

# CITY OF LONG BEACH

# H-5

DEPARTMENT OF PLANNING AND BUILDING

333 W. Ocean Blvd. - Long Beach, CA 90802 - 562/570-6428 - FAX 562/570-6205

December 18, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive the supporting documentation into the record; conclude the public hearing; adopt the attached Resolution making certain findings; and authorize the City Manager to execute an Owner Participation Agreement with Shoreline Gateway, LLC for the development of the Shoreline Gateway project.  
(District 2)

## DISCUSSION

On November 5, 2007, the Redevelopment Agency (Agency) approved an Owner Participation Agreement (OPA) with Shoreline Gateway, LLC (Participant) for the development of the Shoreline Gateway Project (Project). This public hearing is to consider the sale of 777 East Ocean Boulevard (Property) and subsurface easements to the Participant. Since the property was acquired with tax increment monies, California Redevelopment Law requires that the sale be approved by the City Council by resolution after a public hearing.

### Terms and Conditions of the Sale

The terms and conditions of the sale and subsequent development are included in an OPA between the Agency and the Participant. Under the terms of the OPA, the Participant will pay the Agency \$1,800,000 for the Property. The valuation is the fair market value as determined by an independent appraisal. Additionally, the Agency will sell subsurface easements for 645 East Ocean Boulevard and 19 Lime Avenue for \$410,000.

### Project Plans

The Project site is comprised of a single parcel and vacated public right-of-way (approximately one acre) generally located north of Ocean Boulevard and Medio Street, between Lime and Alamitos Avenues (Exhibit A – Site Map).

The Project proposes a mixed-use development involving a 35-story residential tower at the northwest corner of Ocean Boulevard and Alamitos Avenue. The Project results in 221 residential units including live/work spaces, townhomes, one- to three-bedroom units, penthouse units and associated amenities. The proposed building would incorporate 12,624 square feet of retail/gallery space in addition to townhomes and live/work units on the ground floor and podium levels to activate the edges along Ocean Boulevard, Alamitos Avenue and Medio Street.

Parking for the Project includes four levels of subterranean parking to accommodate 464 stalls concealed from public view. Vehicular access to the Project would occur from Medio Street.

#### Compliance with California Environmental Quality Act

The Agency certified the Environmental Impact Report (EIR) on September 18, 2007, and a Supplemental EIR on November 5, 2007.

#### Summary Report

Pursuant to California Redevelopment Law, the Agency has made available for public inspection and reproduction a Summary Report (Exhibit B – 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 Property will assist in the elimination of blight; and
- An explanation of why the sale of the Property is consistent with the Agency's AB 1290 Implementation Plan.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on December 6, 2007, and Budget Management Officer Victoria Bell on December 6, 2007.

TIMING CONSIDERATIONS

City Council action is requested on December 18, 2007, in order to facilitate the sale transaction and begin construction as soon as possible.

FISCAL IMPACT

Proceeds from the land sale will be deposited in the Redevelopment Fund (RD). Building fees associated with the project will accrue to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



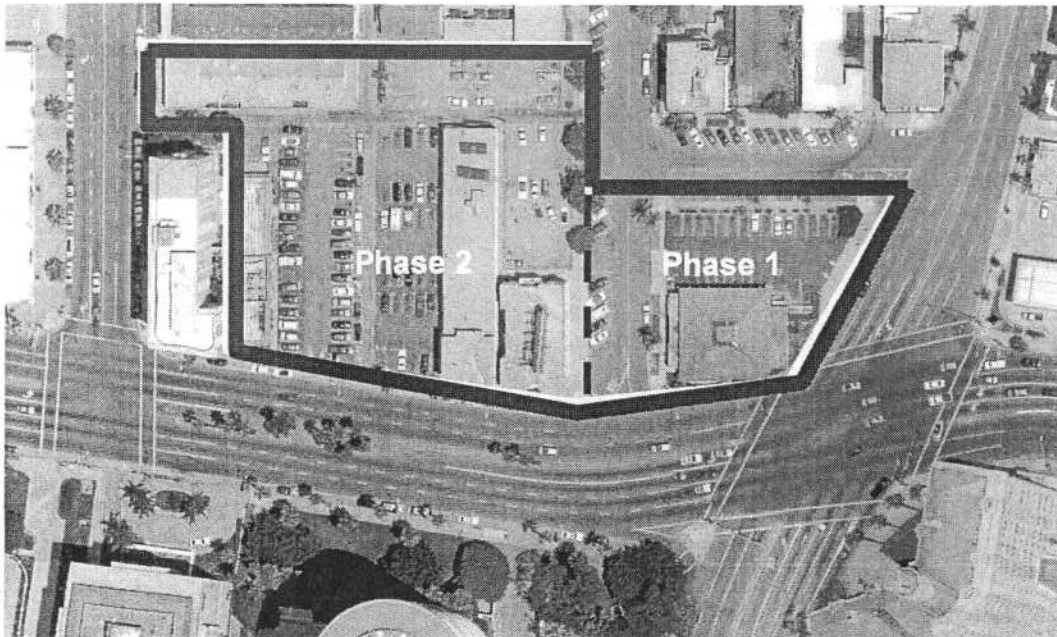
CRAIG A. BECK  
DIRECTOR OF PLANNING AND BUILDING

MPC:CAB:DSW

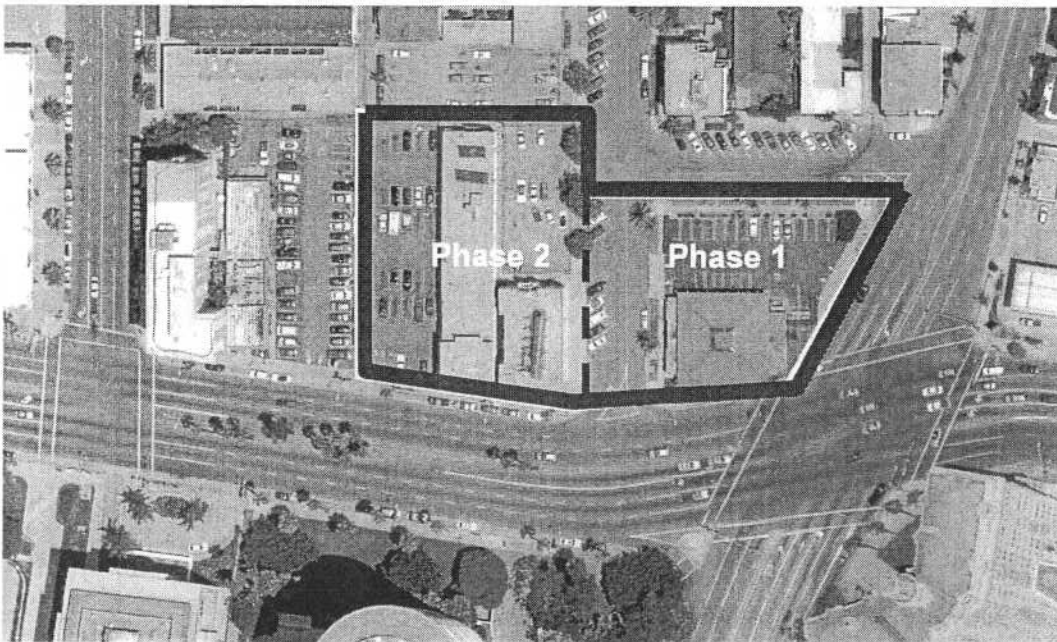
APPROVED:

  
\_\_\_\_\_  
PATRICK H. WEST  
CITY MANAGER

Attachments: Exhibit A – Site Map  
Exhibit B – Section 33433 Summary Report  
City Council Resolution



Original Project Area Boundary



Revised Project Area Boundary

EXHIBIT A

SHORELINE GATEWAY

Long Beach, California



studio **11** eleven  
at Parkowitz + Ruth Architects

## EXHIBIT B

**SUMMARY REPORT PURSUANT TO  
SECTION 33433  
OF THE  
CALIFORNIA HEALTH AND SAFETY CODE  
ON A  
OWNER PARTICIPATION AGREEMENT  
BY AND BETWEEN THE  
REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH  
AND  
SHORELINE GATEWAY, LLC**

The following Summary Report has been prepared pursuant to Section 33433 of the California Health and Safety Code. The report sets forth certain details of the proposed Owner Participation Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and Shoreline Gateway, LLC (Participant).<sup>1</sup>

The purpose of the Agreement is to effectuate the Central Long Beach Redevelopment Plan (Redevelopment Plan) by developing a two-phased mixed-use project on the 1.55-acre site located at the northwest corner of Ocean Boulevard and Alamitos Avenue (Site) in the Central Long Beach Redevelopment Project Area (Project Area) in the City of Long Beach (City). The Agreement is the result of the Agency extending to the Participant an opportunity to submit a proposal for the redevelopment of the Site.

The Agreement allows for the Project to be constructed on Site in two phases.<sup>2</sup> The Participant may choose to construct Phase II, but is under no obligation to do so. Under Phase I, the Site is comprised of the Agency Parcel, the Subterranean Easement Area and City Easement Areas and Vacation Streets (Phase I Site); Phase II of Site is comprised of the Owner Parcel and the Acquisition Parcels (Phase II Site).<sup>3</sup>

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 Participant and the Agency by the Agreement.

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<sup>1</sup> James R. Anderson, owner of the property at 635 East Ocean Boulevard, is the managing member of AndersonPacific, LLC (AP LLC). AP LLC is the managing member of Shoreline Gateway, LLC.

<sup>2</sup> Site refers to one or both of the Phase I Site and the Phase II Site.

<sup>3</sup> The Participant is under no obligation to purchase the Acquisition Parcels or develop Phase II. However, if the Participant decides to pursue the development of Phase II, the established Purchase Price of the Acquisition Parcels is \$5.75 million (Acquisition Parcels Purchase Price).

- 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 Property's existing zoning and the requirements imposed by the Redevelopment Plan.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Property based on the other conditions set forth in 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 Property.
- VI. **Blight Elimination:** This section describes the existing blighting conditions of the Property, 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 1.55-acre Site includes the following:

- 1. Phase I includes a total of 37,008 square feet of land area as follows:
  - a. Agency Parcel - The 15,171 square foot parcel is located at 777 East Ocean Boulevard, also known as Parcel 1a, and was owned by the City and leased to C.R. Visions (Tenant) which operated a video rental store. When the Tenant's lease expired, the Tenant opted to cease operations. The City then deemed the land as surplus property. In January 2007, the land was purchased by the Agency for redevelopment purposes and is currently being used as a parking lot.

The existing on-site improvement includes a 39-surface parking spaces and signage.

- b. Subterranean Easement Area - Includes 9,544 square feet of Parcels 2 and 4 of the Acquisition Parcels in Phase II, beneath Lime Street, Alamitos Avenue and Medio Street. Parcels 2 and 4 are also owned by the Agency.
- c. City Easement Areas - Easements beneath Medio Street, Alamitos Avenue owned by the City.
- d. Vacation Parcels - Portion of Lime Street, Alamitos Avenue, Medio Street and Lot line adjustment owned by the City totaling 21,837 square feet of land area.

2. Phase II includes a total 30,472 square feet of land area

- a. Participant Parcel - The Participant owns the 10,154 square foot parcel located at 635 E. Ocean Boulevard, which is also known as Parcel 2.
- b. Acquisition Parcels - These parcels are owned by the Agency:
  - i. Parcel 2 – Located at 19/25 Lime Avenue, the parcel includes 5,750 square feet of land area.
  - ii. Parcel 3 – Located at 619 E. Ocean Boulevard totaling 9,784 square feet of land area.
  - iii. Parcel 4 – Located at 645 E. Ocean Boulevard, the parcel includes 4,784 square feet of land area.

**B. Scope of Development**

The Participant is proposing to develop the following on the Site:

- 1. Phase I - The Participant is proposing to develop a 35-story mixed-use project in Phase I which will include the following:
  - a. 221 residential units which includes:
    - i. Ground floor live/work units and townhomes;
    - ii. One to three bedroom units; and
    - iii. Penthouse units and associated amenities.
  - b. 12,624 square feet of retail/gallery space.

- c. A four-level subterranean parking garage, which will accommodate 464 parking spaces.
2. Phase II will include a mixed-use tower. The detailed scope of development will be determined at a later date.

**C. Participant Responsibilities**

The Agreement requires the Participant to accept the following responsibilities in regards to Phase I:

1. Provide \$100,000 to the Agency (Performance Deposit) as security for the performance obligations pursuant to the Agreement.
2. Purchase the Phase I Site with cash at the Close of Escrow as follows:
  - a. Purchase the Agency Parcel for \$1.80 million (Agency Parcel Purchase Price), or \$119 per square feet of land area.
  - b. Purchase the Subterranean Easement Parcel for \$410,000 (Subterranean Easement Parcel Purchase Price), or \$43 per square feet of land area.
  - c. Acknowledge that the Agency is selling these parcels on an "As Is With All Faults" basis.
3. Fulfill the following obligations, prior to the conveyance of the Agency Parcel and the Subterranean Easement Parcel:
  - a. Provide the Escrow Agent with Purchase Note, Assignment of Plans and its share of the closing costs;
  - b. Approve the environmental, geological and soils condition of the Phase I Site, including any mitigation measures and monitoring requirements required by the Agency;
  - c. Review the Pro Forma Title Policy and agree to proceed with escrow despite the information contained in the report;
  - d. Execute and deliver the Grant Deed, the Grant of Easement, the Covenant Agreement, and the Agency Deed of Trust, three days prior to the Close of Escrow; and
  - e. Not be in default under the Agreement.



4. Execute the Grant of Easement which stipulates the following:
  - a. During construction, the Participant will have the right to enter Parcels 2 and 4 for construction staging, excavation and construction of the subterranean garage for Phase I;
  - b. Until construction of Phase II, the Participant will landscape the surface of Parcels 2 and 4 according to plans that integrate the surface of Parcels 2 and 4 with Phase I;
  - c. An easement for structural and subjacent support a landscape garden will be reserve for the Agency or its successors; and
  - d. Cooperate with the future developer of the remainder of Parcels 2 and 4.
  - e. Agree to develop the Phase I Site in accordance with the Scope of Development within the times set forth in the Schedule of Performance.
  - f. Request the City to abandon or vacate the Vacation Streets and to grant to Participant an easement in the City Easement Areas.
5. Taxes and Assessments:
  - a. Pay ad valorem taxes and assessments or any levied, assessed, or imposed after the conveyance of title for the Phase I Site.
  - b. Acknowledge that from the fiscal year in which the Certificate of Completion (COC) is issued for the Project and ending at the expiration of the time limit for repayment of indebtedness, the 2046-2047 fiscal year (Stipulated Tax Year), the "Taxable Assessed Value" will equal the sum of the following:
    - i. The Agency Parcel Purchase Price and the Subterranean Easement Parcel Purchase Price; plus
    - ii. The value of the improvements determined by the Planning and Building Department at the issuance of building permits for the Project (Stipulated Value).
  - c. Agree that the Participant or any successor in interest to the Phase I Site will pay the property tax bill for the Stipulated Tax Years and will not protest, appeal or attempt to lower the Taxable Assessed Value of the Site to an amount less than the Stipulated Value.
6. If necessary, seek to secure zoning at the time of conveyance to be such as to permit development of the Project, at its sole cost and expense.

7. Agree to indemnify and hold the Agency and City harmless from any losses and liabilities connected with the acquisition and development of the Agency Parcel, the Subterranean Easement Parcel, the City Easement Parcel and the Vacation Streets.
8. Provide evidence of having obtained the financing necessary for the acquisition of the Agency Parcel and Subterranean Easement Parcel.
9. Require contractors and subcontractors to 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 Participant will provide the Agency with a report outlining its compliance with this requirement.
10. Recognize that construction of the Project must be in compliance with all federal and state labor standards. Prevailing wage must be paid for all portions of the Project for which it is required. Additionally, the Participant will indemnify the Agency against any claims against the Participant's compliance with applicable federal and state prevailing wage laws.
11. Agree that there will be no discrimination against or segregation against any person or group of persons in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site; comply with the Americans with Disabilities Act (ADA) and indemnify and hold harmless the Agency and City for any liability that arises from failure to comply.
12. Acknowledge that the Participant has the right to terminate the Agreement if any of the following occurs:
  - a. Agency fails to convey title to the Agency Parcel and the Subterranean Easement Parcel in the condition and time established in the Agreement; or
  - b. Agency fails to reconvey the Agency Deed of Trust within the time established by the Agreement.
  - c. Agency fails to convey the Acquisition Parcels in the condition and time established in the Agreement.
13. Agree that the return of the Performance Deposit will be subject to the following:
  - a. Failure to commence construction subject to the Schedule of Performance provides for the retention of \$10,000;
  - b. Failure to comply with the City's permitted hours of construction, after the third violation, provides for the retention of \$5,000 per violation;

- c. Material deviation from the Stage III plans, provides for the retention of \$50,000; and
  - d. Failure to complete construction within the timeframe established in the Schedule of Performance, provides for the retention of \$5,000 for every 30 days completion of the Project is delayed.
14. Assume all the costs of developing the Site and constructing all improvements associated with complying with the EIR and implementing any mitigation measures.
  15. Affirm that in accordance with the "Percent of Public Art Guidelines" the Participant will pay the Agency a public art fee of approximately \$1.02 million.
  16. Acknowledge that prior to the date set in the Schedule of Performance, the Agency may require that 20% of the residential units within the Project be made available for sale to persons and families of moderate income (Affordable Units) at an affordable price as defined by Section 50052.5(b)(4) of the California Health and Safety Code for not less than 45 years from the date of the COC (Affordability Covenant).<sup>4</sup>
  17. Agree that the Agency will pay a fee (Covenant Fee) equal to the difference between the fair market price of the condominium unit fee of Affordability Covenants and the affordable housing cost of the Affordable units.<sup>5</sup>
  18. Agree to indemnify the Agency against all cost incurred by the Agency pursuant to the loan guaranty in excess of the sum of the principal amount of the Bank loan, plus three months' interest, plus fees charged by the Bank as allowed by the Deed of Trust securing the loan.
  19. Agree that prior to delivery of Agency's loan guaranty, the Participant will provide the Agency with the following:
    - a. Accounting of all amount incurred to date for the design and construction drawings and indicate which amounts are paid and which are outstanding;
    - b. Budget for the completion of the construction drawings and submit to the Agency the construction drawings at various stages of completion;
    - c. All records relevant to the disbursement of the Bank loan; and

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<sup>4</sup> If the Participant does not receive a written request for the designation of affordable units, the Participant will not be obligated to include Affordable Units within the Project.

<sup>5</sup> Assumes that the purchaser pays 3% of the purchase price in cash and finances the remainder with a fixed rate loan amortized over 30 years and will be responsible to pay the homeowner's association dues.

- d. Warrants that all proceeds of the Bank loan will be used only to pay for current invoices for design and construction drawings.
20. Request that the Agency assist the Participant in obtaining financing to pay a portion of its predevelopment costs through a loan guaranty. The terms and conditions of the loan guaranty are as follows:
- a. The loan amount is up to \$6.00 million;
  - b. It is secured by the First Deed of Trust encumbering the Participant Parcel owned by the Participant, the assignment of the Project construction and all related drawings; and
  - c. The guaranty carries a two-year term, plus a two-year option to extend.

The Participant has no obligation to develop Phase II of the Site and has no obligation to purchase the Acquisition Parcels. However, the Participant will have the option to purchase the Acquisition Parcels for \$5.75 million, less the \$410,000 credit for the Subterranean Easement Area, through 2012.

**D. Agency Responsibilities**

The Agreement requires the Agency and/or City to accept the following responsibilities:

- 1. Agree to sell the Agency Parcel to Participant for \$1.80 million (Agency Parcel Purchase Price) and to deliver the Agency Parcel to the Participant free of occupants and in a condition suitable for the development of the Project.
- 2. Agree to sell the Subterranean Easement Area to Participant for \$410,000 (Subterranean Easement Area Purchase Price).
- 3. Fulfill the following obligations, prior to the conveyance of the Agency Parcel and Subterranean Easement Area:
  - a. Issue a title insurance policy insuring that title to the Agency Parcel is vested to the Participant subject only to those title exceptions outlined in the Pro Forma Title Policy;
  - b. Approval of the Participant's evidence of insurance by the City's Risk Manager;
  - c. Title to the Acquisition Parcels must be vested in the Agency;
  - d. Adopt a resolution vacating with Vacation Streets and granting the Participant an easement in the City Easement Parcels;

- e. Receive certification from the lead agency for the Environmental Impact Report and the Supplemental Environmental Impact Report;
  - f. Deposit the Grant Deed, The Grant of Easement, the Option to Purchase and the Agreement Containing Covenants and all other documents and funds into escrow;
  - g. Provide Participant with Disclosure Statements and Site Remediation reports; and
  - h. Not be in default under the Agreement.
4. Pay into Escrow the following, promptly after receiving notification from the Escrow Agency:
- a. One half of the escrow fee;
  - b. Recording fees as appropriate;
  - c. Notary fees;
  - d. The premium for a CTLA standard owner's policy of the title insurance; and
  - e. Any State, County or City documentary stamps or transfer tax.
5. Prepare, at the Agency's cost, a Phase I report in line with the regulations issued by the Environmental Protection Agency six months prior to the Close of Escrow.
6. Agree to take any actions necessary to ensure that the condition of the Site is suitable for the development of the Project and at the Agency's cost, request that a soils engineer perform a file review of the Water Resources Regional Board's files and the City's Fire Department files on any releases from the adjacent property formerly used as a gas station. Agency will prepare a soil vapor and groundwater sampling plan for the Agency Parcel.
7. Agree that no amendment to the Redevelopment Plan on or after the execution of the Agreement can be executed before the COC without the consent of the Participant.
8. Agree to indemnify the Participant from any claims of damages or liabilities related to the termination of City or Agency lease, tenancy or occupancy of the Agency Parcel, Subterranean Easement Parcel, City Easement Parcel and Acquisition Parcels.

9. Assist the Participant with the following related to the Site or the Project:
  - a. Release or relocate City, Agency or department utility easements or other easements necessary to construct and develop the Project;
  - b. Release or relocate any easements or claims by adjacent property owners which may arise from the vacation of the Vacation Streets and City Easement Parcels; and
  - c. Cooperate in obtaining the release, extinguishment or acquisition of conditions, covenants, use restrictions, easement or other third party rights affecting the Site or Project.
10. Deposit Grand Deed and the Grant of Easements to the Escrow Agency three days before the Close of Escrow as outlined in the Schedule of Performance.
11. Encourage City to grant a variance to the City's parking code to allow the following:<sup>6</sup>
  - a. One parking stall for the one bedroom and den units;
  - b. Seek alternatives to the City's parking code for one bedroom units;<sup>7</sup> and
  - c. Allow a transit oriented discount of 5% on the number of parking spaces required by the City's parking code.
12. Review and approve drawings and related documents for the development of the Site within the times set forth in the Schedule of Performance.
13. Pay all costs related to the demolition of all structures on the Site, removal of debris from the Site, remediation of the Site, and the removal of asbestos from the Site.
14. Conditionally approve the Participant's Stage III Final Review Drawings for Phase I and approve the design for Phase II as presented in the EIR.
15. Encourage City to apply the development impact fee, the parks and recreation impact fee and the transit fee towards public improvements to be constructed adjacent to or near the Project.

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<sup>6</sup> Agency will make its best efforts to secure zoning, variance and discounts; however, the Participant acknowledges that the Agency can not make any change in zoning over the City's refusal or require the City to grant variances or discounts.

<sup>7</sup> Such as allowing automobile lifts in lieu of two parking spaces.

16. Work with the City to resolve the requirements listed in the EIR mitigation measures to install signalization at Alamitos Avenue and 7<sup>th</sup> Street; if the signalization is required, the Agency will pay the cost to install the signalization.
17. The Agency will have the right to terminate the Agreement if any of the following occurs:
  - a. Participant attempts to assign the Agreement or makes any total or partial sale, transfer, conveyance, or subleasing of the whole or part of the Site; or
  - b. There is any Significant Change in ownership or identity of the Participant; or
  - c. Participant fails to pay the Agency Parcel Purchase Price or the Subterranean Easement Parcel Purchase Price; or
  - d. Participant decides to develop Phase II and the Participant fails to pay the Acquisition Parcels Purchase Price; or
  - e. Participant does not take title to the Agency Parcel, Subterranean Easement Parcel, or the Acquisition Parcels (if Participant decides to do Phase II); or
  - f. Participant fails to submit evidence of financing by the time set forth in the Schedule of Performance; or
  - g. Participant breaches any of the representations, warranties, or covenants of the Agreement; or
  - h. Participant does not submit plans, drawings and related documents required by the Agreement by the time set forth in the Schedule of Performance; and/or
  - i. Participant violates any other material obligation.
18. Agree to pay the Participant the costs associated with the development of any and all plans, drawings, studies and related documents concerning the Site if the Agreement is terminated, at the Agency's request, before the construction begins.
19. Agree to return the Performance Deposit to the Participant at the issuance of the COC, if the Agreement is not canceled or terminated.
20. Affirm that in compliance with the "Percentage of Public Art Guidelines" 85% of the public art fee can be used on-site with Agency approval and 15% of the public art fee must be payable in cash.
21. Acknowledge that within 30 days of receiving the offering sales prices for the potential Affordable Units, the Agency Executive Director will select the Affordable Units and

provide the Participant with the affordable housing costs for each unit and the resulting Covenant Fee for each Affordable Unit.

22. Agree that any Affordable Units for which the Agency does not purchase an affordability covenant, the Participant will notify the Agency of any sales price reduction of more than 5% and allow the Agency the opportunity to purchase an affordability covenant.
23. Affirm that at the close of escrow for each affordable units, the following will occur:
  - a. Agency and Participant will execute and record in the official records of Los Angeles County a covenant agreement detailing the affordability restrictions;
  - b. Agency will pay the Covenant Fee; and
  - c. Agency and buyer will execute and record the covenants as determined by the Agency and acceptable to the Long Beach Housing Development Company.<sup>8</sup>
24. Provide an option for the Participant to purchase the Acquisition Parcels for \$5.75 million less the \$410,000 credit for the Subterranean Easement Area that is to extend through 2012.

## II. COST OF THE AGREEMENT TO THE AGENCY

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

### Phase I

Agency Parcel Acquisition Cost	\$1,800,000
Subterranean Easement Area Acquisition Cost	410,000
Demolition Costs	64,805
Site Improvement Costs	66,606
Bond Interest Costs <sup>9</sup>	276,210
<b>Total Agency Costs – Phase I</b>	<b>\$2,617,621</b>

<sup>8</sup> The Long Beach Housing Development Company is a third party beneficiary, and at the election of the Agency, the Long Beach Housing Development Company may exercise the right to purchase affordability covenants under this Agreement.

<sup>9</sup> Estimate based on 4% of the \$57 million bond allocation, which is the portion that has been directed to Phase I acquisition costs.



The Agency costs for Phase I of the proposed Project totals \$2.62 million. However, these costs are offset by the following revenues:

Agency Parcel Purchase Price	\$1,800,000
Subterranean Easement Area Purchase Price	410,000
Parking Lot Revenue	7,040
Present Value of Net Tax Increment Revenue <sup>10</sup>	15,234,000
<b>Total Agency Revenues</b>	<b>\$17,451,040</b>

Therefore, it is anticipated that the Agency will net \$14.83 million from Phase I of the proposed Project.

**Phase II**

Acquisition Parcels Acquisition Costs	\$5,750,000
Demolition Costs	TBD
Relocation Costs	TBD
Bond Interest Costs	TBD
<b>Total Agency Costs – Phase I</b>	<b>\$5,750,000</b>

The Agency costs for Phase II of the proposed Project will total at least \$2.62 million. However, these costs will be offset by the Participant’s purchase price payment of \$5.75 million plus the net tax increment revenue generated by Phase II. Given that the Phase II Scope of Development is not clearly defined, an estimate of the net tax increment revenue to be received by the Agency could not be calculated.

**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 Property’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 have to take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the Agency.

<sup>10</sup> Based on the net tax increment projections provided by the Revenue Generation Analysis by Economic Planning Specialists, dated July 24, 2007. Assumes a 6% discount rate to arrive at the present value of the net tax increment payments projected for fiscal years 2009/10 through 2046/47.

The Agency Parcel is a 15,171 square foot lot within the Central Business District (PD-30) which permits various commercial and office oriented uses, in addition to multi-family residential developments. The Agency purchased the Agency Parcel from the City on January 25, 2007, at the negotiated price of \$1.80 million based on appraisals commissioned by the City and Agency. Therefore, it is concluded that the Agency Parcel's value at the highest and best use is \$1.80 million, or approximately \$119 per square foot of land area.

The Agency also has acquired or is in the process of acquiring the Acquisition Parcels based on independent appraisals commissioned in 2007 for a total of \$5.75 million. Therefore, it is concluded that the value of the Acquisition Parcels at the highest and best use is \$5.75 million, or \$283 per square foot of land area. However, it should be noted that \$410,000 of the value should be deducted due to the bifurcation of the below grade portion of Parcels 2 and 4 that are included in Phase II.

The value of the Subterranean Easement Area is estimated to be 10% of the value of Parcels 2 and 4 of the Acquisition Parcels. The value for the two parcels is set at \$4.10 million; therefore, the value of the Subterranean Easement Area is \$410,000.

In summary, the estimated value at the highest and best use of the Agency-owned parcels is as follows:

Agency Parcel	\$1,800,000
Subterranean Easement Area	410,000
Acquisition Parcels (net)	5,340,000
Total Agency-owned Parcels	\$7,550,000

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

The fair reuse value of the Site 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 the Agency. The Participant intends to develop the Phase I Site with 221 market rate units and 12,624 square feet of retail and gallery space. Under the Agreement, the Agency is required to convey the Agency Parcel and the Subterranean Easement Area to the Participant with no restrictions that would reduce the fair market value of the parcels. Therefore, the reuse value of the Agency Parcel and the Subterranean Easement is equal to the fair market value at the highest and best use, which is \$2.21 million.

While the Scope of Development for the Phase II is not clearly defined, the Agreement requires the Agency to convey the Acquisition Parcels to the Participant with no restrictions that would reduce the fair market value of the Site. Therefore, the reuse value of the Acquisition Parcels is also equal to the fair market value at the highest and best use, which is \$5.34 million.

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

The Agreement requires the Agency to convey the Agency-owned parcels to the Participant for the following consideration:

Agency Parcel	\$1,800,000
Subterranean Easement Area	410,000
Acquisition Parcels (net)	5,340,000
Total Agency-owned Parcels	\$7,550,000

The total consideration to be received for the Agency-owned parcels is \$7.55 million. This amount equals the established fair market value of \$7.55 million identified above. Thus, it can be concluded that the Agency is receiving fair consideration for the interest being conveyed to the Participant.

**VI. BLIGHT ELIMINATION**

The Site is currently used as a surface parking lot, operated by the Agency. In its current condition, the Site is considered an underutilized property that does not further the revitalization of the Downtown area as stipulated in the City's General Plan, the Downtown Long Beach Strategic Action Plan and the East Village Art District Guide. Development of the Project will contribute to elimination of the current physical blighting conditions and will create an economically viable use on the Site. Thus, the proposed development fulfills the blight elimination requirement.

**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. The Elimination of blighting influences, and the correction of environmental deficiencies in the Project Area, including, among others, small and irregular lots, obsolete and aged building types, incompatible and uneconomical land uses, and inadequate or deteriorated public improvements and facilities.
2. The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
3. The preplanning, redesign and development of portions of the Project Area which are stagnant and improperly utilized.

1 RESOLUTION NO.

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

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

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

24 WHEREAS, Shoreline Gateway, LLC, a Delaware limited liability company,  
25 (the "Developer"), has submitted to the Agency a written offer in the form of the  
26 Agreement to purchase the Property for not less than fair market value for uses in  
27 accordance with the Redevelopment Plan and the covenants and conditions of the  
28 Agreement; and

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

1                   WHEREAS, the proposed Agreement contains all the provisions, terms and  
2 conditions and obligations required by Federal, 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 Agreement to the Agency, the estimated value of the interest to be conveyed,  
8 determined at the highest uses permitted under the Redevelopment Plan and the  
9 purchase price and has made the summary available for public inspection in accordance  
10 with the California Redevelopment Law; and

11                   WHEREAS, the Agency has certified EIR No. 2005-121066 under the  
12 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 Agreement after publication of notice  
16 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 Agreement is in the best interests of the City and the health, safety, morals and  
20 welfare of its residents and in accord with the public purposes and provisions of  
21 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 Agreement is not less than fair market value in  
26 accordance with covenants and conditions governing the sale, and the Council further  
27 finds and determines that the consideration for the sale of the Property, determined at the  
28 highest and best use under the Redevelopment Plan, is necessary to effectuate the

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ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
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1 purposes of the Redevelopment Plan for the Project.

2 Section 2. The sale of the Property by the Agency to Developer and the  
3 Agreement which establishes the terms and conditions for the sale and development of  
4 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 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 \_\_\_\_\_, 2007, by the  
12 following vote:

13 Ayes: Councilmembers: \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_

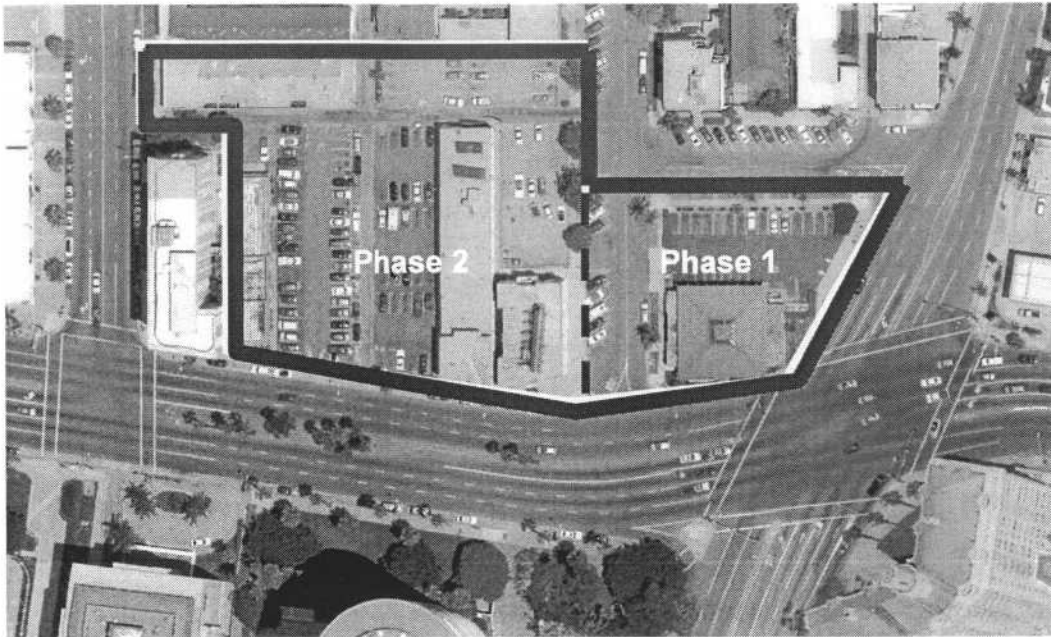
17 Noes: Councilmembers: \_\_\_\_\_  
18 \_\_\_\_\_

19 Absent: Councilmembers: \_\_\_\_\_  
20 \_\_\_\_\_

21 \_\_\_\_\_  
22 City Clerk

23  
24  
25  
26 HAM:fl  
10/25/07  
07-05170

27  
28



Original Project Area Boundary



Revised Project Area Boundary

EXHIBIT A

SHORELINE GATEWAY

Long Beach, California



studio eleven  
at Perkowitz+Ruth Architects