



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

H-1

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

July 11, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Recommendation to receive supporting documentation into the record, conduct and conclude the hearing; adopt the resolution making certain findings and approving and authorizing the Executive Director of the Redevelopment Agency to execute a Disposition and Development Agreement with Lyon Promenade, LLC.; and adopt a resolution making certain findings regarding the construction of certain public improvements with Downtown Long Beach Redevelopment Project Area Funds. (Downtown – District 2)

DISCUSSION

Background

Since November of 2001, the Redevelopment Agency (Agency) has been negotiating with three developers for the redevelopment of portions of The Promenade between First Street and Third Street. Negotiations concluded with The Olson Company in September of 2004 for the development of Site 1 (Exhibit A – Map of Promenade Development Projects) and construction is now underway. An agreement was reached with Lennar on December 12, 2005 for Site 2, and construction is ready to commence. Negotiations are now complete with Lyon Realty Advisors for Site 3. This public hearing is to consider the sale of Site 3 to Lyon Promenade, LLC (Developer).

Terms and Conditions of the Sale

The terms and conditions of the sale and subsequent development are included in a Disposition and Development Agreement (DDA) between the Agency and the Developer. Under the terms of that DDA, the Developer has four months from the execution of the DDA to determine whether to proceed with the project. However, if the Developer elects to proceed with the project, construction must commence by January 1, 2007.

The purchase price for the land is \$2,912,200 for the 28,600 square-foot parcel at the southeast corner of The Promenade and Third Street and for the 29,076-square-foot parcel on Long Beach Boulevard between Third Street and Broadway. Of this total, \$234,132 will be paid to the Redevelopment Agency by the developer and earmarked for public art in The Promenade.

The balance of this purchase price (\$2,678,068) will be paid with in-kind improvements to public facilities. The developer will issue a promissory note for this amount, which will be forgiven by the Redevelopment Agency once the developer-financed public improvements are complete. This includes the construction of 159 public parking spaces within the parking garage being built for the project on the Long Beach Boulevard parcel and improvements of both adjacent alleys, Maple Way and Waite Court. (When added to code-required public parking for the project's retail component, the parking garage will have a total of 238 public parking spaces.)

While the purchase price represents the appraised value for the property and the cost of the public improvements when they were determined in January 2005, both have increased in the intervening time. At the time of the appraisal, the price per parking space equaled \$16,843. Today the cost of an enclosed, mechanically-ventilated parking space in a controlled garage of odd shape would be between \$25,000 and \$30,000. Using the mid-point of \$27,500 results in an adjusted land price of \$4,606,632—\$234,132 for public art and \$4,372,500 applied to building the public improvements. This is a blended price of just over \$77.00 per square foot, which is reasonable given the constraints of these sites combined into one project.

Construction on the project must begin no later than January 1, 2007. The Developer, its contractors, and its subcontractors are required to provide to the greatest extent feasible, opportunities to the lower-income residents of the City for training and employment arising in connection with the development of the project. This will include partnering with the City's Workforce Development Bureau to identify opportunities for job training. Written reports are required to document compliance with this section of the DDA.

The Developer will also pay a performance deposit of \$25,000, and an Agreement Containing Covenants will be recorded at closing that will require ongoing property maintenance. This will include participation in an assessment district to provide funds annually for the on-going maintenance, repair, and replacement of improvements to The Promenade.

Project Plans

The Developer will construct 104 residential rental units. There will be 24 one-bedroom units ranging in size from 629 square feet to 723 square feet, 64 one-bedroom units with dens ranging in size from 863 square feet to 1,043 square feet, and 16 two-

bedroom units with dens each with 1,236 square feet. There will also be 13,461 square feet of first floor commercial space. The DDA contains a list of prohibited uses but in addition, the Agency has the right to approve the specific retail users of the space for the first five years of occupancy. The DDA also requires the Developer to disclose the location of the project within the City's Dining and Entertainment District.

The project must remain as a rental complex for ten years. However, the Developer is allowed to obtain all approvals necessary to convert the complex into a condominium development prior to that time and to sell one residential unit to ensure vested rights in a future conversion if desired.

The project has a total of 402 parking spaces, 238 of which will be available to the general public. This will replace the 91 public parking spaces currently located in this development area along with spaces removed by other residential construction along The Promenade. The parking garage will be constructed first and will then be used for parking by construction workers and for staging construction materials for the remainder of the development.

On September 26, 2005, the Developer received conditional Stage III Design Review approval from the Agency, and revisions were approved on May 22, 2006. The Planning Commission is scheduled to act on the project entitlements at its July 20, 2006, meeting.

Compliance with California Environmental Quality Act

The City's Environmental Planning Officer prepared an Initial Study of Environmental Impact and determined that a Mitigated Negative Declaration of Environmental Impact was the appropriate environmental document for the project. The Agency certified the Mitigated Negative Declaration for the project on July 11, 2005 (Exhibit B – Mitigated Negative Declaration).

Summary Report and City Council Approval

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, determined at the use 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; and
- An explanation of why the sale of the Site is consistent with the Agency's AB 1290 Implementation Plan.

Since the property was purchased by the Agency with tax increment monies, California Redevelopment Law requires that this sale also be approved by the City Council by resolution after a public hearing. This hearing is scheduled for July 11, 2006.

Findings of Public Benefit

California Redevelopment Law also provides that the Redevelopment Agency may, with the consent of the City Council, pay for public improvements that are publicly owned either within or outside of a Redevelopment Project Area, if the City Council determines all of the following:

- That the construction of such public improvements is of benefit to the Redevelopment Project Area or the immediate neighborhood in which the public improvement project is located;
- That no other reasonable means of financing the public improvements are available to the community; and
- That the payment of Redevelopment Agency funds for the construction of the public improvements will assist in the elimination of one or more blighting conditions within the Project Area.

Because a portion of the purchase price for the Site is credited against the construction of public improvements, the Agency is funding their construction so these findings must be made. These public improvements include construction of public parking, the improvement of public alleyways for pedestrian use, and enhancement of The Promenade pedestrian right-of-way.

These improvements will assist in the removal of blight by providing useable open space in Downtown's newly developing residential neighborhood, improving pedestrian flow through the Downtown, improving safety of the residents, and promoting business attraction along The Promenade and the nearby streets.

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A separate resolution is attached making certain findings regarding the construction of these public improvements with redevelopment funds in the Downtown Long Beach Redevelopment Project Area.

This letter was reviewed by Assistant City Attorney Michael Mais on June 30, 2006, and Budget Management Officer David Wodynski on June 28, 2006.

TIMING CONSIDERATIONS

Since the Developer is not required to make a firm commitment to the project until four months after execution of the DDA, it is imperative that approval by the City Council be considered as soon as feasible. The Redevelopment Agency approved execution of this DDA at its meeting on June 26, 2006.

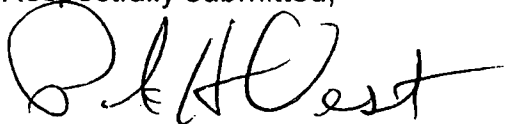
FISCAL IMPACT

Proceeds from the \$25,000 performance payment and the \$234,132 set-aside for public art from the developer will be deposited in the Redevelopment Fund (RD) and the Community Development Department (CD). There is no current estimate for the additional revenue to be generated through the 147 new public parking spaces gained through this project. There will be no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

GM:PHW:JVK



GERALD R. MILLER
CITY MANAGER

Attachments: Exhibit A – Map of Promenade Development Projects
Exhibit B – Mitigated Negative Declaration
Exhibit C – Section 33433 Summary Report
Resolutions