Area.
- The Developer agrees to close escrow within six months of the date of the Agreement and complete construction on the Site within 180 days.

At its meeting held on July 14, 2010, the Westside Project Area Committee made a recommendation to approve the Developer's conceptual site plan for the project. The Redevelopment Agency approved the Agreement at its meeting of July 19, 2010.

Since the Site was purchased by the Agency with tax increment monies, California law requires that this sale must also be approved by the City Council by resolution after a public hearing.

Pursuant to California Redevelopment Law, the Agency has made available for public inspection and reproduction a Summary Report (Exhibit C – Section 33433 Summary Report) that contains the following:

- 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 and with the conditions, covenants and development costs required by the agreement.
- The purchase price.
- The cost of the agreement to the Agency.
- The net cost/benefit to the Agency.
- An explanation of why the sale of the Site will assist in the elimination of blight.
- An explanation of why the sale of the Site is consistent with the Agency's AB 1290 Implementation Plan.

HONORABLE MAYOR AND CITY COUNCIL

August 10, 2010

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This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on July 20, 2010 and by Budget and Performance Management Bureau Manager David Wodynski on July 20, 2010.

TIMING CONSIDERATIONS

City Council action is requested on August 10, 2010, as the Agency and Developer wish to proceed with an escrow closing on or before October 31, 2010.

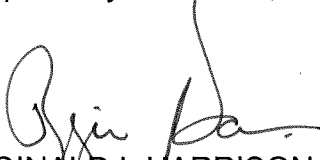
FISCAL IMPACT

The proceeds of \$355,000 from the proposed property sale will be deposited into the Redevelopment Fund (RD) in the Department of Development Services (DV). The Developer will pay the Agency with private funds. There will be no impact to the General Fund. The proposed expansion could generate between three to five jobs.

SUGGESTED ACTION:


Approve recommendation.

Respectfully submitted,



REGINALD I. HARRISON
INTERIM DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:



PATRICK H. WEST
CITY MANAGER

RH:AJB:SJ

Attachments: Exhibit A – Site Map
Exhibit B – Site Improvement Plan
Exhibit C - Section 33433 Summary Report
City Council Resolution

Exhibit A Site Map



1463 Cota Avenue



Exhibit C

**SUMMARY REPORT PURSUANT TO
SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON AN
OWNER PARTICIPATION AGREEMENT
BETWEEN THE
REDEVELOPMENT AGENCY OF THE
CITY OF LONG BEACH, CALIFORNIA
AND
LESTER BOX, INC.**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The report sets forth certain details of the proposed Owner Participation Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and Lester Box, Inc. (Owner). The purpose of the Agreement is to effectuate the Redevelopment Plan for the West Long Beach Industrial Redevelopment Project Area (Project Area).

The Agreement requires the Agency to convey to the Owner, a 9,755 square foot parcel located at 1463 Cota Avenue (Site). The Owner currently operates a business on a property adjacent to the Site. The Agreement requires the Owner to rehabilitate the existing commercial building, construct surface parking lot, a block wall with wrought iron fencing and screening, and add five feet of landscaping around the perimeter of the Site (Project).

The following Summary Report is based upon information contained within the Agreement, and is organized into the following seven sections:

- I. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Owner and the Agency by the Agreement.
- II. **Cost of the Agreement to the Agency:** This section details the total cost to the Agency associated with implementing the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Site's existing zoning and the requirements imposed by the Redevelopment Plan for the Project Area (Redevelopment Plan).

- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Agreement.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the Agency, and explains any difference between the compensation to be received and the established value of the Site.
- VI. **Blight Elimination:** This section describes the existing blighting conditions on the Site, and explains how the Agreement will assist in alleviating the blighting influence.
- VII. **Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the Agency's adopted AB1290 Implementation Plan.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

A. Project Description

The scope of development required by the Agreement includes the rehabilitation of a commercial building. The Project includes the installation of a block wall, wrought iron fencing, parking for customers and employees, and landscaping on the Site.

B. Owner Responsibilities

The Agreement requires the Owner to accept the following responsibilities:

- 1. Prior to the Agreement's execution, the Owner must provide a \$10,000 refundable Performance Deposit to the Agency.
- 2. The Owner must pay the Agency \$355,000 to purchase the Site (Purchase Price).
- 3. The Owner must accept the Site in an "as is with all faults" condition. The Agency will make no representations or warranties of any kind regarding the property's condition.
- 4. Prior to conveyance of the Site, the following must be completed:
 - a. The Owner must approve the Site's environmental, geological and soils condition.

- b. The Owner must approve the City's General Plan and zoning as it pertains to the Site.
 - c. The Owner must submit the following to the Agency's Executive Director:
 - i. Evidence of financing;
 - ii. Final Construction Drawings;
 - iii. The Project's construction budget; and
 - iv. Proof of insurance.
 - d. The Owner must have obtained a grading or building permit for the Project.
5. The Owner must complete the activities required by the Agreement in accordance with the Scope of Development and Schedule of Performance attachments to the Agreement.
 6. The Owner shall make a good faith effort to use the Pacific Gateway Workforce Investment Network services in their hiring programs.
 7. The Owner, and any contractors and subcontractors engaged to construct the Project, must comply with any applicable prevailing wage requirements.
 8. The Owner shall comply with the "Percent for Public Art Guidelines" established by the Agency.
 9. The Owner must bear 100% of the costs associated with developing the Project.
 10. With regard to ad valorem taxes assessed to the Project during the term beginning as of the close of escrow and ending on June 30, 2027:
 - a. The Owner must agree that the "Taxable Assessed Value" of the Project will be set at the greater of:
 - i. The assessed value as determined by the County Assessor, or
 - ii. The Purchase Price plus Project's improvement value (Stipulated Value).
 - b. The Owner agrees that it and any successor in interest to the Project will not to appeal or protest the Taxable Assessed Value of the Project to an amount lower than the Stipulated Value.
 - c. Upon ten business day's notice, the Owner must provide to the Agency property tax records for the last three years.

- d. For any delinquencies in property tax payments, the Owner shall pay to the Agency the deficiency plus interest at 9% per year compounded monthly.

C. Agency Responsibilities

The Agreement imposes the following responsibilities on the Agency:

- 1. The Agency must convey the Site to the Owner.
- 2. Prior to conveyance of the Site to the Owner, the following must be completed:
 - a. The Agency must pay any outstanding ad valorem taxes, possessory interest tax, and assessments applicable to the Site.
 - b. The Agency's Executive Director must approve the following Owner submissions:
 - i. The evidence of financing;
 - ii. Final Construction Drawings;
 - iii. Project construction budget; and
 - iv. Proof of insurance in accordance with the terms of the Agreement.

II. COST OF THE AGREEMENT TO THE AGENCY

A. Agency Costs

The Agency costs to implement the Agreement are estimated as follows:

	1463 Cota Avenue
Site Acquisition Cost	\$585,000
Landscaping & Maintenance	5,000
Environmental Report	3,000
Escrow & Title Fees	2,700
Legal/ Appraisal/ Consulting Fees	10,000
Estimated Staff Time & Overhead	5,000
Demolition	20,000
Tenant Relocation	50,500
Total Agency Cost	\$681,200

B. Agency Revenues

The Agency will receive the \$355,000 Purchase Price as compensation for the conveyance of the Site.

C. Net Agency Cost

The Agency costs are estimated at \$681,200 and the Agency revenues total \$355,000. The resulting net Agency cost totals \$326,200.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

Section 33433 requires the Agency to identify the value of the Site at the highest use allowed by the current zoning and by the Redevelopment Plan. The valuation must be based on the assumption that the Site is vacant and that near-term development is required; but the valuation does not take into consideration any extraordinary restrictions and/or benefits that will result from Agency actions.

On May 13, 2010, an appraisal (Appraisal) was prepared for the Site. The Appraisal established industrial development as the highest and best use of the property, and set the total land value at \$355,000 or \$36.39 per square foot of land area.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The Agreement does not impose any extraordinary restrictions on the Owner. As such, the fair reuse value is the same as the value of the Site at the highest use permitted by the current zoning and by the Redevelopment Plan. Thus, the fair reuse value is estimated at \$355,000.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement requires the Owner to purchase the Site for \$355,000. This purchase price is equal to the Site's fair market value at the highest use permitted by the current zoning and by the Redevelopment Plan, as well as the established fair reuse value. Therefore, it can be concluded that the Agency is receiving fair compensation for the interests being conveyed.

VI. BLIGHT ELIMINATION

The Site is deemed to be blighted in its current state. The implementation of the Agreement will result in the development of a surface parking lot to allow for the expansion of the Owner's business that is located on the adjacent property. The proposed development of the Site will

eliminate the blighting conditions. Thus, the implementation of the Agreement fulfills the blight elimination requirement imposed by Section 33433.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The Agreement will assist the Agency in meeting the objectives and goals of its Implementation Plan in the following manner:

1. The development of the Site will serve to revitalize industrial uses, thereby allowing for the retention of existing uses in the Project Area.
2. The Agreement provides for the Site to be assembled with privately-owned land for industrial use. This is consistent with the Business and Land Development Program of the Implementation Plan.
3. The Project will generate new private investment, and will potentially increase land values in the Project Area.

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING THE PROPOSED OWNER PARTICIPATION AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA, AND LESTER BOX, INC.; FINDING THAT THE CONSIDERATION FOR THE SALE OF CERTAIN REAL PROPERTY IN THE WEST LONG BEACH INDUSTRIAL REDEVELOPMENT PROJECT AREA IS NOT LESS THAN FAIR MARKET VALUE IN ACCORDANCE WITH COVENANTS AND CONDITIONS GOVERNING SUCH SALE; AND APPROVING THE SALE OF THE PROPERTY AND THE OWNER PARTICIPATION AGREEMENT

WHEREAS, the Redevelopment Agency of the City of Long Beach, California (the "Agency"), is engaged in activities necessary to execute and implement the Redevelopment Plan for the West Long Beach Industrial Redevelopment Project Area (the "Project"); and

WHEREAS, in order to implement the Redevelopment Plan, the Agency proposes to sell certain real property (the "Property") in the Project pursuant to the terms and provisions of the Owner Participation Agreement and which Property is described in Exhibit "A" which is attached and incorporated by reference; and

WHEREAS, Lester Box, Inc. (the "Developer") has submitted to the Agency a written offer in the form of an Owner Participation Agreement to purchase the Property for not less than fair market value for uses in accordance with the Redevelopment Plan and the covenants and conditions of the Owner Participation Agreement; and

1 WHEREAS, the proposed Owner Participation Agreement contains all the
2 provisions, terms and conditions and obligations required by Federal, State and local law;
3 and

4 WHEREAS, Developer possesses the qualifications and financial resources
5 necessary to acquire and insure development of the Property in accordance with the
6 purposes and objectives of the Redevelopment Plan; and

7 WHEREAS, the Agency has prepared a summary setting forth the cost of
8 the Owner Participation Agreement to the Agency, the estimated value of the interest to
9 be conveyed, determined at the highest uses permitted under the Redevelopment Plan
10 and the purchase price and has made the summary available for public inspection in
11 accordance with the California Redevelopment Law; and

12 WHEREAS, the Agency has determined that the development of the
13 Property is categorically exempt under the California Environmental Quality Act; and

14 WHEREAS, pursuant to the provisions of the California Community
15 Redevelopment Law, the City Council of the City of Long Beach held a public hearing on
16 the proposed sale of the Property and the proposed Owner Participation Agreement after
17 publication of notice as required by law; and

18 WHEREAS, the City Council has duly considered all terms and conditions
19 of the proposed sale and believes that the redevelopment of the Property pursuant to the
20 proposed Owner Participation Agreement is in the best interests of the City and the
21 health, safety, morals and welfare of its residents and in accord with the public purposes
22 and provisions of applicable Federal, State and local law;

23 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
24 follows:

25 Section 1. The City Council finds and determines that the consideration
26 for sale of the Property pursuant to the Owner Participation Agreement is not less than
27 fair market value in accordance with covenants and conditions governing the sale, and
28 the Council further finds and determines that the consideration for the sale of the

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1 Property, determined at the highest and best use under the Redevelopment Plan, is
2 necessary to effectuate the purposes of the Redevelopment Plan for the Project.

3 Section 2. The sale of the Property by the Agency to Developer and the
4 Owner Participation Agreement which establish the terms and conditions for the sale and
5 development of the Property are approved.

6 Section 3. The sale and development of the Property shall eliminate
7 blight within the Project Area and is consistent with the implementation plan for the
8 Project adopted pursuant to Health and Safety Code Section 33490.

9 Section 4. This resolution shall take effect immediately upon its adoption
10 by the City Council, and the City Clerk shall certify to the vote adopting this resolution.

11 I hereby certify that the foregoing resolution was adopted by the City
12 Council of the City of Long Beach at its meeting of _____, 2010 by the
13 following vote:

14
15 Ayes: Councilmembers: _____

16 _____

17 _____

18 _____

19 Noes: Councilmembers: _____

20 _____

21 Absent: Councilmembers: _____

22 _____

23 _____

24 _____

25 _____

City Clerk

26 _____

27 _____

28 _____

**Exhibit A
Site Map**



1463 Cota Avenue

