



Legislation Text

File #: 17-0261, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for an Exclusive Negotiating Agreement with Urbana Development, LLC, for the proposed development of property owned by the City of Long Beach and the Long Beach Water Department, located at the Long Beach Airport adjacent to the Kilroy Airport Center. (District 5)

The City of Long Beach (City) owns approximately 5.10 acres of land (Parcel 7) and the Long Beach Water Department owns approximately 3.37 acres of land (Parcel 9) for a combined total of 8.47 acres (Subject Property), located at the Long Beach Airport westerly of the Kilroy Airport Center (Attachment). The Subject Property was previously leased to Kilroy Realty, L.P. (Kilroy), as part of the planned Phase IV development of the Kilroy Airport Center. Phase IV of the development did not occur and the lease was terminated by Kilroy in 2009. The Subject Property has remained undeveloped with the exception of a portion of Parcel 7 that is currently encumbered by a lease with Don Temple Storage, LLC, but may be terminated by City under certain conditions provided in the agreement.

Urbana Development, LLC (Developer), approached the City about developing the Subject Property with an office building for Epson America, Inc. (Epson). Epson is a technology company headquartered in Long Beach at the Kilroy Airport Center under a sublease. The sublease terminates in 2019 and has approximately 450 employees at the existing location. Epson recently released a request for proposals for the construction of a new building with the goal of providing a modern and creative office environment to enable them to attract and retain the most competitive workforce. Epson does not believe that these goals can be accomplished without a new building. Planned amenities at the new building include creative office space, open floor plans, balcony decks, a showroom, restaurant(s), and coffee shop(s). The new building would also allow Epson to further expand its existing workforce and accommodate up to 600 employees.

There are several agencies/developers who are competing to construct this project and it is a priority of the City to have Epson's headquarters remain in Long Beach. As such, the Developer has requested, and staff are recommending, an Exclusive Negotiating Agreement (ENA) to allow for each party to negotiate exclusively towards the terms of a ground lease for the proposed development of the Subject Property.

The proposed terms and conditions of the ENA are as follows:

- Developer: Urbana Development, LLC, a California limited liability company.

- Negotiating Period: Shall be for 120 days from the date of the full execution of the document. During this period, both parties shall work diligently to negotiate and prepare a ground lease for the development of the property. The Negotiation Period may be extended for up to two periods of 90 days each at the sole discretion of the City Manager.
- Deposit: Developer will be required to provide the City a Deposit in the amount of \$40,000 at the commencement of the Negotiation Period. The purpose of the Deposit is to cover expenses incurred by the City, including, but not limited to, consultants, attorneys, planners, engineers, appraisers, California Environmental Quality Act (CEQA) review, and other third-party services. Developer shall also be responsible for reimbursement to City of any additional costs for the above services that exceed the amount of the Deposit. If the ENA is terminated without the execution of a ground lease, any remaining amount of the Deposit shall be returned to the Developer.
- Due Diligence: At its sole cost, Developer shall be responsible for conducting any and all tests, studies and investigations of the property for the purpose of performing its Due Diligence.
- Project Deadlines: Developer shall: a) provide the City with a letter of intent signed by Epson within the first 30 days of the Negotiation Period; b) provide a preliminary concept for the City's approval within the first 60 days of the Negotiation Period; c) provide a detailed conceptual site plan within 30 days after the City's approval of the preliminary concept; and, d) execute a sublease with Epson conditioned upon the execution of a ground lease between City and Developer and have evidence of financing within the first 120 days of the Negotiation Period. The Project Deadlines may be extended at the sole discretion of the City Manager.

On March 6, 2017, the Board of Water Commissioners (Water Board) authorized the General Manager to execute the ENA and for the City to negotiate on behalf of the Long Beach Water Department for the combined development of Parcel 7 and Parcel 9. If the ENA results in an acceptable ground lease, it will be brought back to both the Water Board and City Council for further consideration and approval.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 22, 2017 and by Budget Analysis Officer Julissa José-Murray on March 24, 2017.

City Council action on this matter is requested on April 11, 2017, to allow for timely execution of the ENA.

There is no immediate fiscal impact or local job impact associated with this recommendation.

Approve recommendation.

JOHN KEISLER

DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

JESS L. ROMO, A.A.E.
DIRECTOR OF LONG BEACH AIRPORT

APPROVED:

PATRICK H. WEST
CITY MANAGER