



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# H-2

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

July 10, 2007

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; authorize the City Manager to execute a Disposition and Development Agreement with Lyon West Gateway, LLC and The Long Beach Housing Development Company for the West Gateway project; and adopt the attached Resolution making certain findings regarding the construction of certain public improvements with Downtown Long Beach Redevelopment Project Area Funds. (District 1)

## DISCUSSION

On June 9, 2003, the Redevelopment Agency (Agency) agreed to negotiate exclusively with Lyon Realty Advisors for the development of Site 11 in the West Gateway Project Area (Exhibit A – Site Map) for a residential complex. This public hearing is to consider the sale of Site 11 to Lyon West Gateway, 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, the Long Beach Housing Development Company (LBHDC) and the Developer. Under the terms of that DDA, the Developer will pay the Agency \$5,704,000 for the 153,018-square-foot site bounded by West Broadway, Magnolia Avenue, West Third Street and Chestnut Avenue. \$2,000,000 is due within 10 days of the Agency's execution of the DDA, with the balance due prior to close of escrow. The Developer will construct 291 residential rental units, 26 of which will be designated for affordable housing. The DDA will delineate each party's obligations, and will specifically spell out the conditions, covenants and restrictions pertaining to the affordable units.

Project Plans

A total of 291 residential rental units will be constructed. There will be 144 one-bedroom units at 715 square feet, 20 one-bedroom units with dens at 1,121 square feet, 115 two-bedroom units with dens ranging in size from 1,051 square feet to 1,144 square feet, and 12 two-bedroom townhouse units at 1,358 square feet. There will also be 15,580 square feet of first-floor retail space. The DDA contains a list of prohibited uses but, in addition, the Agency has the right to approve or disapprove the proposed initial tenants in the retail space.

The project has a total of 638 parking spaces, 136 of which will be available to the general public for guest and retail parking.

Construction on the project must begin no later than July 2008. The Developer, its contractors, and its subcontractors are required to provide 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.

Affordable Units

As proposed, the project will be a rental complex for 15 years. 26 of the 291 units will be restricted for occupancy by households earning at or below 80 percent of area median income (AMI) for 55 years. The net present value of the difference between the low-income rent and market rent for the restricted units over 15 years is \$5,553,732 or about \$213,600 per unit. This amount will be funded by a loan from LBHDC approved at their meeting of June 20, 2007. The units will include a mix of those offered within the building, as shown below.

<b>Unit Type</b>	<b>Unit Size (Sq. Ft.)</b>	<b>Total Units</b>	<b>Affordable Units</b>
1-br/1-ba	715	144	13
1-br/1-ba w/ den	1,121	20	2
2-br/2-ba	1,051 – 1,144	115	10
2-br/2.5-ba	1,358	12	1
<b>Total</b>		<b>291</b>	<b>26</b>

The Developer is allowed to obtain all approvals necessary to convert the complex into a condominium development after rental period, and to sell one residential unit to ensure vested rights in a future conversion. If the project converts to for-sale, any

restricted units will be available only to buyers earning at or below 80 percent of AMI for the balance of the 55-year restriction period.

The Developer is willing to restrict 26 units in the project as long as the funds are paid upfront. Having funds upfront allows them to negotiate a better rate on their construction loan, among other short-term financial benefits.

The proposed inclusion of affordable units in the Lyon West Gateway project offers an opportunity for the LBHDC to participate in a mixed-income development in the Downtown at a reasonable cost.

#### Compliance with California Environmental Quality Act

The Agency certified the Environmental Impact Report for West Gateway Sites 9, 10 and 11 on July 11, 2005 (Exhibit B – Environmental Impact Report).

#### 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.

### Findings of Public Benefit

California Redevelopment Law also provides that the 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 Agency funds for construction of the public improvements will assist in the elimination of one or more blighting conditions within the Project Area.

The Agency will be working with the Developer to enhance the project and provide linkages through the Downtown area. These findings must be made because the Agency is funding a portion of the construction. These public improvements include relocation of utilities, construction of streetscapes, bicycle paths, public walkways for pedestrian use, enhancement of pedestrian rights-of-way, and public art.

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 West Gateway and the nearby streets.

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.

The Agency approved this recommendation at its meeting of July 2, 2007, and the LBHDC approved their participation at its meeting of June 20, 2007. This letter was reviewed by Assistant City Attorney Heather A. Mahood on July 2, 2007, and Budget and Performance Management Bureau Manager David Wodynski on June 27, 2007.

### TIMING CONSIDERATIONS

City Council action is requested on July 10, 2007, in order to facilitate the sale transaction and begin construction as soon as possible.

HONORABLE MAYOR AND CITY COUNCIL  
July 10, 2007  
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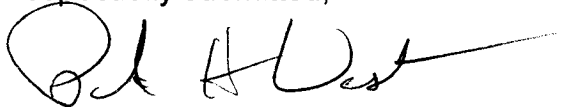
FISCAL IMPACT

Proceeds from the land sale will be deposited in the Redevelopment Fund (RD) in the Department of Community Development (CD). Building fees associated with this project are estimated to be \$1,328,000 and will accrue to the General Fund. In addition, the Percent for Public Art fee is calculated to be \$607,416 (85 percent to be applied to public art in the project and 15 percent to support public art programs).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST  
DIRECTOR OF COMMUNITY DEVELOPMENT

PHW:CAB:BEC

APPROVED:

  
CHRISTINE F. SHIPPEY  
ASSISTANT CITY MANAGER

Attachments: Exhibit A – Site Map  
Exhibit B – Environmental Impact Report (City Council Members only;  
available to the public upon request)  
Exhibit C – Section 33433 Summary Report  
City Council Resolutions

7280 24  
SCALE 1" = 60'

800-004  
2011/05/07-01  
2011/05/07-02  
2002/08/06/001  
8901/09/06/001  
2002/08/06/001  
2002/08/06/001  
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2006

BK.  
7278

AVE.

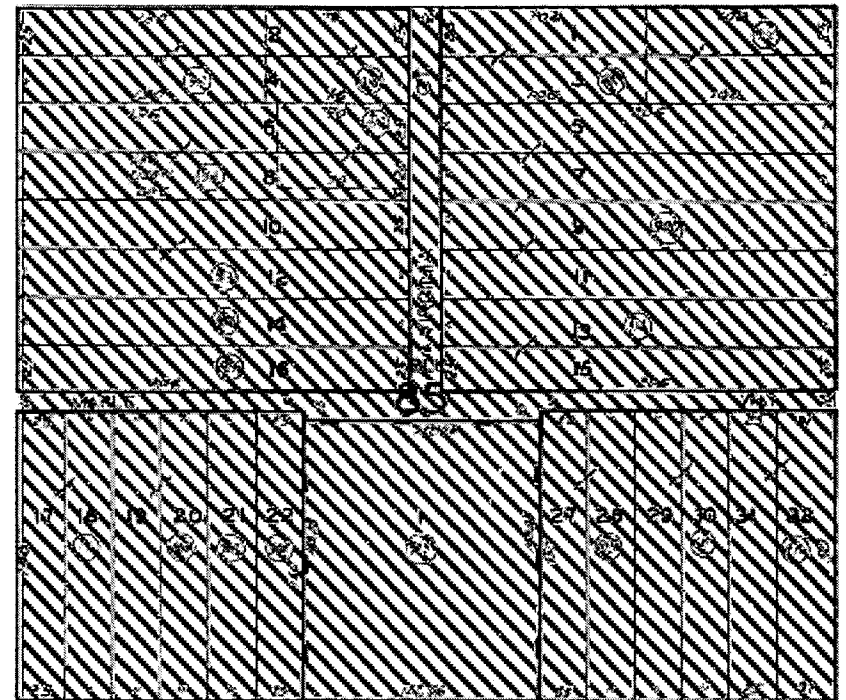
MAGNOLIA

3RD

ST.

AVE.

CHESTNUT



23

All 900 series parcels on this page  
assessed to Redevelopment Agency of the  
City of Long Beach, unless otherwise noted.

BROADWAY

CODE  
5542

FOR PREV. ASSM'T. SEE:  
7277 - 28

TOWNSITE

M.R

SITE

LONG BEACH

31-96

CONDOMINIUM  
TRACT NO. 34586

M. B. 973-43-44

ASSESSOR'S MAP  
COUNTY OF LOS ANGELES, CALIF.

Exhibit A - Site Map

Exhibit B

Environmental Impact Report (City Council Members Only)

If you would like a copy of this report,  
please call Barbi Clark at (562) 570-6710.

## Exhibit C

**SUMMARY REPORT PURSUANT TO  
SECTION 33433  
OF THE  
CALIFORNIA HEALTH AND SAFETY CODE  
ON A  
DISPOSITION AND DEVELOPMENT AGREEMENT  
AMONG  
REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH  
AND  
THE LONG BEACH HOUSING DEVELOPMENT COMPANY  
AND  
LYON WEST GATEWAY, L.L.C.**

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) among the Redevelopment Agency of the City of Long Beach (Agency), the Long Beach Housing Development Company (LBHDC) and Lyon West Gateway, L.L.C. (Developer). The purpose of the Agreement is to effectuate the Downtown Long Beach Redevelopment Project Area (Project Area) by eliminating blight, enhancing the tax base, increasing the housing stock, including affordable housing, and promoting job creation and the development of needed amenities.

The Agreement requires the Agency to convey the subject site to the Developer at fair market value for the redevelopment of a residential apartment complex, which will include market rate and affordable units, with ground floor retail and code required parking (Project). The Project will be developed on the City block bounded by West Broadway, Magnolia Avenue, West 3<sup>rd</sup> Street, and Chestnut Avenue (Site) in the City of Long Beach (City). The Site totals 154,202 square feet, the majority of which is owned by the Agency (Agency Parcels); the remainder of the Site consists of two alleyways (Vacation Parcels).

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 Agency, LBHDC, and the Developer 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 Downtown Long Beach 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 highest and best use 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. Land Acquisition**

The Agency acquired the Agency Parcels prior to the date of the Agreement with Agency funds for redevelopment purposes. The Site was not purchased at the request or benefit of the Developer. With regard to the Vacation Parcels, the Agency intendeds to use its best efforts to accomplish the following:

1. Vacate all public rights of way within the Site;
2. Cause utility easements, other easements or rights to be released as necessary to facilitate the development of the Project;
3. Release any easements or other rights or claims by adjacent property owners; and
4. Cooperate in obtaining the release, extinguishment, or acquisition of conditions, covenants, use restrictions, easements or other rights from third parties.

**B. Project Description**

The Site is almost entirely undeveloped and is currently being used as surface parking. Additional uses on the Site include an automotive shop, a bail bonds business, a basketball court and “tot lot.” The businesses will be relocated and have been offered relocation assistance and benefits by the Agency.

The development of the Project is intended to be a private development project. However, the Developer will receive a \$5.55 million loan (Affordable Housing Loan) from the LBHDC for the development of 26 units, which will be restricted to low income families at 80% of the area median income (Median) and subject to controls and restrictions running with the land over a 55-year affordability period (Affordable Units).

**C. Scope of Development**

The “Scope of Development” defined in the Agreement includes the following:

- 1. Residential Component:
  - a. Two-hundred and ninety-one units (265 market rate rental units and 26 affordable units), which equates to a density of 82 units per acre and a total of 271,516 square feet of gross building area (GBA).
  - b. The proposed unit mix for the market rate units is as follows:

	Number of Units	Unit Size Square Feet
Plan 1 – 1 Bedroom/1Bath	131	715
Plan 2 – 1 Bedroom/1Bath	18	1,121
Plan 3 – 2 Bedrooms/2 Bath	76	1,051
Plan 4 – 2 Bedrooms/2 Bath	29	1,144
Plan 5 – 2 Bedrooms/2.5 Bath	11	1,358
<b>Total and Weighted Average</b>	<b>265</b>	<b>913</b>

- c. The Affordable Units will be comprised of the following units:

	Number of Units	Unit Size Square Feet
Plan 1 – 1 Bedroom/1Bath	13	715
Plan 2 – 1 Bedroom/1 Bath	2	1,121
Plan 3 – 2 Bedrooms/2 Bath	7	1,051
Plan 4 – 2 Bedrooms/2 Bath	3	1,144
Plan 5 – 2 Bedrooms/2.5 Bath	1	1,358
<b>Total and Weighted Average</b>	<b>26</b>	<b>911</b>

- d. The total residential gross living area (GLA) equals 265,517 square feet.
- e. A total of 2,184 square feet is allocated for an exercise area, club room, kitchen, storage and women and men's bathrooms.
- f. An additional 3,815 square feet is allocated to a conference center, foyer, lobby, business center, leasing office, break room and storage.
- g. The Project will include sustainable design features acceptable to the Developer.
2. Commercial Component: A total of 15,580 square feet of GLA will be incorporated into the Project as ground floor retail space located in three areas along Magnolia Avenue and West Broadway.
3. Parking Component: Parking for the residential and retail component is provided through above grade and subterranean parking. The parking area is allocated as follows:
- a. 502 residential tenant secured parking spaces;
  - b. 74 residential guest parking spaces; and
  - c. 62 retail parking spaces at grade.
4. Public Improvements:
- a. The Developer will participate in the preparation of a master plan for the area between West 3<sup>rd</sup> Street, Maine Avenue, West 4<sup>th</sup> Street and Chestnut Avenue for the construction and installation of curbs, gutters, streetscape and landscaping.

#### **D. Developer Responsibilities**

The Agreement requires the Developer to accept the following responsibilities:

1. The Developer will purchase the Site for \$5.70 million, or \$37 per square feet of Land Area (Purchase Price). The payment of the Purchase Price will be provided as follows:
  - a. An initial deposit of \$2.0 million will be paid to the Agency within ten (10) days after both the Agency and City approve the Agreement;
  - b. Within two business days following the Agency's execution and delivery of the Agreement, the Developer will deposit \$75,000 as a performance deposit (Performance Deposit); and
  - c. A deposit for the balance of the Purchase Price will be provided to Fidelity National Title Insurance (Escrow Agency) at least one day prior to the Close of Escrow.
2. Prior to the negotiation of the Agreement, the Developer entered into an exclusive negotiation agreement (ENA) and deposited \$50,000 as a Good Faith Deposit; the Developer acknowledges that \$25,000 of the Good Faith Deposit was used to prepare the project CEQA document, and the remaining \$25,000 is non-refundable.
3. The Developer will purchase the Site on an "As Is With All Faults" basis.
4. The Developer will use the Site for the proposed development of the Site and not for speculation in landholding; no voluntary or involuntary successor in interest of the Developer will acquire any right or powers under the Agreement.
5. The Developer must fulfill the following obligations prior to the conveyance of the Site:
  - a. Approve the environmental, geological and soils conditions of the Site, including any mitigation measures and monitoring requirements required by the Agency;
  - b. Approve the General Plan and City's zoning as it affects the Site;
  - c. Come to agreement with the Agency on a Pro Forma Title Report for the Site;
  - d. Agrees to take title of the Site, subject to all liens, encumbrances, and other matters pertaining to the Site as stated in the Title Report;
  - e. Execute and deliver to the Agency, in recordable form, the Grant Deed and the Agreement Containing Covenants;

- f. Provide Agency with proof of commercial general liability, commercial automobile liability, "All Risk," earthquake and flood insurance; all contractors and subcontractors must adhere to the Agency's insurance requirements;
  - g. Obtain concurrently with the Close of Escrow a building permit;
  - h. Provide Agency with evidence of obtaining the financing necessary for the acquisition and development of the Site;
  - i. Execute and submit the Affordable Housing Regulatory Agreement, the LBHDC Promissory Note and the LBHDC Deed of Trust (Affordable Housing Loan Documents) within 20 days after the Close of Escrow; and
  - j. Not be in default under this Agreement.
6. The Developer will pay in escrow to the Escrow Agency the following:
  - a. One-half of the escrow fees;
  - b. A portion of the premium for the title insurance policy, including additional premiums and extended coverage or special endorsements; and
  - c. Recording of fees as appropriate.
7. The Developer must affirm that they have received and reviewed all Disclosure Statutes and Reports.
8. The Developer, after the Close of Escrow, will waive its right to recover from, and forever release and discharge the Agency and LBHDC and their affiliates from any and all liabilities, damages, penalties, costs or expenses related to the physical or environmental condition of the Site.
9. The Developer must, at its expense, determine the suitability of the Site for the proposed Project.
10. The Developer, at its sole expense, will exert its best efforts to secure zoning at the time of conveyance, to permit development and construction of improvements on the Site in accordance with the Scope of Development.
11. The Developer will pay all costs associated with any change in zoning or the cost of obtaining any permits from the City.
12. The Developer agrees to develop the Site in accordance with the Scope of Development, within the times specified in the Schedule of Performance. Prior to the recordation of the Certificate of Completion (COC), the Developer will not substantially

change the site plan, building design, proposed use, or proposed occupancy of the Site without approval from the Agency.

13. The Developer agrees to maintain the Site including the immediately surrounding area to the curb line in a clean and attractive condition at all times.
14. The Developer will grant the Agency the right to approve and disapprove the proposed initial tenants for the commercial portion of the Project, and the Developer will make its best effort to lease the commercial space to quality urban retail stores, similar to those found at the intersection of Broadway and Redondo Avenue.
15. The Developer, at its sole cost, will develop plans and specifications, select a contractor, in accordance with the City's public bidding procedures, and pay prevailing wages for all Off-Site Work. The Off-Site Work will not exceed \$365,000.
16. The Developer, its contractors and subcontractors, will utilize the City's Workforce Development Bureau in their hiring programs in connection with the development of the Project. Upon issuance of the COC, the Developer will provide the Agency with a report setting forth its compliance with this requirement.
17. The Developer will carry out the construction of the Project in compliance with all federal and state labor standards. Prevailing wages must be paid for all portions of the Project for which it is required. Payroll information from the Developer, its contractors and subcontractors must be made available to the Agency, upon request, within ten (10) days. Furthermore, the Developer will indemnify the Agency against any assertions against the Developer's compliance with applicable prevailing wage, and federal and state labor laws.
18. The Developer recognizes that the Agency is only capable of requesting the City to vacate a public right of way; the final determination will be made by the City.
19. Prior to the COC, the Developer will not transfer or convey any part or the whole Site or the structure, except as required for any reasonable financing method utilized to secure loans to acquire the Site or construct the Project. After the issuance of the COC, the Developer will only sell or transfer the Site as whole and is not permitted to subdivide the Site for 15 years. Additionally, no transfer or assignment will relieve the Developer or any other party from any obligations under the Agreement.
20. The Developer agrees not to discriminate against any person or group of persons in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site; and agrees to comply with the Americans with Disabilities Act (ADA) and will indemnify and hold harmless the Agency and City for any liability that arises for failure to comply.

21. The Developer agrees that the Taxable Assessed Value used by the Los Angeles County Tax Assessor will be the greater of the following:
  - a. The existing Taxable Assessed Value of the Project as determined by the Assessor; or
  - b. The sum of the Purchase Price, plus the value of the building to be constructed.
22. The Developer will pay the property taxes levied upon the Project and will not protest, appeal, or attempt to lower the Taxable Assessed Value of the Project.
23. The Developer will have the right to terminate the Agreement in the event of the following:
  - a. The Agency does not sign the Agreement within 60 days after the date of signature by the Developer; or
  - b. The Agency does not tender conveyance of the Site in the condition, manner and date of the Agreement; or
  - c. The Site, prior to the Close of Escrow, is deemed to contain contaminants in the soils in excess of levels acceptable and/or the geologic conditions of the Site are not acceptable to the Developer.

Termination of the Agreement based on one or more of the items listed above, will require the Agency to return to the Developer the Performance Deposit and the Initial Deposit.

24. The return of the Performance Deposit will be subject to the following:
  - a. If the Developer fails to commence construction pursuant to the Schedule of Performance, the Agency will retain \$10,000 from the Performance Deposit.
  - b. The Developer will comply with the City's permitted hours of construction. If the Developer is found in violation of the order, on the third violation, and for each subsequent violation, the Agency will retain \$5,000 from the Performance Deposit.
  - c. The Developer must construct the Project in compliance with the approved Stage III plans, if the Developer deviated from the approved plans without written consent of the Agency, the Developer will assessed a \$50,000 fine which will be withdrawn from the Performance Deposit.

- d. If the Developer fails to complete construction in the timeframe set forth in the Schedule of Performance, the Agency will retain \$5,000 from the Performance Deposit for every thirty days completion of the Project is delayed.
25. The Developer in accordance with the "Percent for Public Art Guidelines" will pay the Agency a public art fee of \$607,416.
26. The Developer will work with the Agency, its architect and other developers of the Agency-owned property to prepare a master plan for the construction and installation of curbs, gutters, streetscape and landscaping. The Developer will be responsible for the construction and supervision of the Master Plan Public Improvements.
27. The Developer agrees to construct the Affordable Units in compliance with Affordable Housing Loan Documents subject to the following terms:
  - a. The Affordable Units will be available for rent to lower income households as defined by Health and Safety Code Section 50079.5;
  - b. The covenants, conditions and restrictions placed on the Affordable Units will run with the land for a period of 55-years;
  - c. The Affordable Housing Loan will be senior to the Developer's construction financing and all other financing;
  - d. The Developer (and subsequent owners of the Project) will be responsible for the marketing of the affordable rental units, qualifying tenants, monitoring compliance and managing the Affordable Units;
  - e. If the Developer elects to sell the units as condominium units, the Affordable Units must be converted to for-sale Affordable Units, which will be sold to lower income households in compliance with Health and Safety Code Section 50052.5 until the Project is demolished, or not less than 45 years after the first Affordable Unit in the Project is sold;
  - f. The Developer will be responsible for locating and qualifying buyers for the for-sale Affordable Units; and
  - g. No additional loan or assistance will be provided to the Developer by the Agency or LBHDC at the time of conversions of the Affordable Units to for-sale Affordable Units.
28. The Developer agrees that the Site will be restricted by covenant to rental apartments for a period of 15 years commencing the date the COC is issued. The Developer may obtain all governmental approvals and entitlements to sell condominium units at the



Project during the 15-year period following the issuance of the COC; however, the Developer may not sell more than one condominium unit at the Project during the 15-year covenant period.

#### **E. Agency and LBHDC Responsibilities**

The Agreement imposes the following responsibilities on the Agency and/or LBHDC:

1. The Agency will sell the Site for \$5.70 million, or \$37 per square foot of Land Area (Purchase Price).
2. The LBHDC will loan the Developer \$5.55 million (Affordable Housing Loan) for the construction of 26 Affordable Units.
3. The LBHDC will not require the Developer to pay any principal or interests during the 55-year affordability period, provided there is no uncured event of default and that at the end of the affordability period, the entire unpaid principal and accrued and unpaid interest is paid in full.
4. The Agency or LBHDC must fulfill the following obligations prior to the conveyance of the Site:
  - a. The Agency must approve the site plan, schematic drawings and related documents for the development of the Project;
  - b. LBHDC must provide the Affordable Housing Loan to the Developer within 20 days following the Close of Escrow;
  - c. The Agency will have come to agreement with the Developer on the Pro Forma Title Report for the Site;
  - d. The Agency shall execute and deliver to the Escrow Holder the Grant Deed and the Agreement of Containing Covenants, in a recordable form;
  - e. LBHDC must have executed the Affordable Loan Documents;
  - f. The Agency must obtain release of the Vacant Parcels; and
  - g. The Agency and LBHDC must not be in default of the Agreement.
5. The Agency will be responsible for paying all costs to acquire the Site, including the Purchase Price, closing costs, and relocation costs for any and all displaced persons.
6. The Agency will pay in escrow to the Escrow Agent the following:

- a. One-half of the escrow fee;
  - b. Recording fees as appropriate;
  - c. Notary fees;
  - d. The premium for a CLTA standard owner's policy of title insurance; and
  - e. Any State, County or City documentary stamps or transfer tax.
7. The LBHDC must pay the total Affordable Loan Amount to the Escrow Agency one day prior to the Close of Escrow.
  8. Neither the Agency or LBHDC, after the Close of Escrow, will be responsible for the management of the Affordable Units; however, the LBHDC will maintain audit and enforcement rights over the Affordable Units.
  9. The Agency will approve or disapprove plans, drawings and related documents within the time set forth in the Schedule of Performance.
  10. The Agency will have the right to review the Developer's plans, specifications, and drawings to monitor conformity to and compliance with the Schedule of Performance and the design and exterior architectural treatment selected by the Developer.
  11. If required, the Agency will utilize the Good Faith Deposit to prepare all proper environmental documents under the California Environmental Quality Act.
  12. The Agency will be provided the time and opportunity to review and approve the plans and specification for the Off-Site Work.
  13. The Agency will pay the amount of excess of the Off-Site Threshold (\$365,000) to the Developer within 15 days after the date of the invoice; amounts not paid when due will bear a 7% interest rate per annum from the due date.
  14. If the Agreement is terminated for reasons stipulated in the Agreement, the Agency will reimburse the Developer for the Off-Site Work, at an interest rate of 3% per annum from the date of payment by the Developer.
  15. The Agency will deliver any notice or demand regarding the breach or default of any section of the Agreement to the Developer and each holder of record of any mortgage, deed of trust or other security interest.
  16. The Agency may purchase the mortgage, deed of trust or other security interest in the Site after the Developer has been in default for three months.

17. Prior to the COC, and in the event that the Developer is in default or breach of a mortgage, deed of trust or other security interest, and the security interest has not exercised its option to construct, the Agency may cure the default. In this event, the Agency will be entitled to reimburse the Developer for all costs and expenses incurred in curing the default.
18. The Agency will have the right to reenter and take possession of the Site with all improvements, and terminate and revest the estate after conveyance of title or before the issuance of the COC, if the Developer does one or more of the following:
  - a. Fails to begin construction of the Project within 90 days of receiving notice for the Agency to proceed; or
  - b. Abandons or suspends construction of the Project for 90 days without providing written notice to the Agency; or
  - c. Transfers, or suffers an involuntary transfer of the Site.
19. The Agency will have the right to terminate the Agreement in the event of the following:
  - a. The Developer fails to pay the Initial Deposit; or
  - b. The Developer assigns the Agreement or any rights in it; or
  - c. There is a change in ownership of the Developer; or
  - d. The Developer does not submit site and elevation plans, insurance certifications and related documents; or
  - e. The Developer does not take title to the Site or tender of conveyance by the Agency per the Agreement; or
  - f. The Developer fails to secure permits for governmental agencies in accordance with the Schedule of Performance; or
  - g. The Developer does not obtain the financing necessary for the acquisition and development of the Site.
  - h. The Agency will retain the Performance Deposit upon termination of the Agreement based on one or more of the items listed above, the Initial Deposit will be returned to the Developer.

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

The total Agency Costs to implement the Agreement include the following:

Site Acquisition	\$11,069,000
Closing Costs	45,008
Demolition/Abatement/Testing	380,361
Relocation Claims	362,793
Other Expenses <sup>1</sup>	752,604
<b>Total Agency Cost</b>	<b>\$12,609,766</b>

The Agency Costs will be reduced by the land sale proceeds and future property tax increment revenue. The net Agency Revenues are estimated as follows:

	Nominal	Net Present Value <sup>2</sup>
Land Sale Proceeds	\$5,704,000	\$5,704,000
Future Tax Increment Proceeds	24,644,299	11,470,000
(Less) Total Agency Costs	(12,609,766)	(12,609,766)
<b>Net Agency Revenue/(Cost)</b>	<b>\$17,738,533</b>	<b>\$4,564,234</b>

The net nominal revenue to the Agency is approximately \$17.74 million which equates to \$4.56 million on a net present value basis.

**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 near-term development is required, but the valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Agency.

<sup>1</sup> Includes the following: Engineering Services, Planning and Survey, Financial Services, Architectural Services, Property Operation, Other Consultant Services, Relocation Consultant, and Legal Services.

<sup>2</sup> The land sale proceeds are discounted at a 5% rate, over a two year period. The net present value of the property tax increment payments are discounted at 5% over a 22-year period of time.

Based on an appraisal conducted by Donahue & Company, Inc. (Appraiser) dated March 15, 2007, the Site is located within the Downtown Planned Development District (PD-30) which permits various commercial and high-density residential uses. The appraisal concluded that development consistent with the PD-30 zoning represents the highest and best use of the Site. The appraisal estimated the Site's value at the highest and best use at \$5.70 million, or approximately \$37 per square foot of land area.

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

The fair reuse value is defined as the fair market value of the land to be conveyed, less the economic value of any development restrictions placed on a project by a redevelopment agency. The fair reuse value also requires that the Project be constructed in the near future. The Agreement requires the Project to be constructed in the near-term, but does not impose any restrictions that would reduce the fair market value of the Site. Therefore, the fair reuse value of the Site is equal to the fair market value, which is \$5.70 million.

#### **V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE**

The Agreement requires the Agency to convey the Site to the Developer for \$5.70 million, or approximately \$37 per square foot of land area. This amount equals the established fair reuse value as well as the fair market value. Thus, it can be concluded that the Agency is receiving fair consideration for the interest being conveyed to the Developer.

#### **VI. BLIGHT ELIMINATION**

The proposed Project will utilize a substantially underutilized City block that was previously developed with obsolete, substandard and deteriorated buildings. As previously described, the Site encompasses the City block bounded by 3<sup>rd</sup> Street on the north, Chestnut on the east, Broadway on the south and Magnolia on the west. The block is subdivided into three smaller areas by two alleys, Maple and Virginia. The Maple alley bisects the block from east to west and Virginia bisects the northern half from north to south. Virginia is accessed on 3<sup>rd</sup> Street and terminates at the intersection with Maple. The alley system divides the block into three separate areas. The current alley configuration limits the redevelopment and reuse of the Site.

The block is almost entirely undeveloped and is used as surface parking. The only existing uses are Lee's Automotive and a bail bonds business, both at the intersection of Magnolia and Broadway and a basketball court and "tot lot" on Magnolia at the intersection of the Maple alley. Lee's Automotive is an older facility with minimal car drop off area and space for vehicle storage. The bail bonds business is located in a trailer. These businesses will be relocated and

have been offered relocation assistance and benefits. There is a vacant building on Broadway that is scheduled for demolition in May. The structure is a very old two-story wood frame building that previously housed a bail bonds business and an attorney's office. The building had small apartments with shared bathing facilities, one bathtub per floor.

In addition to the improvements described above, the Site also includes a tot lot and basketball court. The tot lot had substandard equipment which was determined unsafe and was removed. The basketball court has become a location for late night loitering. The new Chavez Park within a couple blocks of the Site offers better facilities with supervision, and is a replacement site for these uses.

The existing surface parking lots provide additional, but not required parking for surrounding uses. The proposed development will include parking to code for both retail guests and the residential tenants.

Prior to the blocks' current use as surface parking, the Site had few buildings. There was a Greyhound Bus Station at the corner of 3<sup>rd</sup> and Magnolia to Long Beach Boulevard. The building was vacant and finally demolished. Since demolition of the former bus station, the Site has been vacant. One of the largest structures that use to occupy the Site was the Chestnut Garage, an old, substandard parking garage that was used for storage by the City's General Services Bureau. The garage took up nearly one quarter of the northeast quadrant of the block. The building was demolished in the mid1990's, the underground storage tanks removed and the Site cleaned up. The ground water has been monitored for a year or more to ensure no subsurface contamination. The Site is now used as a parking lot.

Finally, there were a few small apartment buildings and wood frame bungalows that primarily fronted the Virginia alley, off 3<sup>rd</sup> Street. Access to the residential units was minimal, including walking through yards to get to buildings behind buildings. These structures have also been demolished.

## **VII. CONFORMANCE WITH THE AB 1290 IMPLEMENTATION PLAN**

The Project conforms to the Project Area's Implementation Plan for 2004 - 2009. Specifically, the Project meets the following goals:

1. Expands and integrates the Project Area's housing supply through the support of private developments, and the creation of a balanced housing supply available to individuals and families of diverse incomes;
2. Creates a secure environment in the Project Area for residents, shoppers and workers, and encourages pedestrian usage during daytime, evening and weekend hours; and

3. Promotes 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.

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RESOLUTION NO.

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 LYON WEST GATEWAY, LLC; FINDING THAT THE CONSIDERATION FOR THE SALE OF CERTAIN REAL PROPERTY IN THE DOWNTOWN LONG BEACH 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 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 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 Disposition and Development Agreement and which Property is described in Exhibit "A" which is attached and incorporated by reference; and

WHEREAS, Lyon West Gateway, LLC (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



1 Development Agreement; and

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

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

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

13 WHEREAS, the Agency has certified EIR-09-04 under the California  
14 Environmental Quality Act; and

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

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

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

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

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1 sale, and the Council further finds and determines that the consideration for the sale of  
2 the Property, determined at the highest and best use under the Redevelopment Plan, is  
3 necessary to effectuate the purposes of the Redevelopment Plan for the Project.

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

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

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

12 I hereby certify that the foregoing resolution was adopted by the City  
13 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2007 by the  
14 following vote:

15  
16 Ayes: Councilmembers: \_\_\_\_\_

17 \_\_\_\_\_

18 \_\_\_\_\_

19 \_\_\_\_\_

20 Noes: Councilmembers: \_\_\_\_\_

21 \_\_\_\_\_

22 Absent: Councilmembers: \_\_\_\_\_

23 \_\_\_\_\_

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26 \_\_\_\_\_  
City Clerk

27 HAM:fl  
5/11/2007  
#07-02258

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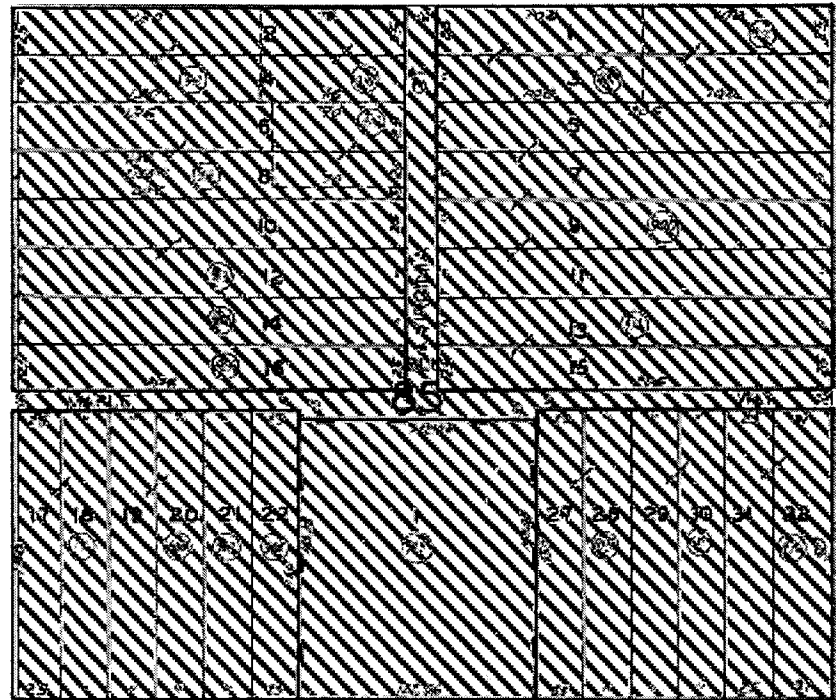
MAGNOLIA

3RD

ST.

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CHESTNUT



23

All 900 series parcels on this page  
assessed to Redevelopment Agency of the  
City of Long Beach, unless otherwise noted.

BROADWAY

C.S. 6369

TOWNSITE  
M.R.

LONG BEACH  
SITE  
31-96

CONDOMINIUM  
TRACT NO. 34586  
M. B. 973-43-44

CODE  
5542

FOR PREV. ASSMT. SEE:  
7277 - 21

ASSESSOR'S MAP  
COUNTY OF LOS ANGELES, CALIF.

EXHIBIT A - SITE MAP

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LONG BEACH MAKING CERTAIN FINDINGS  
REGARDING THE CONSTRUCTION OF CERTAIN PUBLIC  
IMPROVEMENTS WITH REDEVELOPMENT FUNDS  
(WEST GATEWAY PROJECT)

WHEREAS, the City Council of the City of Long Beach adopted and approved a certain Redevelopment Plan (the "Redevelopment Plan") for the Downtown Long Beach Redevelopment Project Area (the "Project"); and

WHEREAS, in furtherance of the Project and the immediate neighborhood in which the Project is located, the Redevelopment Agency of the City of Long Beach, California (the "Agency"), has recognized the need for certain public improvements, which improvements will be located within the boundaries of the Project, and proposes to use redevelopment funds to finance the improvements; and

WHEREAS, Section 33445 of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) requires the Agency to make certain findings prior to the acquisition of land and construction of public improvements or facilities thereon; and

WHEREAS, Section 33678 of the Community Redevelopment Law provides that under certain conditions tax increment funds shall not be subject to the appropriations limitation of Article XIII B of the California Constitution;

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

Section 1. The City Council determines that the construction of public improvements, more particularly described in Exhibit "A, is of benefit to the Project and the immediate neighborhood in which the Project is located. This finding is supported by

1 the following facts:

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

7           Section 2. The City Council determines that no other reasonable means  
8 of financing the above-described improvements are available to the community. This  
9 finding is supported by the following facts:

10           Before the passage of Proposition 13, most of the City's general  
11 operating and capital improvements were funded through property taxes.  
12 However, the initiative placed severe constraints on the City's ability to  
13 use property tax revenues to offset increases in operating and capital  
14 costs. It has also been difficult for the City, by itself, to provide sufficient  
15 funds to support the construction of major public improvements. In fiscal  
16 year 2006-2007, the limited resources of the City's General Fund are  
17 committed to previously incurred obligations and planned projects.

18           Section 3. The City Council further determines that the payment of funds  
19 for the construction of the public improvements will assist in the elimination of one or  
20 more blighting conditions within the Project, and is consistent with the implementation  
21 plan adopted pursuant to Health and Safety Code Section 33490.

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

24           I hereby certify that the foregoing resolution was adopted by the City  
25 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2007 by the

26 ////

27 ////

28 ////

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following vote:

Ayes: Councilmembers: \_\_\_\_\_

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Noes: Councilmembers: \_\_\_\_\_

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Absent: Councilmembers: \_\_\_\_\_

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\_\_\_\_\_  
City Clerk

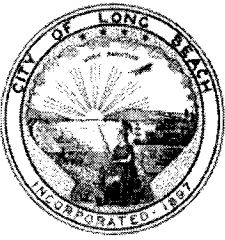
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05/16/07  
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## EXHIBIT A

The West Gateway Master Plan incorporates open space and streetscape elements along the three blocks bounded by Broadway, Chestnut Avenue, West 3<sup>rd</sup> Street and Maine Avenue.

The Redevelopment Agency will be working with Developers in the West Gateway project area to enhance their projects and provide linkages through the Downtown area. The Agency will fund a portion of the construction of public improvements, which could include relocation of utilities, construction of streetscapes, bicycle paths, public walkways for pedestrian use, enhancement of pedestrian rights-of-way, and public art.

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 West Gateway and the nearby streets.



**July 10, 2007**

**CITY OF LONG BEACH  
WEST GATEWAY REDEVELOPMENT PROJECT**

**EIR-09-04  
SCH NO. 2004071093**

**A SCANNED IMAGE OF THIS PORTION  
OF THIS AGENDA ITEM WILL BE AVAILABLE  
ON THE CITY CLERK WEB PAGE**

**PLEASE CONTACT  
THE LONG BEACH CITY CLERK DEPARTMENT AT**

**(562) 570-6101  
(562) 570-6789 (FAX)  
[cityclerk@longbeach.gov](mailto:cityclerk@longbeach.gov)**