

CITY OF LONG BEACH

H-1

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 3rd Floor Long Beach, CA 90802 Phone: 570.5237 Fax: 570.6215

March 9, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record, conclude the public hearing, and adopt the attached resolution making certain findings for an Owner Participation Agreement with Jana Land Company, Inc., for the development of 1601 West 17th Street. (District 1)

DISCUSSION

The Long Beach Redevelopment Agency (Agency) staff has concluded the negotiation of an Owner Participation Agreement (Agreement) with Jana Land Company, Inc., dba Dion & Sons, Inc., (Developer), for the sale and development of Agency-owned property located at 1601 West 17th Street (Site)(Exhibit A – Site Map). The Site is located in the Westside Industrial Redevelopment Project Area (Westside).

The Developer's business, Dion & Sons, Inc., was founded in 1930 as Amber Lubricants to supply fuels and oils to Southern California's oil well drilling industry. For the past 80 years, the company has been a recognized distributor of high quality fuels, lubricants, solvents, and mineral and synthetic metal-working fluids to regional businesses. Often times during natural disasters such as recent wildfires in Southern California, Dion & Sons is called upon to provide needed fuels for fire trucks and other equipment used on site.

The company's sales have continuously grown during the past years placing Dion & Sons among the top twenty sales tax producers in Long Beach. The projected growth has prompted the owner to look for additional storage 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 wall with wrought iron fencing and screening, 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 \$143,550 as compensation for the 4,950-square-foot Agency-owned property at 1601 West 17th Street.
- 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.

At its meeting held on August 12, 2009, the Westside Project Area Committee made a recommendation to approve the Developer's conceptual site plan for the project. The Redevelopment Agency approved the Agreement at its meeting of March 1, 2010.

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

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

- The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the Redevelopment Plan.
- The estimated value of the interest to be conveyed and with the conditions, covenants and development costs required by the Agreement.
- The purchase price.
- The cost of the Agreement to the Agency.
- The net cost/benefit to the Agency.
- An explanation of why the sale of the Site will assist in the elimination of blight.
- An explanation of why the sale of the Site is consistent with the Agency's AB 1290 Implementation Plan.

HONORABLE MAYOR AND CITY COUNCIL

March 9, 2010

Page 3 of 3

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on February 17, 2010 and by Budget Management Officer Victoria Bell on February 18, 2010.

TIMING CONSIDERATIONS

City Council action is requested on March 9, 2010, as the Agency and Developer wish to proceed with an escrow closing on or before May 30, 2010.

FISCAL IMPACT

The proceeds of \$143,550 from the proposed property sale will be deposited into the Redevelopment Fund (RD) in the Department of Development Services (DV). The Developer will pay the Agency with private funds. There will be no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



RONALD I. HARRISON

INTERIM DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:



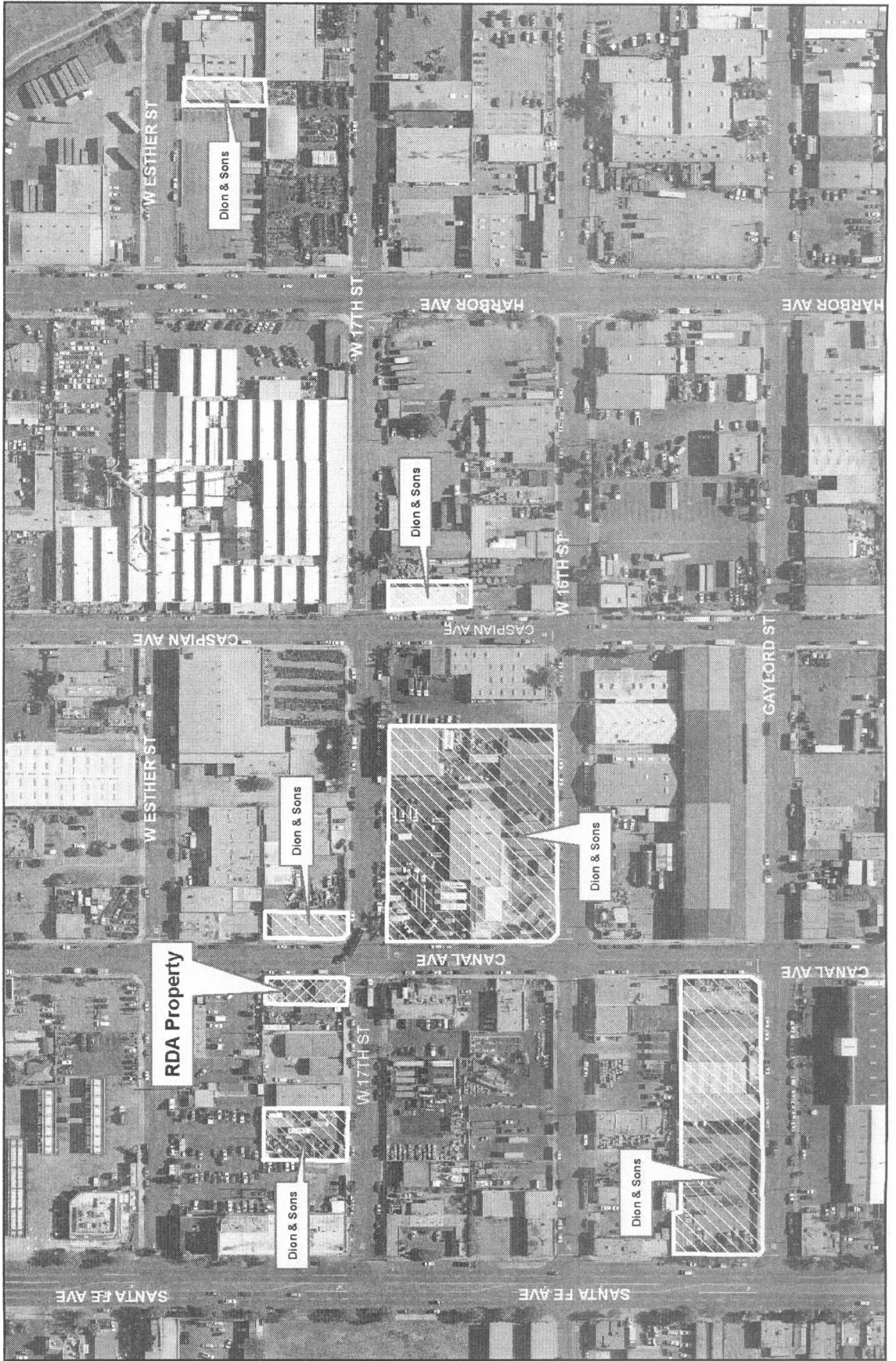
PATRICK H. WEST
CITY MANAGER

RH:AJB:SJ

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

Exhibit A
Site Map

JANA LAND COMPANY, INC.
dba DION & SONS



**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
JANA LAND COMPANY, INC.**

The following Summary Report has been prepared pursuant to California Health and Safety Code Section 33433 (Section 33433). The report sets forth certain details of the proposed Owner Participation Agreement (Agreement) between the Redevelopment Agency of the City of Long Beach (Agency) and Jana Land Company, Inc. (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 a 4,950 square foot parcel located at 1601 West 17th Street (Site) to the Owner. The Site will be consolidated with the Owner's adjacent property to allow for the expansion of the Owner's existing business. The scope of development required by the Agreement is referred to as the "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 for the Site under 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:

- 1. The construction of the following improvements:
 - a. A storage facility for bulk materials and equipment;
 - b. Loading and unloading areas;
 - c. A block wall with wrought iron fencing to screen the storage and loading areas;
and
 - d. Curbs, gutters and sidewalks.
- 2. The installation of any utilities lines and facilities that are required to serve the Project.
- 3. The provision of adequate parking for visitors, customers and employees.

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 \$143,550 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. Site plan, schematic drawings and related documents for the Project’s development;¹
 - iii. The Project’s construction budget; and
 - iv. Proof that the insurance requirements imposed by the Agreement have been fulfilled.
 - d. The Owner must approve the permitted exceptions and the pro forma title report for the Site.
 - e. The Owner must have obtained a grading or building permit for the Project.
5. The insurance requirements imposed by the Agreement are:
 - a. Commercial general liability insurance equivalent in scope to ISO form CG 00 01 11 85 or 11 88 in an amount not less than \$2 million;
 - b. Commercial automobile liability insurance equivalent in scope to ISO form CA 00 01 06 92 covering Auto Symbol 1 (Any Auto) in an amount not less than \$1 million;
 - c. Professional liability insurance in an amount not less than \$1 million per claim covering any person providing professional services to the Project;
 - d. “All Risk” Property insurance in an amount sufficient to cover the full replacement value of the Project;

¹ These documents were submitted to the Agency prior to the execution of the Agreement. These submissions will be approved concurrently when the Agreement is executed.

- e. Workers' compensation insurance as required by the State of California Labor Code, with minimum limits of \$1 million per accident; and
 - f. The contractors and subcontractors engaged to construct the Project must meet the applicable insurance requirements imposed by the Agreement.
6. 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.
 7. The Owner must comply with the "Percent for Public Art Guidelines" established by the Agency.
 8. The Owner shall make a good faith effort to use the Pacific Gateway Workforce Investment Network services in their hiring programs.
 9. The Owner, and any contractors and subcontractors engaged to construct the Project, must comply with any applicable prevailing wage requirements.
 10. The Owner must bear 100% of the costs associated with developing the Project.
 11. The Owner must maintain the property in accordance with "Reasonable Standards" as defined in the Agreement.
 12. With regard to ad valorem taxes assessed to the Project:
 - a. Ad valorem tax covenants are imposed over a period that commences when the Agreement is executed, and terminates on June 30, 2027.
 - b. 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).
 - c. The Owner agrees not to appeal or protest the Taxable Assessed Value of the Project to an amount lower than the Stipulated Value.
 - d. Upon 10 business day's notice, the Owner must allow the Agency to audit the property tax records for the Project over the most recent three years.
 - e. 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 complete any mitigation and monitoring requirements related to the environmental, geological and soils condition of 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.
3. The Agency's Executive Director must identify the permitted exceptions and pro forma title report that will be acceptable for the Site.
4. If zoning modifications are required to undertake the Project, the Agency must cooperate with the Owner, and use its best efforts to secure the necessary zoning.

II. COST OF THE AGREEMENT TO THE AGENCY

A. Agency Costs

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

Site Acquisition Cost	\$600,000
Landscaping & Maintenance	2,000
Environmental Report	3,000
Escrow & Title Fees	5,000
Legal/ Appraisal/ Consulting Fees	10,000
Estimated Staff Time & Overhead	5,000
Demolition	18,200
Tenant Relocation	69,900
Total Agency Cost	\$713,100

B. Agency Revenues

The Agency will receive the \$143,550 Purchase Price as compensation for the conveyance of the Site.

C. Net Agency Cost

The Agency costs are estimated at \$713,100 and the Agency revenues total \$143,550. The resulting net Agency cost totals \$569,550.

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 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 January 12, 2010, an appraisal (Appraisal) was prepared for the Site by Lidgard and Associates Incorporated. The Appraisal established industrial development as the highest and best use of the property, and set the total land value at \$143,500 or approximately \$29.00 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 Redevelopment Plan. Thus, the fair reuse value is estimated at \$143,500.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Agreement requires the Owner to purchase the Site for \$143,550. This purchase price is approximately equal to the Site's fair market value at the highest use permitted 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 surface parking lot; fencing; curbs, gutters and sidewalks; and perimeter landscaping. These improvements will allow the Owner to expand the 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.

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 APPROVING THE PROPOSED OWNER PARTICIPATION AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, CALIFORNIA, AND JANA LAND COMPANY, INC.; 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 THE PROPERTY AND 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, Jana Land Company, Inc. (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

1 Agreement; and

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

13 WHEREAS, the Agency has determined that the development of the
14 Property is categorically exempt under the California 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 Owner Participation Agreement after
18 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 Owner Participation Agreement is in the best interests of the City and the
22 health, safety, morals and welfare of its residents and in accord with the public purposes
23 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 Owner Participation Agreement is not less than
28 fair market value in accordance with covenants and conditions governing the sale, and

1 the Council further finds and determines that the consideration for the sale of the
2 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 Owner Participation Agreement which establish the terms and conditions for the sale and
6 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 _____, 2010 by the
14 following vote:

15
16 Ayes: Councilmembers: _____
17 _____
18 _____
19 _____

20 Noes: Councilmembers: _____
21 _____

22 Absent: Councilmembers: _____
23 _____

24
25
26 _____
27 City Clerk

28

Exhibit A
Site Map

JANA LAND COMPANY, INC.
dba DION & SONS

