REDEVELOPMENT AGENCY AGENDA REPORT

CITY OF ANAHEIM
COMMUNITY DEVELOPMENT DEPARTMENT

DATE: JUNE 10, 2008
FROM: COMMUNITY DEVELOPMENT DEPARTMENT
SUBJECT: OWNER PARTICIPATION AGREEMENT BETWEEN THE ANAHEIM REDEVELOPMENT AGENCY AND WESTGATE INVESTMENT GROUP LLC

ATTACHMENT (Y/N): YES ITEM # 09

RECOMMENDATION:

That the Governing Board, subsequent to a joint public hearing, by motion, (i) approve, substantially in the form attached, that certain Owner Participation Agreement by and between the Anaheim Redevelopment Agency and the Westgate Investment Group LLC, and (ii) authorize the Executive Director, or her designee, to execute and administer the Agreement on behalf of the Agency.

DISCUSSION:

The Westgate Investment Group (“WIG”) owns the seven-acre “Rains Pit Landfill” property (“Site”) east of the Anaheim Redevelopment Agency’s (“Agency”) proposed Westgate Commercial Center site located at Beach Boulevard and Lincoln Avenue (see attached Site Map). The City has conditionally approved the development of a self-storage facility on the Rains Landfill site, provided that WIG enters into an agreement with the Agency to coordinate site remediation and development in conjunction with the remediation of the Westgate Center site. The Agency has developed a plan acceptable to all regulatory agencies for the concurrent remediation and surcharging of the landfill sites. Upon the Agency’s completion of remediation activities, WIG intends to develop a self-storage facility with storage containers and recreational vehicle and boat parking on the Site, which will require an access easement for commercial vehicle access through the Westgate Center project.

Staff recommends that the Agency enter into an Owner Participation Agreement (“OPA”) to allow for the future development of the WIG Site. The terms of the agreement are as follows:

- The Agency shall be responsible for certain improvements to the WIG property, including clearance, surcharging, rough grading, and installation of an earthen cap and a gas collection and venting system. The majority of these improvements are generally identified as site remediation.

- Upon completion of the site remediation work, the Agency will grant WIG an access easement across the Westgate Center parking lot and a related sign easement along Beach Boulevard.
• The purchase price of the access easement is $550,000, payable to the Agency under a purchase price note bearing interest at 5% over 15 years and/or fully due and payable upon WIG’s receipt of construction financing for the storage facility.

• Contingent upon financing, WIG will have the opportunity to develop an outdoor self-storage facility on the Site. Site improvements shall include installation of all water, sewer, and storm drain systems; the construction of a paved surface for placement of the storage units, vehicles, and boats; the construction of a manager’s unit; and the construction of all other site improvements necessary to comply with all City codes.

• WIG will be required to operate and pay for all Site improvements, including the maintenance and monitoring of all remedial improvements and methane gas monitoring systems.

• WIG is required to be a party to a Settlement Agreement among the Agency, City, County, Zelman (Westgate developer), and WIG under which all parties agree to the scope of site remediation, obtain environmental insurance, and release each other from legal actions regarding environmental conditions.

The Agency is selling the easement at fair market value as determined by an MAI appraiser. To date, the Agency has spent $440,000 on the preparation of the Remedial Action Plan and entitlement processing specifically related to the WIG property. The Agency will spend an additional $1,514,000 to surcharge the Site, install the earthen cap and other remedial systems, rough grade the parcel, and fund WIG’s pro rata share of environmental insurance required for the Rains Landfill development, for a total Agency cost of $1,954,000. The Agency expects to receive a total of $1,258,000 in revenue from the project, including $550,000 for the easement and $708,000 in tax increment over 29 years. The net cost to the Agency is $696,000. The Agency will use a portion of the consideration to be received under the Settlement Agreement to offset the costs of remediation of the WIG property.

**IMPACT ON BUDGET:**

There is no impact on the General Fund.

Respectfully submitted: Concur:

Clare Fletcher Elisa Stipkovich
Real Estate Services Manager Executive Director

**Attachments:**

1. Site Map
2. Owner Participation Agreement