

CITY OF LONG BEACH

H-1

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 4th Floor Long Beach, CA 90802 Phone: 570.5237 Fax: 570.6215

November 17, 2009

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 a Disposition and Development Agreement with Tierra Concepts, Inc., and the Long Beach Redevelopment Agency for development of residential property at 226 West 10th Street. (District 1)

DISCUSSION

The Long Beach Redevelopment Agency (Agency) staff has concluded the negotiation of a Disposition and Development Agreement (Agreement) with Tierra Concepts, Inc., (Developer) for the sale and development of Agency-owned property located at 226 West 10th Street (Property), Assessor Parcel Number 7272-012-900 (Exhibit A – Site Map). The site is located in the Central Long Beach Redevelopment Project Area (Project Area).

The Agency acquired a historic home originally located at 227 Daisy Avenue as part of land assemblage efforts for the West Gateway Project site. Pursuant to one of the goals of the Willmore District Implementation Plan, the Agency acquired a vacant replacement site in the Willmore City Historic District and relocated the historic structure to the new location. The Agreement proposes renovation and restoration of the interior and exterior of the Property in a historically appropriate manner. The renovations will be consistent with the architectural style of the existing contributing properties in the surrounding neighborhood.

The Agreement includes the following major provisions:

- Under the terms of the Agreement, the Developer will pay the Agency \$17.73 per square foot, or \$35,000, as compensation for the approximately 1,974-square-foot residential structure.
- The Developer has provided evidence of financing for the development of the Property. The Developer must secure a Certificate of Completion within 12 months of the date of the Agreement.

- An Agreement Containing Covenants will be recorded at closing. This document will prohibit certain uses, describe maintenance responsibilities and levels of rehabilitation and maintenance, and require that any future improvements be subject to the Design Guidelines for historic district and the Project Area.

The City of Long Beach's Environmental Planning Officer has determined that the project contemplated by the Agreement qualifies for a Categorical Exemption under the California Environmental Quality Act (Exhibit B – Categorical Exemption).

Since the property 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.

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on October 28, 2009 and by Budget and Performance Management Bureau Manager David Wodynski on October 29, 2009.

TIMING CONSIDERATIONS

City Council action is requested on November 17, 2009, as the Agency and Developer wish to proceed with an escrow closing on or before November 30, 2009.

FISCAL IMPACT

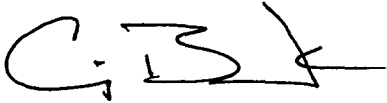
The proceeds of \$35,000 from the proposed sale will be deposited into the Redevelopment

Agency Fund (RD) in the Department of Development Services (DV). The Developer will purchase the property with private funds. There is no impact to the General Fund (GP).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,




**CRAIG BECK
DIRECTOR OF DEVELOPMENT SERVICES**

CB:AJB:TF:JMV

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

APPROVED:



**PATRICK H. WEST
CITY MANGER**



Exhibit A - 226 W. 10th Street



Disclaimer

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CITY OF LONG BEACH NOTICE OF EXEMPTION

DEPARTMENT OF DEVELOPMENT SERVICES
333 W. OCEAN BLVD., 5TH FLOOR, LONG BEACH, CA 90802
(562) 570-6194 FAX: (562) 570-6068
lbs.longbeach.gov

TO: Office of Planning & Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: Department of Development Services
333 W. Ocean Blvd, 5th Floor
Long Beach, CA 90802

L.A. County Clerk
Environmental Fillings
12400 E. Imperial Hwy. 2nd Floor, Room 2001
Norwalk, CA 90650

FILED

MAY 06 2009

DEAN C. LOGAN
REGISTRAR-RECORDER/COUNTY CLERK
[Signature]
L. ARTERBERRY DEPUTY

Categorical Exemption CE- 34-09

Project Location/Address: 226 W Tenth Street, Long Beach, CA 90802

Project/Activity Description: Reconstruction of a 1582 sq. ft. residential structure, Type I, Non-rated

Public Agency Approving Project: **City of Long Beach, Los Angeles County, California**

Applicant Name: Long Beach Redevelopment Agency

Mailing Address: 333 W Ocean Blvd., Long Beach, CA 90802

Phone Number: 562.570.6393

Applicant Signature: *[Signature]*

BELOW THIS LINE FOR STAFF USE ONLY

Application Number: _____ Planner's Initials: _____

Required Permits: _____

THE ABOVE PROJECT HAS BEEN FOUND TO BE EXEMPT FROM CEQA IN ACCORDANCE WITH STATE GUIDELINES SECTION 15331, Class 31, Historic Resource
Restoration/Rehabilitation

Statement of support for this finding: Rehabilitation of existing residential structure consistent with the Secretary of the Interior's Standards for Historic Properties and Buildings.

Contact Person: Craig Chaffant

Contact Phone: 562-570-6368

Signature: *[Signature]*

Date: 4/29/09

THIS NOTICE WAS POSTED
ON MAY 06 2009
UNTIL JUN 06 2009
REGISTRAR-RECORDER/COUNTY CLERK

09 0034174

**SUMMARY REPORT PURSUANT TO
SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN THE
REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH CALIFORNIA
AND
TIERRA CONCEPTS, 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 Disposition and Development Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach California (Agency) and Tierra Concepts, Inc. (Developer). The Agency relocated the single-family home located at 227 Daisy Avenue (Historic House) to 226 West Tenth Street (Receiver Site), and the Agreement requires the Developer to renovate the Historic House in accordance with a defined scope of development.

INTRODUCTION

As part of the property assemblage for the West Gateway revitalization, the Agency acquired several homes that were deemed to have historic merit. To preserve these homes, the Agency created an implementation plan to relocate the homes to properties located in the Drake Park / Willmore City Historic Landmark District.

The Agency acquired the Receiver Site in 2006, and relocated the Historic House in March 2007. The Agency plan requires the Historic House to be sold to persons that will agree to renovate the structure to a standard defined by the Agency. In June 2008, the Agency distributed a request for proposals (RFP) for four homes. The Developer was selected to purchase and restore the home on the 226 West Tenth Street Receiver Site (Project).

This 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 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 Central Long Beach Redevelopment Project Area (Project Area) Redevelopment Plan.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Project 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 Project.
- VI. **Blight Elimination:** This section describes the existing blighting conditions, 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 for the Project Area.

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. Developer Responsibilities

1. Prior to conveyance, the Developer must complete the following activities:
 - a. A \$5,000 Performance Deposit was provided at the commencement of the Agreement to Negotiate Exclusively (ANE) period. This deposit must remain in place until the property is conveyed to the Developer.
 - b. The Developer is required to prepare and submit site plans, elevations and related documents for the Project to the Cultural Heritage Commission prior to the commencing construction on the Project. A Certificate of Appropriateness (COA) was issued prior to the execution of the Agreement.
 - c. Evidence of financing must be provided for the Agency Executive Director's approval.
 - d. The Developer must obtain Building Permits from the City of Long Beach (City).

2. The Developer must accept the Receiver Site and the Historic House in an "as is" condition:
 - a. The Developer will have approved the environmental, geological and soils conditions of the Receiver Site prior to DDA execution.
 - b. The Agency has made no representations or warranties of any kind regarding the property's condition or the costs that will have to be incurred to complete the scope of development required by the Agreement.
3. The Developer is prohibited from selling, transferring or conveying any part of the Historic House or the Receiver Site until a Certificate of Completion is issued for the Project.
4. The Developer must obtain all permits required by any government agency with jurisdiction over the Project.
5. The Developer must obtain the following insurance coverages:
 - a. Commercial general liability insurance equal to \$1 million per occurrence and \$2 million in aggregate;
 - b. Professional liability insurance with \$1 million coverage per claim covering each entity that provides professional services related to the Project;
 - c. All risk property insurance, earthquake insurance and flood insurance to cover the full replacement value of the Project; and
 - d. Workers compensation insurance as required by the State Labor Code with a minimum limit of \$1 million per accident.
6. The Developer will act as an owner builder. In that capacity, the Developer must rehabilitate and restore the Historic House to preserve the historical character of the home:
 - a. The house must be maintained as a single-family home.
 - b. The renovation work must comply with the requirements imposed in the Scope of Development attachment to the Agreement. Notably, the Developer must complete the following renovation elements:
 - i. Construct code compliant replacement mechanical and electrical systems.
 - ii. Connect interior utilities to the existing exterior hook ups.

- iii. Repair or replace front porch and rear landing structures, including decking, columns, ceilings and balustrades.
 - iv. Repair or replace roof elements.
 - v. Repair or replace wall siding surfaces.
 - vi. Construct a Code compliant two-car garage consistent with the character of the Historic House.
- c. The Developer must fund 100% of the renovation costs that are not specifically assigned to the Agency in the Agreement.
 - d. The renovation improvements must be completed within one-year following the Receiver Site's conveyance to the Developer. This deadline can be extended for up to 180 days at the Agency Executive Director's sole discretion.
 - e. The Developer indemnify and hold the Agency and City harmless from any claims related to State Labor Code Section 1720.
7. The Developer must maintain the Project in accordance with the design guidelines for the Drake Park / Willmore City Historic Landmark District.
8. The Developer and its successors in interest are prohibited from subdividing the Receiver Site for as long as the Redevelopment Plan remains in force.
9. Through June 30, 2047, the Developer and its successors in interest must agree that the "Taxable Assessed Value" to be used by the Los Angeles County Assessor shall be the greater of the following dollar amounts:
- a. The existing Taxable Assessed Value of the Project; or
 - b. The sum of the purchase price for the Receiver Site plus the value of the Historic House after the completion of the required renovation improvements.

B. Agency Responsibilities

Prior to executing the Agreement, the Agency acquired the Receiver Site and relocated the Historic House to the Receiver Site. The Agreement imposes the following additional responsibilities on the Agency:

- 1. The Agency must provide landscaping improvements on the Receiver Site:
 - a. The Agency has completed the landscape design plans, and the Developer has approved the plans.

- b. The Agency must cause the landscaping improvements to be installed at the Agency's cost.
2. Promptly after the Project construction is completed, and 30 days after a Notice of Completion has been filed in accordance with Civil Code Section 3093, the Agency Executive Director must furnish a Certificate of Completion to the Developer.

II. COST OF THE AGREEMENT TO THE AGENCY

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

Receiver Site Acquisition Cost	\$350,000
Historic House Moving Costs ¹	81,400
Architectural Fees	8,200
Landscaping Costs	21,600
	<hr/>
Total Agency Cost	\$461,200

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 interests being conveyed at the highest use allowed by the Redevelopment Plan for the Project Area. The valuation must be based on the assumption that no extraordinary use, quality and/or income restrictions are being imposed on the development by the Agency.

The Historic House includes 1,974 square feet of building area. To estimate the value for the home upon the completion of the renovation work, the Agency engaged Lidgard and Associates, Inc. (Lidgard) to prepare an Appraisal Report for the Receiver Site. In a report dated January 16, 2009, Lidgard concluded that the after renovation value of the Project falls within the range of \$241.67 to \$301.20 per square foot of building area. This equates to \$477,100 to \$594,600 for the 1,974 square foot Historic House.

The Developer prepared a construction cost estimate for the required Scope of Development that was subsequently vetted by the Agency. Keyser Marston Associates, Inc. (KMA), the Agency's financial consultant, estimated the indirect costs and financing costs associated with the Project. The cost estimates are presented in the following table:

¹ Includes mover, general contractor and surveyor costs. Also includes utilities installation costs.

Construction Costs ²	\$372,600
Indirect & Financing Costs	74,500
Total Renovation Costs	<u>\$447,100</u>

The value of the Receiver Site at the highest use permitted by the Redevelopment Plan for the Project Area is equal to the after renovation value minus the estimated renovation costs. The resulting value falls within the range of \$30,000 to \$147,500.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The Agreement requires the Developer to renovate the Historic House to standards approved by the Cultural Heritage Commission. The costs to complete the renovation work have been factored into the analysis of the Receiver Site's value at the highest use permitted by the Redevelopment Plan. Thus, the fair reuse value of the Receiver Site is the same as the value of the Receiver Site at the highest use permitted by the Redevelopment Plan for the Project Area.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agency solicited purchase offers for the Receiver Site through the distribution of a RFP. In the selected response to the RFP, the Developer offered to purchase the Receiver Site for \$35,000. This offer amount falls within the range of values established for the Receiver Site. Thus, it can be concluded that the Agency is receiving fair consideration for the interests being conveyed to the Developer.

VI. BLIGHT ELIMINATION

The Historic House was originally located on a property that was required for a West Gateway redevelopment project. The Agency acquired the property as part of the West Gateway assemblage process, and a finding was made at that time that the West Gateway development will alleviate blighting conditions in the Project Area.

The Historic House moving policy was created by the Agency to relocate homes that were displaced by the West Gateway project. The Receiver Site was acquired by the Agency to allow for the Historic House to be relocated. Therefore, it can be concluded that the conveyance of the Receiver Site to the Developer will fulfill the blight elimination requirement imposed by Section 33433.

² Includes the Developer's estimates of Construction Costs and Hazardous Materials testing and removal.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The Willmore Historic House Relocation is included in the "Proposed Agency Programs and Potential Projects" in the adopted Central Long Beach Project Area Five-Year Implementation Plan for the period between October 1, 2004 and September 30, 2009. Thus, the Project conforms with the AB1290 Implementation Plan requirement imposed by Section 33433.

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH APPROVING THE PROPOSED
5 DISPOSITION AND DEVELOPMENT AGREEMENT
6 BETWEEN THE REDEVELOPMENT AGENCY OF THE
7 CITY OF LONG BEACH, CALIFORNIA, AND TIERRA
8 CONCEPTS, INC; FINDING THAT THE CONSIDERATION
9 FOR THE SALE OF CERTAIN REAL PROPERTY IN THE
10 CENTRAL LONG BEACH REDEVELOPMENT PROJECT
11 AREA IS NOT LESS THAN FAIR MARKET VALUE IN
12 ACCORDANCE WITH COVENANTS AND CONDITIONS
13 GOVERNING SUCH SALE

14
15 WHEREAS, the Redevelopment Agency of the City of Long Beach,
16 California (the "Agency"), is engaged in activities necessary to execute and implement
17 the Redevelopment Plan for the Central Long Beach Redevelopment Project Area (the
18 "Project"); and

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

23 WHEREAS, Tierra Concepts, Inc. (the "Developer") has submitted to the
24 Agency a written offer in the form of a Disposition and Development Agreement to
25 purchase the Property for not less than fair market value for uses in accordance with the
26 Redevelopment Plan and the covenants and conditions of the Disposition and
27 Development Agreement; and

28 WHEREAS, the proposed Disposition and Development Agreement

1 contains all the provisions, terms and conditions and obligations required by Federal,
2 State and local law; and

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

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

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

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

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

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

24 Section 1. The City Council finds and determines that the consideration
25 for sale of the Property pursuant to the Disposition and Development Agreement is not
26 less than fair market value in accordance with covenants and conditions governing the
27 sale, and the Council further finds and determines that the consideration for the sale of
28 the Property, determined at the highest and best use under the Redevelopment Plan, is

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 necessary to effectuate the purposes of the Redevelopment Plan for the Project.

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

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

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

10 I hereby certify that the foregoing resolution was adopted by the City
11 Council of the City of Long Beach at its meeting of _____, 2009 by the
12 following vote:

13
14 Ayes: Councilmembers: _____
15 _____
16 _____
17 _____

18 Noes: Councilmembers: _____
19 _____

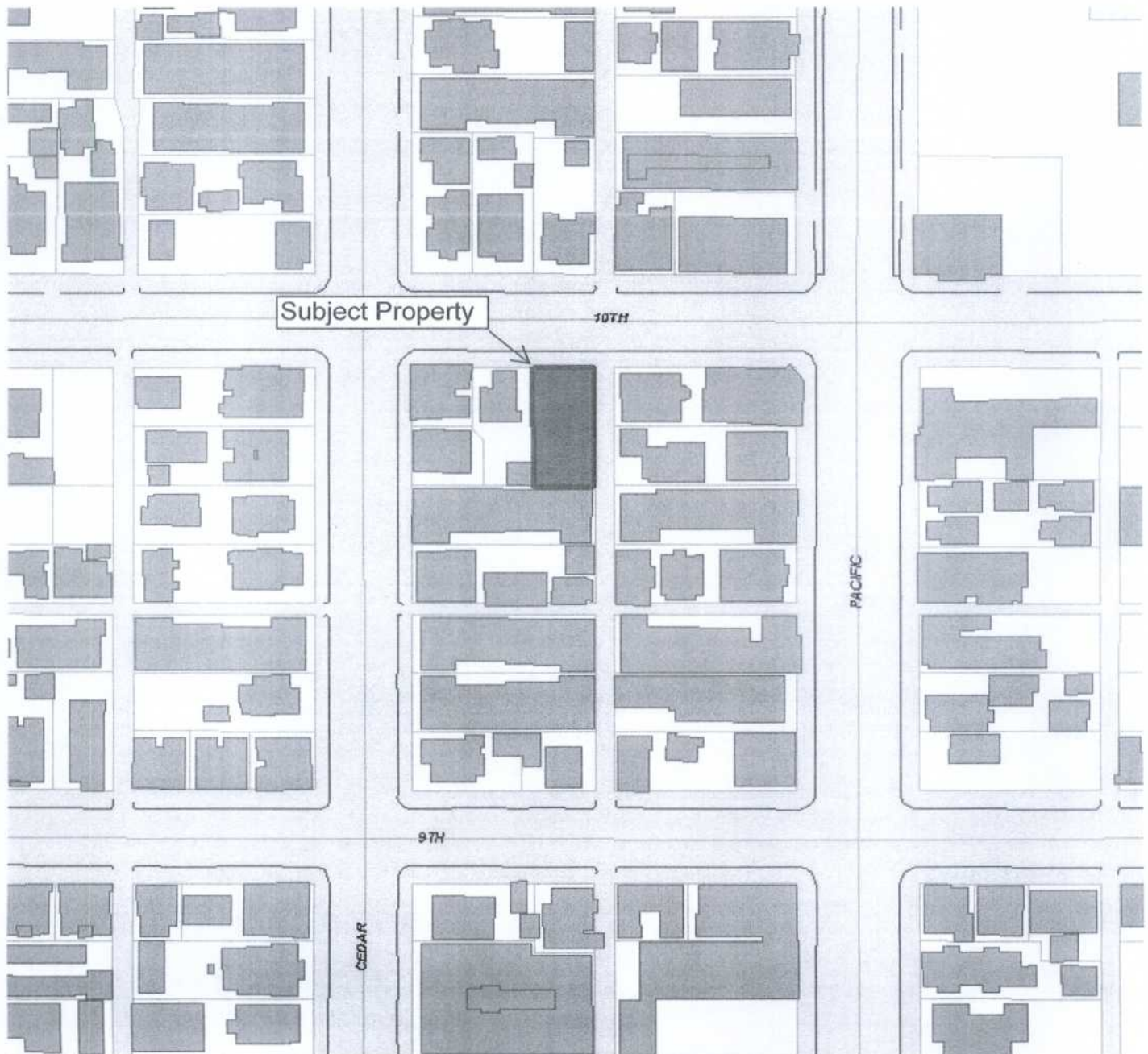
20 Absent: Councilmembers: _____
21 _____

22
23
24 _____
City Clerk

25
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27
28



Exhibit A - 226 W. 10th Street



Disclaimer

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