

CITY OF LONG BEACH

DEPARTMENT OF DEVELOPMENT SERVICES

H-1

333 West Ocean Blvd., 3rd Floor Long Beach, CA 90802 Phone: 570.6615 Fax: 570.6215

September 1, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing; and adopt a Resolution making certain findings regarding the construction of certain public improvements with redevelopment funds; and

Adopt a Resolution approving an agreement for exchange of real property between the Redevelopment Agency of the City of Long Beach, California, and the State of California; finding that the consideration for the sale of certain real property in the Central 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 agreement. (Districts 1, 2)

DISCUSSION

The Long Beach Redevelopment Agency (Agency) has concluded the negotiation of a Property Exchange Agreement (Agreement) with the Judicial Council of California, acting through the Administrative Office of the Courts (AOC), for the development of a new regional courthouse in downtown Long Beach (Courthouse).

The Agreement includes the following major provisions:

- The Agency and AOC will exchange the existing courthouse at 415 West Ocean Boulevard (State-owned site) for the Agency-owned property bounded by Broadway, Maine Avenue, 3rd Street and Magnolia Avenue (Exhibit A – Site Map).
- The AOC will develop a new courthouse building consisting of approximately 545,000 square feet and containing 31 civil and criminal courtrooms. There will also be approximately 63,000 square feet of county office space; 38,000 square feet of commercial office space; and 9,200 square feet of retail space. A secure vehicle sallyport, central in-custody holding and 35 secure parking spaces will be located below grade.
- Upon completion of the new courthouse, the Agency will grant the AOC a total of \$5,000,000, paid \$250,000 annually over 20 years, to support the difference in land values.

- The Agency will reimburse the AOC up to \$2,000,000 for off-site improvements (utility relocation, traffic mitigation, right-of-way improvements, etc.).
- At the close of escrow, the Agency will lease the existing State-owned site back to the AOC through an Absolute Net Lease (NNN) for the sum of one dollar annually for a maximum term of five years. An extension beyond the term of the lease would be subject to fair market rent at such time. The AOC will cover all costs associated with the maintenance and operation of the court building.
- In the event that construction of the new courthouse has not commenced within five years, either party may have the right to reverse the land exchange and all parties would bear their own costs.

As the lead agency, the AOC has prepared and certified a Mitigated Negative Declaration (MND) for the Courthouse project and the Agreement as required under the California Environmental Quality Act (Exhibit B – Notice of Determination, MND #2009051102). On August 17, 2009, the MND was considered by the Agency Board during project review and approval.

Before the Agency may proceed with funding a public improvement, California Redevelopment Law requires the Agency and the City Council to adopt resolutions making the following findings:

- 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.
- That the payment of agency funds for the construction of the public improvements will assist in the elimination of one or more blighting conditions within the project area.

A Resolution making the necessary findings regarding the construction of this public improvement with redevelopment funds from the Central, Downtown, and West Beach Redevelopment Project Areas is attached. Due to the close proximity of the proposed improvements, all three projects areas will benefit from this investment. Therefore, funds from these three project areas may be used to support the improvements.

Since the Agency-owned site was purchased by the Agency with tax increment monies, California Redevelopment 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.

With City Council approval, the AOC will submit the Agreement for approval by the State Public Works Board on September 11, 2009. After approval, the AOC will continue their process for developer selection, which is anticipated to conclude in January 2010. Once a developer is selected, commencement of construction is anticipated to occur within four months.

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on August 12, 2009 and by Budget and Performance Management Bureau Manager David Wodynski on August 17, 2009.

TIMING CONSIDERATIONS

City Council action is requested on September 1, 2009, as the matter is scheduled to go before the State Public Works Board on September 11, 2009.

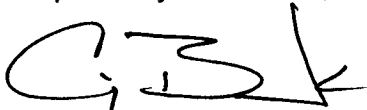
FISCAL IMPACT

In summary, the fiscal impact to the Agency includes expending up to \$2 million for offsite improvements, and \$5 million, to be paid over 20 years (\$250,000 annually x 20 years= \$5 million). There is no impact to the General Fund (GP).

SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,



CRAIG BECK
DIRECTOR OF DEVELOPMENT SERVICES

CB:AJB:DSW:JMV

Attachments:

- City Council Resolutions (2)
- Exhibit A – Site Map
- Exhibit B – Notice of Determination/MND #2009051102
- Exhibit C – Section 33433 Summary Report

APPROVED:


PATRICK H. WEST
CITY MANAGER

SITE MAP



EXHIBIT B

Notice of Determination

Appendix D

TO: FROM:

Office of Planning and Research

For U.S. Mail:

P.O. Box

Sacramento, CA 95812-3044

Street Address:

Box 3044 1400 Tenth Street

Sacramento, CA 95814

Public Agency:

Administrative Office of the Courts

Address: 455 Golden Gate Avenue

San Francisco, CA 94102-3688

Contact: Jerome J. Ripperda

Phone: 916-263-8865

Lead Agency (if different from above):

Address:

Contact:

Phone:

County Clerk

County of:

Address:

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): 2009051102

Project Title: New Long Beach Courthouse

Project Location (include county): West Broadway/Magnolia Street/3rd Street/Maine Street; Long Beach, Los Angeles County

Project Description: The proposed project includes the exchange of parcels between the Administrative Office of the Courts and City's Redevelopment Agency; construction of the new courthouse with space for the County of Los Angeles, commercial tenants, and retail tenants; renovation of an existing parking structure; and operation of the new courthouse for the Superior Court of California, County of Los Angeles. The new courthouse will have approximately 31 courtrooms. The new courthouse will replace the Superior Court's existing facilities in Long Beach.

This is to advise that the Administrative Office of the Courts has approved the above described project on 8/7/2009 and has made the following determinations regarding the above described project:

- 1. The project [] will [] will not] have a significant effect on the environment.
2. [] An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures [were were-not] made a condition of the approval of the project.
4. A mitigation reporting or monitoring plan [was was-not] adopted for this project.
5. A statement of Overriding Considerations [was was not] adopted for this project.
6. Findings [were were-not] made pursuant to the provisions of CEQA.

This is to certify that the final Mitigated Negative Declaration with comments and responses and record of project approval is available to the General Public at:

Administrative Office of the Courts, 2860 Gateway Oaks, Suite 400, Sacramento, CA 95833-3509

Signature (Public Agency) Jerome J. Ripperda Title: Environmental Analyst

Date: August 10, 2009 Date Received for filing at OPR:

Authority cited: Section 21083, Public Resources Code. Reference: Sections 21000-21174, Public Resources Code.

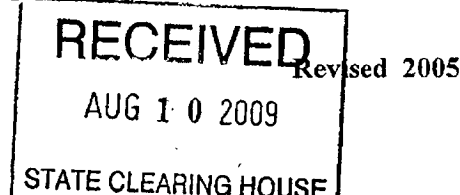


Exhibit B

Mitigated Negative Declaration

Due to the large size of this document, copies will be provided upon request. To request a copy, please contact Jamilla Vollman at (562) 570-6582.

Exhibit C

**SUMMARY REPORT PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 33433
ON AN
AGREEMENT FOR THE EXCHANGE OF REAL PROPERTY AND ESCROW INSTRUCTIONS
BY AND BETWEEN THE
REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH
AND
THE JUDICIAL COUNCIL OF CALIFORNIA,
ADMINISTRATIVE OFFICE OF THE COURTS**

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 Agreement for the Exchange of Real Property and Escrow Instructions (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and The Judicial Council of California, Administrative Office of the Courts (AOC). The purpose of the Agreement is to effectuate the Redevelopment Plans for the Central and Downtown Long Beach Redevelopment Project Areas (Project Areas).

The Agreement requires the Agency to convey a 5.4 acre site bounded by West Broadway, Maine Avenue, West Third Street, and Magnolia Avenue (Agency Site) to the AOC. As compensation for the Agency Site, the AOC will convey the 3.8 acre site located at 415 West Ocean Boulevard to the Agency. This property includes the existing Long Beach Courthouse and surface parking improvements (Existing Courthouse Site).

The AOC currently owns the Existing Courthouse Site. The AOC plans to develop a new trial court facility on the Agency Site. The AOC also plans to renovate an existing parking structure located at 101 Magnolia Avenue (Existing Parking Structure) to serve the new court building. The new trial court facility and parking renovation are collectively referred to as the "Courthouse Project".

The Agreement requires the Agency to reimburse the AOC for off-site costs, utility relocation and other construction costs totaling \$7 million. Up to \$2 million of these costs will be reimbursed during the Courthouse Project's construction. The balance of the reimbursement payments will be paid in 20 annual installments.

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 and the AOC 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 Agency Site's existing zoning and the requirements imposed by the Redevelopment Plan for the Project Areas (Redevelopment Plan).
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Agency 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 Agency Site.
- VI. **Blight Elimination:** This section describes the existing blighting conditions on the Agency 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. AOC Responsibilities

The Agreement requires the AOC to accept the following responsibilities:

- 1. The AOC agrees to purchase the Agency Site. The purchase price will be paid in kind by conveyance of the Existing Courthouse Site to the Agency.
- 2. The AOC must accept the Agency Site in an "as is with all faults" condition. The Agency will make no representations or warranties of any kind regarding the property's condition.
- 3. The Existing Courthouse Site will be conveyed to the Agency excluding the following assets:

- a. All interior improvements, fixtures, furniture, trade fixtures, furnishings, equipment, interior and exterior works of art and articles of personal property installed in or on the Existing Courthouse Site by the AOC.
 - b. All interior improvements, fixtures, furniture, trade fixtures, furnishings, equipment, interior and exterior works of art and articles of personal property installed in or on the Existing Courthouse Site by the Los Angeles County (County).
 - c. The AOC's interest as landlord, lessor or licensor under the "Existing Occupancy Agreements". The AOC shall be entitled to all rents, proceeds and revenues from the Existing Occupancy Agreements.
4. Prior to the close of escrow the AOC must meet the following conditions:
- a. The AOC must have approved all "Due Diligence Inspections".
 - b. The AOC must approve the condition of the title for the Agency Site.
 - c. The AOC, as tenant, must execute the "Existing Courthouse Lease":
 - i. The Existing Courthouse Lease will become effective at the close of escrow.
 - ii. When the AOC relocates to the Courthouse Project, the Existing Courthouse Lease and all other subleases, licenses and occupancy agreements to which the AOC is a party shall terminate.
 - iii. The AOC must then deliver possession to the Agency of the Existing Courthouse Site free and clear of encumbrances and rights of possession.
 - d. The "Joint Occupancy Agreement" between the AOC and the County must be subordinated to the Existing Courthouse Lease between the Agency and the AOC.
5. The AOC must obtain a "Certificate of Acceptance" from the Public Works Board (PWB) for the acquisition of the Agency Site.
6. The AOC must in good faith consider the Agency's comments with respect to developer selection and design review for the Courthouse Project.
7. Upon completion of the selection process, the AOC's selected developer for the Courthouse Project must secure financing for the Courthouse Project.

8. The AOC must submit bids for the utilities relocation work to the Agency. The Agency has approval rights over the award of the contract for the utilities relocation work.
9. The AOC anticipates that at the close of escrow it will enter into a ground lease with a developer for the Courthouse Project. The Agreement requires the AOC to use commercially reasonable efforts to require the selected developer to enter into a lease or license agreement with the Agency for portions of the Agency Site. This provision will only be implemented if construction is not going to commence in accordance with the timeline identified in the Agreement.

B. Agency Responsibilities

The Agreement imposes the following responsibilities on the Agency:

1. The Agency must convey the Agency Site to the AOC.
2. The Agency must reimburse the AOC for \$7 million in off-site costs, utility relocation costs and other approved construction costs. The reimbursements must be made as follows:
 - a. Up to \$2 million in costs will be reimbursed during the Courthouse Project's construction.
 - b. The balance remaining after construction is completed must be paid in 20 annual installment payments:
 - i. No interest will accrue on the outstanding balances during the 20-year reimbursement term.
 - ii. Under the assumption that the reimbursement totals \$5 million, the payments equal \$250,000 per year.
3. The Agency must accept the Existing Courthouse Site in an "as is with all faults" condition. The AOC will make no representations or warranties of any kind regarding the property's condition.
4. Prior to the close of escrow, the Agency must complete the following activities:
 - a. The Agency must approve the condition of the Existing Courthouse Site.
 - b. The Agency must approve the condition of the title for the Existing Courthouse Site.

- c. The Agency's governing body must approve the acquisition of the Existing Courthouse Site.
 - d. The Agency must submit:
 - i. Evidence of financing for the agreed upon reimbursements to the AOC; and
 - ii. Evidence that the Courthouse Project is consistent with the Redevelopment Plan and, if applicable, the Long Beach Downtown Community Plan.
5. The Agency, as landlord, must execute the Existing Courthouse Lease. The Agency must lease the Existing Courthouse Site to the AOC until completion of the Courthouse Project.
- a. The "Initial Lease Term" shall terminate at the earlier of 30 days after the Existing Courthouse Site is vacated or five years. In addition, the AOC must be provided with options for 5 one-year extensions.
 - b. The rent for the Initial Lease Term shall be set at \$1 per year on a triple net basis. The rent for the extensions will be set at the prevailing market rate.
6. The Agency shall cooperate with the AOC to obtain from the City of Long Beach (City):
- a. A resolution ordering the vacation of Daisy Avenue between Third Street and Broadway, as well as all other public alleys and rights-of-way on the Agency Site.
 - b. Approval of a 15-foot pedestrian walkway along Third Street; and
 - c. Any entitlements required to develop the proposed Courthouse Project.

II. COST OF THE AGREEMENT TO THE AGENCY

A. Agency Costs

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

<u>Assemblage Costs: Agency Site</u>	
Acquisition Costs	\$18,958,000
Relocation Costs	2,655,000
Miscellaneous Costs	2,197,000
Total Assemblage Costs	\$23,810,000

<u>Cost Reimbursements</u>	
Reimbursement During Courthouse Project Construction	\$2,000,000
NPV 20 Annual Payments @ \$250,000 / Year	2,867,000
Total Cost Reimbursements	\$4,867,000
Total Agency Cost	\$28,677,000

The assemblage costs total \$23,810,000, and the cost reimbursements are estimated at \$4,867,000. The Agency costs total \$28,677,000.

B. Agency Revenues

The Agency will receive revenues that will offset a portion of the Agency costs. The Agency will receive the Existing Courthouse Site as compensation for the conveyance of the Agency Site. Based on an appraisal dated February 1, 2008, the value of the Existing Courthouse Site is \$24.2 million.¹

C. Net Agency Cost

The Agency costs are estimated at \$28.7 million and the Agency revenues are estimated at \$24.2 million. The resulting net Agency cost totals \$4.5 million.

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 Agency Site at the highest use allowed by the current zoning and by the Redevelopment Plan. The valuation must be based on the assumption that the Agency Site is vacant and that near-term development is required; but the valuation does not take into consideration any extraordinary restrictions and/or benefits that will result from Agency actions.

On March 12, 2008, an appraisal (Appraisal) was prepared for the Agency Site. The appraisal concluded that mixed-use development is the highest and best use of the properties, and set the value at \$80 per square foot of land area. This equates to \$18.9 million for the Agency Site.

¹ The value is allocated between land and improvements. The land value was set at \$14.2 million and the improvements value was set at \$10 million.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The AOC will be developing a public use on the Agency Site. Recognizing that the Courthouse Project is not an income producing use, the reuse value cannot be measured in traditional terms. Rather, this type of institutional use typically purchases property at the fair market value at the highest and best use. Thus, the fair reuse value for the Agency Site is estimated at \$18.9 million.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement requires the AOC to convey the Existing Courthouse Site to the Agency. This property has an appraised value of \$24.2 million.

The Agreement requires the Agency to convey the Agency Site, and to provide cost reimbursements, to the AOC. The value of these interests is estimated at \$23.8 million.

1. The value of the Agency Site is estimated at \$18.9 million.
2. A \$2 million cost reimbursement is assumed to be made during the Courthouse Project's construction.
3. The present value of \$250,000 annual installment payments over a 20-year term is estimated at \$2.9 million.

The value of the interests being conveyed by the AOC is approximately \$400,000 greater than the interests being conveyed by the Agency. Therefore, it can be concluded that the Agency is receiving fair compensation for the interests being conveyed.

VI. BLIGHT ELIMINATION

The Agency Site is deemed to be blighted in its current state. The implementation of the Agreement will result in the consolidation and development of the Agency Site with a new modern courthouse use. This development will eliminate the blighting conditions on the Agency Site. Thus, the implementation of the Agreement fulfills the blight elimination requirement imposed by Section 33433.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

The Agreement will assist the Agency in meeting the objectives and goals of its Implementation Plan in the following manner:

1. The development will serve to eliminate inadequate or deteriorated public improvements and facilities.
2. The Courthouse Project provides improved pedestrian and vehicular circulation in the Project Areas.
3. The development of the Agency Site will strengthen the economic base of the Project Areas and the community by providing needed site improvements and infrastructure. This will assist in stimulating new development and promoting employment and economic growth.

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

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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
(STATE COURTHOUSE PROJECT)

WHEREAS, the City Council of the City of Long Beach adopted and approved a certain Redevelopment Plan (the "Redevelopment Plan") for the Central Redevelopment Project (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 adjacent thereto; 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", are 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 The construction of the public improvements will assist in the
3 development of a new courthouse in the Central Project Area, which will
4 eliminate blighting conditions now present on the proposed courthouse site.
5 This development will help create a safe, more cohesive and economically
6 dynamic neighborhood, increase the safety of residents, promote job
7 creation, promote business attraction and retention, and spur economic
8 revitalization in the Project Area.

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

12 Before the passage of Proposition 13, most of the City's general
13 operating and capital improvements were funded through property taxes.
14 However, the initiative placed severe constraints on the City's ability to use
15 property tax revenues to offset increases in operating and capital costs. It
16 has also been difficult for the City, by itself, to provide sufficient funds to
17 support the construction of major public improvements. In fiscal year 2009-
18 2010, the limited resources of the City's General Fund are committed to
19 previously incurred obligations and planned projects.

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

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

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

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

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

EXHIBIT "A"

Street improvements, sidewalk improvements, traffic signalization improvements, street lighting, subsurface improvements and relocation of existing utilities in the area bounded by Ocean Boulevard, Maine Avenue, 5th Street and Pacific Avenue.