

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

Garden Grove Agency for Community Development

To: Matthew Fertal
Dept: Director
Subject: BROOKHURST TRIANGLE:
NEGOTIATING AGREEMENT

From: Chet Yoshizaki
Dept: Economic Development
Date: March 25, 2008

OBJECTIVE

The purpose of this memorandum is for the Garden Grove Agency for Community Development (Agency) to consider a Negotiating Agreement (NA) with JPI California Development Services, L.P. (JPI) for the development of the 13.9 acres of real property in the City of Garden Grove, within the area known as the "Brookhurst Triangle," which is bounded on the south by Garden Grove Boulevard, on the west by Brookhurst Way, and on the northeast by Brookhurst Street ("Site").

BACKGROUND

In July 2007, after the termination of the NA with Urban Pacific Builders, the Agency directed staff to conduct an informal Request for Proposal (RFP) process for the Site, limiting the conditions imposed on the potential development to see what types of development the private sector would see as feasible in that location.

The Agency received seven (7) proposals for development of the Brookhurst triangle in September 2007. Agency staff evaluated the proposals and has ranked the JPI proposal as the number one proposal.

DISCUSSION

JPI is proposing a medium density mixed-use project with 650 to 750 high-end residential rental and ownership units in both podium and wrap style development, as well as 20,000 to 50,000 square feet of commercial space on the 13.9-acre site. The total number of housing units and total size of retail space will be determined during the NA.

The negotiating period is for one hundred eighty (180) days with the ability to extend the agreement at the end of the negotiating period, if needed.

JPI has agreed to deliver to the Agency Fifty Thousand Dollars (\$50,000) as a good faith deposit for developer's performance under the NA. In the event that the negotiating period expires or this NA is otherwise earlier terminated without the negotiation and approval of a mutually acceptable Disposition and Development Agreement (DDA), the deposit will be returned, subject to reimbursement to Agency for all expenditures incurred by the City or Agency relating to fees for appraisers, consultants, economic advisors, attorneys, with respect to parcels within the Site.

JPI agrees that within ninety (90) days of the date of this NA to prepare and submit, or cause to be prepared and submitted, in complete form, to Agency the following documents, reports, and information (the "Developer Submission"), the adequacy of which shall be reasonably satisfactory to Agency Director.

Developer Submissions

- A proposed development project description and development/site plan application sufficient for the preparation of a complete initial study under CEQA, including types of units, unit sizes, approximate square footage of units, tentative designation of parking, pedestrian, recreational and landscape areas, vehicular circulation system, and heights of buildings.
- Preliminary site plans, floor plans, circulation plans, and architectural/design concepts for the development showing access roads, amount and location of parking, location and size of all proposed buildings, including height and perimeter dimensions, pedestrian and vehicular circulation system, landscaping, exterior elevations from each perspective, and the architectural design of the development project.
- A proposed schedule for planning, construction and development of the proposed development project.
- Estimates of the proposed development project's costs and income set forth in a complete pro forma, showing return on costs, return on investment, and return on income that are adequate to enable Agency (and its financial/economic advisor) to evaluate the economic feasibility of the Site, including Developer's estimated sales prices of housing units, retail space rents, to negotiate the business terms of the DDA, including acquisition of the Site to be conveyed to Developer thereunder.
- Descriptions of the proposed method of construction financing and the amount and sources of capital (with full background and development/investment experience for each and all investor(s)), as well as marketing reports describing and substantiating, on a preliminary basis, the undertakings proposed by JPI.

FINANCIAL IMPACT

There is no financial impact incurred by the NA. However, if the Agency decides to enter into a DDA with JPI, the potential project could generate residual land value of up to \$35 million and estimated annual tax increment of \$2.5 million.

COMMUNITY VISION IMPLEMENTATION

- Improve the aesthetics of the community and eliminate blighting influences.
- Seek to ensure quality housing opportunities in the community, without unduly burdening existing residents.
- Improve the City's economic base through the development of tax-generating uses where appropriate.

RECOMMENDATION

Staff recommends that the Agency:

- Approve the attached Negotiation Agreement with JPI California Development Services, L.P., for the development of the 13.9-acre property within the area known as the "Brookhurst Triangle":
- Authorize the Agency Director and Secretary to execute the pertinent documents on behalf of the Agency;
- Authorize the Director to make minor modifications to the Negotiating Agreement on behalf of the Agency when appropriate to do so.

CHET YOSHIKAWA
Economic Development Director

By: Jim Dellalonga
Project Manager

Attachment 1 - Negotiating Agreement