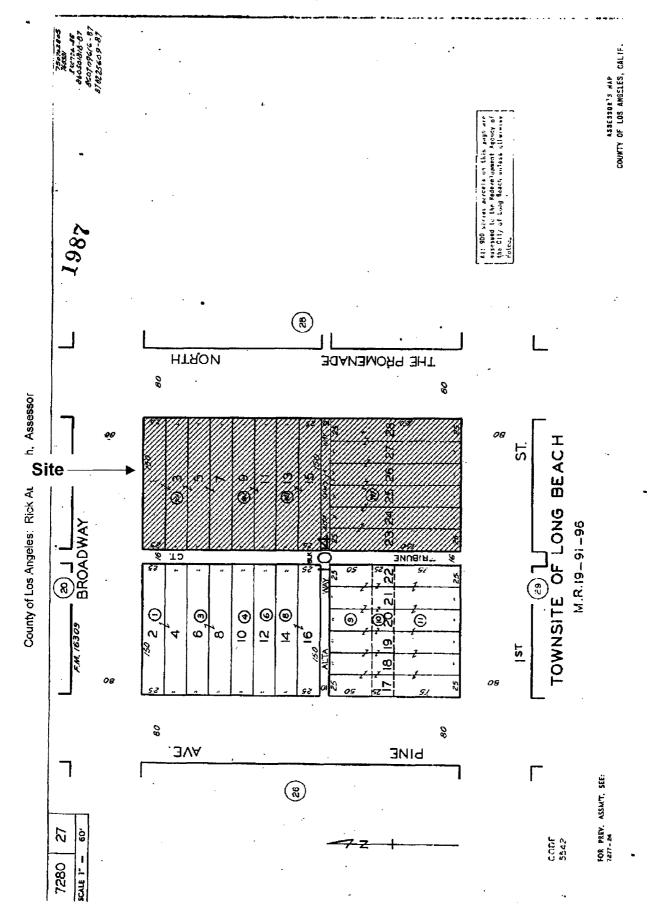
**Exhibit A** 



#### Exhibit B

### SUMMARY REPORT PURSUANT TO SECTION 33433 OF THE CALIFORNIA HEALTH AND SAFETY CODE ON A

## DISPOSITION AND AGREEMENT BY AND BETWEEN THE

## REDVELOPMENT AGENCY OF THE CITY OF LONG BEACH AND

**OLSON 737 - LONG BEACH 2, LLC** 

The following Summary Report has been prepared pursuant to Section 33433 of the California Health and Safety Code. The report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and Olson 737 - Long Beach 2, LLC (Developer). The managing member of the Developer is Olson Urban Housing, LLC. The purpose of the Agreement is to effectuate the Downtown Long Beach Redevelopment Plan (Redevelopment Plan) for the Downtown Long Beach Redevelopment Project Area (Project Area).

The Agreement requires the Agency to convey the subject site to the Developer for the subsequent development of the following (Project):

- 1. Ninety (90) condominium units;
- 2. Seven (7) live/work units, including ground floor commercial space;
- 3. 8,030 square feet of gross leaseable area (GLA) commercial space; and
- 4. 302 parking spaces.

The subject site area totals 1.24 acres, and is comprised of properties located at the southwest corner of West Broadway and The Promenade, which is currently owned by the Agency. The following parcels are collectively referred to as the "Site":

- 1. The parcel bound by The Promenade, West Broadway, Tribune Court, and First Street (Main Site);
- 2. An area underneath The Promenade adjacent to the Main Site (Subterranean Parcel):
- 3. Airspace parcels above The Promenade (Airspace Parcels); and
- 4. An easement encumbering a portion of The Promenade adjacent to the easterly boundary of the Main Site (Easement Parcel).

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

- Salient Points of the Agreement: This section summarizes the major responsibilities imposed on the Developer 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.
- 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 is as follows:

- 1. Residential Component:
  - a. Ninety-seven (97) residential units, which equates to a density of 78 units per acre with the following unit mix:
    - i. Nine (9) three-bedroom townhome units;

- ii. Seven (7) shopkeeper units, which include ground floor retail space;
- iii. Sixty-four (64) two-bedroom flat condominium units; and
- iv. Seventeen (17) loft units.
- b. A community room; and
- c. A fitness center.
- 2. Commercial Component: Includes approximately 8,030 square feet GLA of ground floor restaurant and retail space.
- 3. Parking Component:
  - a. The 302 space subterranean parking structure will be allocated as follows:
    - i. 178 residential spaces;
    - ii. 24 guests spaces;
    - iii. 38 commercial spaces; and
    - iv. 62 additional public parking spaces.
  - b. A total of 124 parking spaces (Public Parking Spaces) will be available to the public.<sup>1</sup>

The Agreement also defines the quality level and required scope for the off- and on-site improvements required to serve the Project. In addition, the Agreement imposes ongoing maintenance standards on the Developer and the subsequent owners of the residential units, parking garage and commercial space.

#### B. Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

- 1. Prior to the close of escrow on the Site, the Developer must complete the following activities:
  - a. Obtain land use approvals and entitlements, including a condominium tract map.

<sup>&</sup>lt;sup>1</sup> The Public Parking Spaces include the guest, commercial and additional public parking spaces.

- b. Receive City and Agency approval for the schematic drawings, design development drawings and construction drawings for the Project.
- c. Procure and maintain \$3 million in combined single limit general liability insurance; \$1 million in combined single limit comprehensive automobile liability insurance; and \$1 million in professional liability insurance.
- d. Submit evidence that sufficient equity capital and construction financing has been committed to fund 100% of the Project cost.
- e. Prepare the Declaration of Covenants and Conditions (CCR's) for the Project, and name the City and Agency as third party beneficiaries to the CCR's. These CCR's must impose the following basic requirements on the home owners:
  - The CCR's must impose ongoing maintenance requirements that meet the Agency's defined standards.
  - ii. The home owners cannot modify the CCR's without the City and Agency's approval. The Developer must complete the Project in accordance with the Schedule of Performance attachment to the Agreement.

#### 2. Land Purchase Payment:

- a. The Developer must acquire the Site from the Agency for a fixed payment of \$1.99 million, which equates to \$37 per square foot of land area. The land payment will be paid in the form of a note (Purchase Note) at the time of conveyance. The Purchase Note will be repaid once the Developer provides 62 public parking spaces to the Agency in the form of a parking easement (Parking Easement Agreement) and constructs the Promenade Improvements.<sup>2</sup>
- b. In addition, the Developer must make a participation payment to the Agency if the Project significantly out-performs current expectations. If cost savings and/or sales revenue increases are achieved by the Project, the Developer must make a participation payment to the Agency. The payment is equal to 50% of the net profit achieved above the threshold identified in the Agreement.
- 3. The Developer shall comply with the Percent for Public Art Guidelines established by the Agency.

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<sup>&</sup>lt;sup>2</sup> The Developer shall construct, at its cost, the Promenade Improvements on portions of the Promenade between West Broadway and 1<sup>st</sup> Street. These improvements are to be constructed in accordance with the Promenade Master Plan and Schematic Design Project Manual dated September 1998.

#### Covenants Affecting Real Property:

#### a. Ad Valorem Tax Assessment:

- The Developer must pay property taxes based on a minimum of the land value and cost of construction based on building permits.
- ii. This covenant will remain in effect until the expiration of the 2025/2026 fiscal year.

#### b. Payment of Participation Amount:

- The Developer must pay 50% of the Net Value of the Project in excess of the Total Project Costs 12 months after the issuance of the temporary certificate of occupancy (COO) for the residential component.
- A deed of trust securing the participation payment will encumber the entire Project, and will be partially reconveyed as the units are sold.
- iii. This covenant will remain in effect until the Developer's obligations have been satisfied.
- iv. The Net Value of the Project is defined as the sum of the residential sales revenues and the fair market value of the commercial component.
- v. The Total Project Costs include the sum of reasonable costs incurred by the Developer on or after October 1, 2001 in connection with the predevelopment, acquisition, leasing, development, construction and financing of the Project.<sup>3</sup>

#### c. Maintenance of Improvements:

- i. The Developer agrees to maintain the Project in accordance with the "Reasonable Standards" defined in the Agreement.
- ii. This covenant shall remain in effect until the termination of the Redevelopment Plan.

#### d. Tenant Approval:

i. The Executive Director has the right to approve or disapprove the proposed tenants for the ground floor commercial space.

<sup>&</sup>lt;sup>3</sup> The following limitations will be placed on the actual costs: the maximum interest rate will be the prime rate plus 2%; the contractor fees and general conditions are not to exceed 15% of the direct costs; the Developer fee is not to exceed 3% of the direct costs; and the Developer profit will be set at 10% of the gross residential revenues.

 This covenant will be in effect from the period commencing when the COO is issued for the commercial space until the fifth anniversary of the COO (Tenant Approval Period).

#### e. Shopkeeper space:

- The ground floor space of the shopkeeper units shall be solely used for commercial purposes and may not be used for any of the prohibited tenant uses set forth in the Agreement.
- ii. This covenant shall remain in effect for the life of the Project.

#### f. Common Trash Area:

- i. The commercial tenants of the buildings fronting Pine Avenue are allowed to use a portion of the trash area for maintaining and using a trash receptacle not larger than four feet by six feet each. The owner of the commercial space will be allowed to charge rent for the use of the trash area.
- ii. This covenant will remain in effect for the life of the Project.

#### 5. Parking Easement Agreement:

- a. The Parking Easement Agreement requires 62 parking spaces (Agency Parking Spaces) be reserved for the Agency's benefit and the benefit of the general public on a non-exclusive easement.
- b. The Developer must bear all costs incurred in connection with the operation, maintenance, repair or replacement of the Agency Parking Spaces, and will have the right to all income generated by the license of such spaces.
- c. The Developer covenants that 302 parking spaces will be maintained within the Project; 124 of such parking spaces will be available for use by the general public (Public Parking Spaces) in accordance with the Downtown Long Beach Parking Management Plan.
- d. Whether or not the Developer's tenants within the commercial space participate in the Downtown Pine Square Validation Program (Parking Validation Program), the Developer, or operator of the parking structure, must honor the parking validations provided pursuant to the Parking Validation Program for users of the Public Parking Spaces.
- e. The Developer must allow the Agency to use the Agency Parking Spaces to satisfy its obligations under the Theatre Space Offsite Parking Agreement (TSOPA).

- f. The Developer to allow the general public to use the Public Parking Spaces. The Parking Easements Agreement will terminate at such time as the Project is demolished.
- g. The code-required guest and commercial parking spaces are subject to the Downtown Long Beach Parking Management Plan.

#### 6. Employment and Wages:

- a. The Developer agrees that the Project will pay prevailing wages to all contractors and subcontractors. The Developer shall indemnify and hold the Agency and City harmless from and against any and all claims, demands, causes of action, obligations, damages, liabilities, costs and expenses that may be asserted against or incurred by the Agency or City with respect to or in any way arising from the Developer's compliance with or failure to comply with applicable laws regarding state and federal labor standards.
- b. To the greatest extent feasible, the Developer shall provide opportunities to the lower income residents of the City for training and employment arising in connection with the development of the Project. The Developer will also, in good faith and as practicable utilize and require its contractors and subcontractors to utilize the services of the City's Workforce Development Bureau (Bureau) in their hiring program.

#### C. Agency Responsibilities

The Agreement imposes the following responsibilities on the Agency:

- 1. The Agency must convey the Site to the Developer in the following condition:
  - a. The Site must be cleared of all existing buildings or structures:
  - b. All persons and businesses must be relocated from the Site in accordance with federal, state and local laws and regulations; and
  - c. The Site must be conveyed free and clear of tenancies and occupancies of any kind.
  - d. The Agreement provides for the Agency to convey the Site to the Developer in an "as is" condition.
- 2. The Executive Director has the right, for five years after COO, to approve or disapprove proposed tenants for the commercial component.

#### II. COST OF THE AGREEMENT TO THE AGENCY

The costs incurred by the Agency to implement the Agreement includes the acquisition costs at \$2.24 million, or \$41 per square foot of land area. The Agency costs are off-set by the following revenues:

	Nominal Dollars	Present Value ⁴
Land Sales Proceeds Property Tax Increment Revenue <sup>5</sup>	\$1,989,000 8,705,000	\$1,989,000 4,299,000
Total Agency Revenue	\$10,694,000	\$6,274,000

In nominal terms, the Agency revenues exceed the Agency costs by \$8.45 million. When the costs and revenues are considered in present value terms, the Agency revenues are \$4.03 million greater than the Agency costs. The Agency will also potentially receive participation payments from the Developer. The revenues that may ultimately be generated from these sources are too speculative to project at this time.

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

Section 33433 of the California Health and Safety Code requires the Agency to identify the value of the interests being conveyed at the highest use allowed by the Site's zoning and the requirements imposed 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 use, quality and/or income restrictions that will be imposed by the Agency.

Based on a appraisal conducted by R. P. Laurain & Associates, and dated February 16, 2004, the Site is located within the Downtown Planned Development District (PD-30), which permits various commercial and high-density residential uses. This appraisal concluded that market rate residential development represents the Site's highest and best use. Based on that conclusion, the Site's value is estimated at \$2.97 million, or approximately \$55 per square foot for the 1.24-acre Site.

<sup>&</sup>lt;sup>4</sup> Discount rate is set at 6%.

<sup>&</sup>lt;sup>5</sup> The Project Area was adopted in 1975 and is subject to statutorily mandated AB1290 pass-throughs. The Project Area will collect property tax increment through 2025.

#### IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. (KMA), the Agency's economic consultant, established the fair reuse value of the Site based on the requirements imposed by the Agreement. The KMA analysis concluded that the Project supports a fair reuse value of \$1.98 million.

# V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement allows the Developer to construct a high density residential development, which represents the highest and best use of the Site. However, the Agreement requires the Developer to construct ground floor commercial space and to pay prevailing wages to the contractors and subcontractors. The resulting loss in revenue reduces the value of the Site from \$2.97 million at the highest use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan, to the established fair reuse value of \$1.98 million.

The Agreement requires the Agency to convey the Site to the Developer for \$1.99 million, in the form of 62 public parking spaces and the Promenade Improvements, which is equal to the established fair reuse value. Thus, it can be concluded that the Agency is receiving fair consideration for the interests being conveyed to the Developer.

#### VI. BLIGHT ELIMINATION

The following identifies blighting conditions that are relevant to this Site:

- 1. Underutilized parcels; and
- 2. The relatively low affluence of the Project Area's residents limits the commercial viability of the Area.

The Project will develop on an underutilized parcel in downtown Long Beach. In addition, the Project will add 97 market rate residential units to downtown Long Beach's residential inventory. Thus, the Project fulfills the blight elimination requirement.

#### VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The Project conforms with several of the objectives defined in the Five-Year Implementation Plan adopted by the Agency in November 1999. The pertinent goals and objectives that are satisfied by the Project are:

- 1. Create a secure environment in the Project Area for residents, shoppers and workers and encourage pedestrian usage during daytime, evening and weekend hours.
- Promote development in the Project Area which provides economic benefits to the entire community, through the replanning, redesign and development of the portions of the Project Area which are vacant, improperly utilized or not being utilized to their highest and best use.
- 3. Expand and integrate the Project Area's housing supply through the support of private developments and the creation for a balanced housing supply available to individual families of diverse incomes.

The Project will fulfill these objectives by providing the Project Area with a market rate residential development and public parking.

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#### **RESOLUTION NO. C-**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING THE PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA, AND OLSON 737 - LONG BEACH 2; FINDING THAT THE CONSIDERATION FOR THE SALE OF CERTAIN REAL PROPERTY IN THE DOWNTOWN LONG BEACH REDEVELOPMENT PROJECT 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 DISPOSITION AND DEVELOPMENT 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 Downtown Long Beach Redevelopment Project (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 Disposition and Development Agreement and which Property is described in Exhibit "A" which is attached and incorporated by reference; and

WHEREAS, Olson 737 - Long Beach 2 (the "Developer"), has submitted to the Agency a written offer in the form of a Disposition and Development 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 Disposition and

Kobert E. Shannon City Attorney of Long Beach 333 West Ocean Boulevard Long Beach, California 90802-4664 Telephone (562) 570-2200 Development Agreement; and

WHEREAS, the proposed Disposition and Development Agreement contains all the provisions, terms and conditions and obligations required by Federal, State and local law; and

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

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

WHEREAS, the Agency has certified that Mitigated Negative Declaration No. 07-04 was prepared in conformity with the California Environmental Quality Act; and

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

WHEREAS, the City Council has duly considered all terms and conditions of the proposed sale and believes that the redevelopment of the Property pursuant to the proposed Disposition and Development Agreement is in the best interests of the City and the health, safety, morals and welfare of its residents and in accord with the public purposes and provisions of applicable Federal, State and local law.

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

Section 1. The City Council finds and determines that the consideration for sale of the Property pursuant to the Disposition and Development Agreement is not

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less than fair market value in accordance with covenants and conditions governing the sale, and the Council further finds and determines that the consideration for the sale of the Property, determined at the highest and best use under the Redevelopment Plan, is necessary to effectuate the purposes of the Redevelopment Plan for the Project.

Sec. 2. The sale of the Property by the Agency to Developer and the Disposition and Development Agreement which establish the terms and conditions for the sale and development of the Property are approved.

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

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

rtify that the foregoing	resolution was adopted by	/ the City
Council of the City of Long Beach at its meeting of		, 2004, by
Councilmembers:		
Councilmembers:		
Councilmembers:		
	City Clerk	
	ng Beach at its meetin  Councilmembers:  Councilmembers:	Councilmembers:  Councilmembers:

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8/3/04; rev. 8/12/04

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