



Building A Better Long Beach

September 21, 2009

REDEVELOPMENT AGENCY BOARD MEMBERS

City of Long Beach
California

RECOMMENDATION:

Receive supporting documentation into the record, conclude the public hearing, and adopt the attached resolution finding that the consideration for the sale of certain real property in the West Long Beach Industrial Redevelopment Project Area is not less than fair market value in accordance with covenants and conditions governing such sale, and approving the sale of property to the McFadden Family Trust; and

Authorize the Executive Director to execute an Owner Participation Agreement with McFadden Family Trust for the development of 1652-1660 W. 15th Street. (West Long Beach Industrial – District 1)

DISCUSSION

Staff has concluded the negotiation of an Owner Participation Agreement (Agreement) with McFadden Family Trust (Developer) for the sale and development of Redevelopment Agency (Agency) owned property located at 1652-1660 W. 15th Street (Site), Assessor Parcel Number 7432-009-014 (Exhibit A – Site Map). The Site is located in the West Long Beach Industrial Redevelopment Project Area (Project Area).

The Developer's business, CMAC Construction Company, is a general contracting firm located within the Project Area at 1450 Santa Fe Avenue. Established in 1975, the company provides construction related services for the petrochemical industry. CMAC specializes in the mechanical construction field, including new construction, structural and piping, plant turnaround, fire protection, general maintenance, and shop fabrication. CMAC is also authorized by the State of California to witness Pipeline Hydrotest Certifications. The company currently employs 60 people and anticipates hiring additional employees upon expansion.

CMAC's revenue has grown steadily over the last 35 years to over \$10 million in gross sales per year. The projected growth has prompted the owner to look for additional yard space in the immediate area making the Agency-owned property an ideal acquisition for their needs. The Developer intends to improve the Site with a surface lot, install a block

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wall with wrought iron fencing, and add five feet of landscaping around the perimeter of the Site. The lot would include curbs, gutters and sidewalks (Exhibit B – Site Plan). No structures are proposed for the Site.

The Agreement includes the following major provisions:

- Under the terms of the Agreement, the Developer will pay the Agency \$35 per square foot, or \$371,875, as compensation for the approximately 10,625-square-foot site.
- The Developer will utilize the Site in accordance with the West Long Beach Industrial Redevelopment Plan and all applicable City of Long Beach codes and regulations including providing appropriate landscaping and screening.
- An Agreement Containing Covenants will be recorded at closing. This document will prohibit certain uses, describe maintenance responsibilities and levels of maintenance, and require that any future improvements be subject to the Design Guidelines for the Project Area.
- The Developer agrees to close escrow within six months of the date of the Agreement and complete construction on the Site within 180 days.

The City's Environmental Planning Officer has determined that the project contemplated by the Agreement qualifies for a Categorical Exemption under the California Environmental Quality Act.

Since the property was purchased by the Agency with tax increment monies, California law requires that this sale must also be approved by the City Council by resolution after a public hearing.

Pursuant to California Redevelopment Law, the Agency has made available for public inspection and reproduction a Summary Report (Exhibit C – Section 33433 Summary Report) that contains the following:

- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the Redevelopment Plan.
- The estimated value of the interest to be conveyed and with the conditions, covenants and development costs required by the Agreement.
- The purchase price.
- The cost of the Agreement to the Agency.
- The net cost/benefit to the Agency.

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- 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.

On July 8, 2009, the West Long Beach Industrial Project Area Committee made a recommendation to approve the Developer's conceptual site plan and entering into an Owner Participation Agreement. A public hearing before the City Council is scheduled for November 10, 2009.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CRAIG BECK
EXECUTIVE DIRECTOR

CB:AJB:SJ

Attachments: Exhibit A – Site Map
Exhibit B – Site Plan
Exhibit C – Section 33433 Summary Report
Redevelopment Agency Resolution



Exhibit A
SITE MAP



Exhibit C

**SUMMARY REPORT PURSUANT TO
SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON AN
OWNER PARTICIPATION AGREEMENT
BETWEEN THE
REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA
AND
MICHAEL L. MCFADDEN TRUST**

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 Owner Participation Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and Michael L. McFadden Trust (Owner). The purpose of the Agreement is to effectuate the Redevelopment Plan for the West Long Beach Industrial Redevelopment Project Area (Project Area).

The Agreement requires the Agency to convey to the Owner, a 10,625 square foot parcel located at 1652 – 1660 West 15th Street (Site). The Owner currently operates a business on a property adjacent to the Site. To allow for the expansion of the Owner's business, the Agreement requires the Owner to construct a secured surface parking lot on the Site (Project).

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 Owner and the Agency by the Agreement.
- II. **Cost of the Agreement to the Agency:** This section details the total cost to the Agency associated with implementing the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the Site's existing zoning and the requirements imposed by the Redevelopment Plan for the Project Area (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 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. **Project Description**

The scope of development required by the Agreement includes the development of a secured surface parking lot to serve the expansion of the Owner's business adjacent to the Site. The Project includes the installation of a block wall, wrought iron fencing, and five feet of landscaping around the perimeter of the Site.

B. **Owner Responsibilities**

The Agreement requires the Owner to accept the following responsibilities:

- 1. Prior to the Agreement's execution, the Owner must provide a \$10,000 refundable Performance Deposit to the Agency.
- 2. The Owner must pay the Agency \$371,875 to purchase the Site (Purchase Price).
- 3. The Owner must accept the 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.
- 4. Prior to conveyance of the Site, the following must be completed:
 - a. The Owner must approve the Site's environmental, geological and soils condition.
 - b. The Owner must approve the City's General Plan and zoning as it pertains to the Site.
 - c. The Owner must submit the following to the Agency's Executive Director:

- i. Evidence of financing;
 - ii. Final Construction Drawings; and
 - iii. The Project's construction budget.
- d. The Owner must have obtained a grading or building permit for the Project.
- 5. The Owner must complete the activities required by the Agreement in accordance with the Scope of Development and Schedule of Performance attachments to the Agreement.
- 6. The Owner shall make a good faith effort to use the Pacific Gateway Workforce Investment Network services in their hiring programs.
- 7. The Owner, and any contractors and subcontractors engaged to construct the Project, must comply with any applicable prevailing wage requirements.
- 8. The Owner shall comply with the "Percent for Public Art Guidelines" established by the Agency.
- 9. The Owner must bear 100% of the costs associated with developing the Project.
- 10. With regard to ad valorem taxes assessed to the Project:
 - a. The Owner must agree that the "Taxable Assessed Value" of the Project will be set at the greater of:
 - i. The assessed value as determined by the County Assessor, or
 - ii. The Purchase Price plus Project's improvement value (Stipulated Value).
 - b. The Owner agrees not to appeal or protest the Taxable Assessed Value of the Project to an amount lower than the Stipulated Value.
 - c. Upon two business day's notice, the Owner must provide to the Agency property tax records for the last three years.
 - d. For any delinquencies in property tax payments, the Owner shall pay to the Agency the deficiency plus interest at 9% per year compounded monthly.

C. Agency Responsibilities

The Agreement imposes the following responsibilities on the Agency:

- 1. The Agency must convey the Site to the Owner.

2. Prior to conveyance of the Site to the Owner, the following must be completed:
 - a. The Agency must pay any outstanding ad valorem taxes, possessory interest tax, and assessments applicable to the Site.
 - b. The Agency's Executive Director must approve the following Owner submissions:
 - i. The evidence of financing;
 - ii. Final Construction Drawings;
 - iii. Project construction budget; and
 - iv. Proof of insurance in accordance with the terms of the Agreement.

II. COST OF THE AGREEMENT TO THE AGENCY

A. Agency Costs

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

	1652 - 1660 W. 15 th St.
Site Acquisition Cost	\$895,000
Landscaping	10,000
Environmental Report	2,200
Escrow & Title Fees	5,955
Legal/ Appraisal/ Consulting Fees	20,000
Estimated Staff Time & Overhead	5,000
Demolition & Remediation	8,000
Tenant Relocation	100,000
Total Agency Cost	\$1,046,155

B. Agency Revenues

The Agency will receive the \$371,875 Purchase Price as compensation for the conveyance of the Site.

C. Net Agency Cost

The Agency costs are estimated at \$1,046,155 and the Agency revenues total \$371,875. The resulting net Agency cost totals \$674,280.

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 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 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 July 13, 2009, an appraisal (Appraisal) was prepared for the Site. The Appraisal established industrial development as the highest and best use of the property, and set the total land value at \$335,000 or \$31.53 per square foot of land area.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The Agreement does not impose any extraordinary restrictions on the Owner. As such, the fair reuse value is the same as the value of the Site at the highest use permitted by the current zoning and by the Redevelopment Plan. Thus, the fair reuse value is estimated at \$335,000.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement requires the Owner to purchase the Site for \$371,875. This purchase price is greater than the Site's fair market value at the highest use permitted by the current zoning and by the Redevelopment Plan, as well as the established fair reuse value. Therefore, it can be concluded that the Agency is receiving fair compensation for the interests being conveyed.

VI. BLIGHT ELIMINATION

The Site is deemed to be blighted in its current state. The implementation of the Agreement will result in the development of a secured surface parking lot to allow for the expansion of the Owner's business that is located on the adjacent property. The proposed development of the Site will eliminate the existing blighting conditions. 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 of the Site will serve to revitalize industrial uses, thereby allowing for the retention of existing uses in the Project Area.
2. The Agreement provides for the Site to be assembled with privately-owned land for industrial use. This is consistent with the Business and Land Development Program of the Implementation Plan.
3. The Project will generate new private investment, and will potentially increase land values in the Project Area.

RESOLUTION NO. R. A.

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA, FINDING THAT THE CONSIDERATION FOR THE SALE OF CERTAIN REAL PROPERTY IN THE WEST LONG BEACH INDUSTRIAL REDEVELOPMENT PROJECT AREA IS NOT LESS THAN FAIR MARKET VALUE IN ACCORDANCE WITH COVENANTS AND CONDITIONS GOVERNING SUCH SALE; APPROVING THE SALE OF PROPERTY TO THE MCFADDEN FAMILY TRUST; APPROVING THE OWNER PARTICIPATION AGREEMENT PERTAINING THERETO; AND AUTHORIZING THE EXECUTION OF THE OWNER PARTICIPATION 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 West Long Beach Industrial 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 Owner Participation Agreement and which Property is described in Exhibit "A" which is attached and incorporated by reference; and

WHEREAS, the McFadden Family Trust (the "Developer") has submitted to the Agency a written offer in the form of an Owner Participation 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 Owner Participation

Agreement; and

WHEREAS, the proposed Owner Participation Agreement contains all the provisions, terms and conditions and obligations required by Federal, State and local law; and

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

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

WHEREAS, pursuant to the provisions of the California Community Redevelopment Law, the Agency held a public hearing on the proposed sale of the Property and the proposed Owner Participation Agreement after publication of notice as required by law; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed sale and has found that the redevelopment of the Property pursuant to the proposed Owner Participation Agreement is in the best interests of the City and the health, safety, morals and welfare of its residents and in accord with the public purposes and provisions of applicable Federal, State and local law;

NOW, THEREFORE, the Redevelopment Agency of the City of Long Beach, California resolves as follows:

Section 1. The Agency hereby determines that the development of the Property is categorically exempt under the California Environmental Quality Act.

Section 2. The Agency finds and determines that the consideration for sale of the Property pursuant to the Owner Participation Agreement is not less than fair market value in accordance with covenants and conditions governing the sale.

Section 3. The sale of the Property by the Agency to Developer and the Owner Participation Agreement which establish the terms and conditions for the sale and development of the Property are approved.

Section 4. The sale and development of the Property shall eliminate blight within the Project Area and is consistent with the implementation plan for the Project adopted pursuant to Health and Safety Code Section 33490.

Section 5. The Executive Director of the Agency is authorized to execute the Owner Participation Agreement (including attachments).

Section 6. The Executive Director of the Agency is authorized to take all steps and to sign all documents and instructions necessary to implement and carry out the Owner Participation Agreement on behalf of the Agency.

APPROVED AND ADOPTED by the Redevelopment Agency of the City of Long Beach, California this _____ day of _____, 2009.

Executive Director/Secretary

APPROVED:

Chair

Exhibit "A"

LEGAL DESCRIPTION

Real property in the City of Long Beach, County of Los Angeles, State of California, described as follows:

LOT NINE (9) AND LOT TEN (10) IN BLOCK THIRTY-ONE (31) OF THE INNER HARBOR TRACT, IN THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8 PAGE 62 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

THE EASTERLY FIVE (5) FEET OF LOT ELEVEN (11) IN BLOCK THIRTY-ONE (31) OF THE INNER HARBOR TRACT, IN THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 8 PAGE 62 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. THE NORTHEASTERLY CORNER OF SAID ELEVEN (11) BEING 37.89 FEET EASTERLY OF THE CENTER LINE OF SANTA FE AVENUE AS ESTABLISHED IN 1923 BY THE CITY ENGINEER OF LONG BEACH, ON THE SOUTH WESTERLY CORNER OF LOT TWELVE (12) OF SAID BLOCK THIRTY-ONE (31) BEING 38.76 FEET EASTERLY OF SAID CENTER LINE.

APN: 7432-009-014