City Of Garden Grove

INTER-DEPARTMENT MEMORANDUM

Garden Grove Agency for Community Development

To:

Matthew Fertal

From: Chet Yoshizaki

Dept:

Director

Dept: Economic Development

Subject:

CENTURY TRIANGLE:

Date: October 28, 2008

NEGOTIATING AGREEMENT

OBJECTIVE

The purpose of this report is for the Garden Grove Agency for Community Development (the "Agency") to consider a Negotiating Agreement (NA) with Brandywine Homes (the "Developer") for the development of the 6.4 acres of real property in the city of Garden Grove within the area known as the "Century Triangle," which is bounded by Taft Avenue on the east, Garden Grove Boulevard on the north, and Century Boulevard on the southwestern edge (the "Site").

BACKGROUND

The Century Triangle has been the subject of several past development proposals. Most recently, the Agency entered into a Negotiating Agreement with Grae Ventures in October 2006, for a one-phase high-density mixed-use project that envisioned developing the entire 6.4-acre site. The Grae Ventures NA expired in mid 2007.

Late in 2007, Agency staff received inquiries about the site from several developers. Three bonified proposals materialized from these inquiries, which were considered by the Agency in April 2008. Based on the submittals, the Agency directed staff to work with Brandywine Homes on the development of the site.

The Developer is requesting a Negotiating Agreement with the Agency in order to provide a level of comfort in the Agency's support of the proposal so that they can begin expending funds on project refinement and any studies that may be needed to further the development.

DISCUSSION

The NA period is for one hundred eighty (180) days and the Developer has agreed to pay the Agency a good faith deposit of fifty thousand dollars (\$50,000). The good faith deposit may be drawn against for use by the Agency for its costs payable to third parties for appraisals, studies and consultants associated with the acquisition and development of the site.

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Additionally, the Developer agrees that within ninety (90) days following the date of execution of the NA, it shall submit to the Agency the following documents, reports, and information in a form reasonably satisfactory to the Agency Director, that will provide the Agency with the following information (the "Developer Submissions"):

Developer Submissions

- A site plan, elevations, and a description of the proposed development project sufficient for preparation of the initial study, 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.
- A proposed schedule for the development of the project.
- Estimates of the development project's income and pro forma statement of the development project's return adequate to enable the Agency to evaluate the economic feasibility of the development project, unit cost, proposed sales prices of housing units, proposed retail space rents, and including, with limitation, the proposed economic terms for the acquisition of the Site to be conveyed to the Developer under the Disposition and Development Agreement (DDA). The economic pro forma shall be in a form typically submitted to a construction lender, and shall include, without limitation, hard and soft costs relating to construction and development.
- Descriptions of the proposed method of construction financing and the amount and sources of capital.
- Detailed biographical and background description of the Developer and its principals involved in the proposed development entity, including such matters as Developer's prior record with respect to the completion of other projects. It is understood that the Agency may take appropriate steps to verify such matters, and the Developer agrees to cooperate in furnishing information to the Agency.
- In addition, the Developer shall provide supplemental progress reports at thirty-day (30) intervals.
- Within ten (10) days of the date of execution of this NA, the Developer shall deliver to the Agency, cash or a cashier's or certified check in the amount of fifty thousand dollars (\$50,000) (the "Deposit") as a good faith deposit.

FINANCIAL IMPACT

None. However, if the Agency decides to enter into a Disposition and Development Agreement (DDA) with the Developer, the completed project is projected to

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generate new Agency revenue of approximately \$800,000 annually. Additional financial impacts, if any, will be identified when the Agency considers the DDA.

COMMUNITY VISION IMPLEMENTATION

- Seeking to ensure quality housing opportunities in the community, without unduly burdening existing residents;
- Improving the City's Economic Base through development of tax-generating uses where appropriate; and
- Improving the aesthetics of the community and eliminate blighting influences.

RECOMMNEDATION

Staff recommends the Agency:

 Approve the attached NA with Brandywine Homes for the development of the 6.4-acre site in the city of Garden Grove known as the "Century Triangle."

Approved for Agenda Listing

Fertal

Maithew

Director

CHET YOSHIZAKI / Economic Development Director

Economic Development Director

By: I JIM DELLALONGA Project Manager

Attachment 1: Negotiating Agreement with Brandywine Homes so(h:chron/jd/brandywine na staff rpt 102608)

NEGOTIATING AGREEMENT (Century Triangle/Brandywine Homes)

This NEGOTIATING AGREEMENT ("Agreement") is made and entered into as of by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body corporate and politic ("Agency"), and BRANDWINE HOMES a California Corporation, or assignee ("Developer"), referred to as the "Parties" and individually, a "Party."

RECITALS

The following Recitals are a substantive part of this Agreement.

- A. In furtherance of the objectives of the Community Redevelopment Law of the State of California, Health and Safety Code Section 33000, et seq. ("Act"), Developer desires to redevelop approximately 6.40 acres of real property located in the City of Garden Grove and within the boundaries of the Garden Grove Community Project Area ("Project Area") and an area commonly referred to as the "Century Triangle" that is bounded by the south side of Garden Grove Boulevard, west of Taft Avenue, and northeast of Century Boulevard ("Proposed Development Site"). The Proposed Development Site is currently an underdeveloped area consisting of unimproved, vacant lots and improved lots with commercial uses and residential uses. Ownership of the Proposed Development Site is mixed, with multiple parcels owned by various private owners, multiple parcels owned by the City of Garden Grove ("City Parcels"), and multiple parcels owned by Agency ("Agency Parcels"), as depicted on the attached and hereby fully incorporated Site Map (Exhibit A).
- B. Agency desires to enter into negotiations with Developer and negotiate the terms and provisions of an Disposition and Development Agreement; likewise, Developer desires to enter into negotiations with Agency and negotiate the terms and provisions of a DDA in order to seek to assemble the Proposed Development Site, and if successful, acquire the Proposed Development Site for the purpose of planning, design, construction, development and operation of a multi-story, mixed use, high-density residential and commercial project with two levels of parking, to be more fully described, planned for, and defined in the DDA ("Proposed Development Project").
- C. The Parties acknowledge and agree that the purpose of this Agreement is to establish a period during which Developer shall have the exclusive right (except as to Other Owners) to negotiate with Agency toward the terms and provisions of a mutually acceptable DDA, which will include, without limitation, a site plan, scope of development, schedule of performance, covenants or other regulatory agreement, economics, method of financing, financial participation and security therefor, and the specific uses of the Proposed Development Project. Agency is interested in reviewing the feasibility of the Proposed Development Project to evaluate and establish a contract relating to implementation of the Proposed Development Project by Developer.
- **D.** The Parties intend that during the Negotiating Period (as the term is hereinafter defined) each will perform certain actions and responsibilities under this Agreement.
- E. Agency has adopted and in effect for the Project Area certain "Rules Governing Owner Participation and Preferences for all Project Areas." ("OP Rules") that afford property owners the opportunity to submit an owner participation proposal both as solicited by Agency and/or as submitted unsolicited by a property owner. A copy of the OP Rules is on file with the Agency Secretary/City Clerk at City Hall.

- F. Prior to the date of this Agreement and commencement of the Negotiation Period and pursuant to the OP Rules, Agency solicited from and extended to all private property owners of record of parcels within the Proposed Development Site (collectively, "Other Owners") their interest in owner participation and development within the Project Area, and particularly within the Proposed Development Site. A series of and information was sent by the Agency to the Other Owners and to Developer, as a pending buyer in escrow for one or more of the parcels within the Proposed Development Site. These communications exchanged included, without limitation, providing a copy of the Agency's OP Rules, soliciting the Other Owners' and Developer's interest, if any, in preparation of and submittal of an owner participation proposal through completion of a Statement of Interest and related documents, all as provided in the OP Rules.
- G. After the periods for preparation and submittal of a complete owner participation proposal ended, the Agency considered objectively and in good faith at an open, public meeting, each of the owner participation responses submitted, including several from Other Owners and one from Developer.
- H. Agency selected the owner participation proposal submitted by Developer for further review, feasibility analysis, which led the Parties to this Agreement.
- I. This Agreement is fully subject to the OP Rules and any and all rights of the Other Owners both within the Proposed Development Site and otherwise. By execution of this Agreement, Developer fully acknowledges such OP Rules and that this Agreement is entered into subject to the OP Rules.

NOW, THEREFORE, the Parties mutually agree as follows:

1. **Negotiating Period.** For the purposes herein, Agency agrees to negotiate with the Developer and Developer agrees to negotiate with Agency for one hundred and eighty (180) days from the date of this Agreement ("Negotiating Period") toward the terms and provisions of a mutually acceptable DDA for the Proposed Development Project.

Agency and Developer shall negotiate diligently in good faith to carry out all the obligations of this Agreement on or before the times established in this Agreement, to establish development plans and concepts, to determine the economic and market feasibility of the Proposed Development Project, to establish the value of the Proposed Development Site, and to determine the financial participation and obligations of both Agency and Developer under the DDA. If at the end of the Negotiating Period, the Parties have not completed negotiations of the terms and provisions of a mutually acceptable DDA, as evidenced by execution by Developer's duly authorized members and corporate officers, and approved as to form by Developer's legal counsel, on the final form of such DDA; then, this Agreement shall automatically terminate without further written notice or further action by either Party. Upon such automatic termination of this Agreement, the Parties knowingly acknowledge and agree that neither party shall have any further rights or remedies to the other, except that Developer's responsibility for any and all CEQA Costs shall be and remain the sole financial and legal obligation of Developer and Developer shall pay for such expenses incurred.

If needed, the Parties may mutually agree in writing to extend the Negotiating Period an additional three months, in their sole and absolute discretion, with neither Party obligated to extend, even if one Party desires to extend, the Negotiating Period. Agency undertakes no commitment or obligation to Developer to consider or grant any extension and does not by this Agreement commit or exercise any of its discretion to agree or not to agree to extend such Negotiating Period. If by the end of the term of the Negotiating Period a mutually acceptable DDA has been negotiated, as evidenced by Developer's

(and its counsel's) execution thereof and as such "final" form is determined by Agency Director in his sole discretion; then, this Agreement shall not automatically terminate, but shall be extended for thirty (30) days to enable the Agency Board and City Council to complete the following: (i) duly notice and hold public hearings as legally required, on the DDA and related actions, including CEQA; (ii) consider the DDA, and take action to approve or disapprove the DDA, pursuant to applicable laws and regulations; and (iii) if approved, execute the DDA and deliver it to Developer.

- Developer's Performance Deposit. Within ten (10) days of the date of this Agreement, Developer shall deliver to Agency funds, by cash, federal wire transfer, or a cashier's or certified check, in the amount of Fifty Thousand Dollars (\$50,000) as a good faith deposit for Developer's performance under this Agreement ("Deposit"). In the event that the Negotiating Period expires or this Agreement is otherwise earlier terminated without the negotiation and approval of a mutually acceptable "final" DDA; then, the Deposit, after and subject to reimbursement to Agency for all reasonable expenditures incurred by Agency (or City) relating to the DDA, such as fees for appraisers, economic advisors, attorneys, shall be returned by Agency to Developer. In the event the Parties enter into a mutually acceptable DDA, the full amount of the Deposit, without deductions for Agency expenditures shall be applied as a good faith deposit toward the purchase price of the Proposed Development Site, subject to deduction for and Developer having no outstanding CEQA Costs per Section 1.
- 3. **Developer's Negotiators.** Developer represents to Agency that Jim Barisic and Brett Whitehead, partners in the entity, are the individuals with whom Agency staff shall work with on a day-to-day basis concerning the negotiations toward a mutually acceptable DDA for the development of the Proposed Development Project. If Developer desires to designate another individual or other individuals as the lead negotiator(s) for the Proposed Development Project, then it shall provide written notification to Agency Director in a timely manner.
- 4. **Developer Submissions.** Within one hundred and twenty (120) days of the date of this Agreement Developer agrees to prepare and submit, or cause to be prepared and submitted, in complete form, to Agency the following documents, reports, and information, the adequacy of which shall be reasonably satisfactory to Agency Director (together, "Developer Submission"):
- (a) 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.
- (b) 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 (NESW), and the architectural design of the Development Project.
- (c) A proposed schedule for planning, construction and development of the Proposed Development Project.
- (d) 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 Development Project, including Developer's estimated sales prices of housing units, retail space rents, to negotiate the business terms of the of the DDA, including acquisition of the Proposed Development Site to be conveyed to Developer thereunder. The economic pro forma shall be in a form typically submitted to a construction lender, and shall include, without limitation, line items for all hard and soft costs relating

to construction and development, evidence of developer fee, if any, and how such fee will be earned out or eligible for payment.

- (e) 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 Developer.
- (f) To the extent permitted by applicable federal, state, and local laws and regulations, Agency agrees all financial and economic information submitted by Developer to Agency shall be treated as confidential and as proprietary to Developer and shall not be released to the public or treated as a public record unless otherwise consented to by Developer in writing or as determined required to be disclosed as determined either by Agency's counsel or by a reviewing tribunal pursuant to applicable law, in consultation with Developer's legal counsel.
- 5. **Supplemental Progress Reports.** In addition to the Developer Submission required in Section 5 above, at thirty (30) day intervals from the date of this Agreement (including all extended period(s)), Developer is to provide to Agency written reports regarding its progress in meeting the terms and obligations of this Agreement. Agency may also request additional verbal reports of such matters from Developer.
- 6. Agency Consideration of Developer Submittals. Within thirty (30) days after Developer has submitted each item described in Section 5, Agency shall notify Developer in writing of its approval or disapproval of the submittal(s) (and if disapproved, a reasonable statement of the reasons therefore and what suggested changes could be made to make the submittal acceptable to the Agency.) Developer's Submission pursuant to Section 5 shall in no event ever be deemed approved by Agency as a result of Agency's failure to timely approve or disapprove such submissions or failure to provide a complete or reasonable statement of the reasons for disapproval.
- Agency Cooperation. Agency agrees to cooperate with Developer in supplying financial institutions with information, if available and not otherwise privileged, to facilitate Developer's application for construction, permanent, and equity financing for the Proposed Development Project. Agency shall also cooperate with Developer's professional consultants and associates in providing information and assistance reasonably within the capacity of Agency to provide in connection with the preparation of Developer's Submission or other submittal(s) pursuant to this Agreement or as required by state or local laws and regulations. This requirement does not obligate Agency to incur any monetary costs therefore.
- 8. **Design and Development Objectives.** The design and development objectives for the Proposed Development Project shall be specified in the DDA and the actual development shall be in conformity therewith. All design, architectural, and building plans for development shall be subject to review and approval of Agency and the City Council of City, and as applicable, the Garden Grove Planning Commission and other applicable boards or commissions with jurisdiction or authority regarding the Proposed Development Project or the Proposed Development Site.
- 9. Change in Developer. The qualifications of Developer (including all members of its Corporate entity) are of particular interest to Agency. It is because of the qualifications that Agency has entered into this Agreement with Developer. Consequently, no person or entity, whether a voluntary or an involuntary successor of Developer or any member thereof, shall acquire any rights or powers under this Agreement nor shall Developer or any member thereof assign all or any part of this Agreement without prior Agency approval, which approval or disapproval Agency may grant or deny in its sole discretion. Any purported transfer, voluntary or involuntary or by operation of law, without Agency pre-

approval, shall be absolutely null and void and shall confer no rights whatsoever under this Agreement or relating in any respect the Proposed Development Project upon any purported assignee or transferee and shall be a basis for automatic termination of this Agreement. Developer shall have the right to assign its rights under the Negotiating Agreement if Developer retains a majority interest of at least 51% and managing member control of the LLC entity for any assignee member or entity.

- Non-Discrimination. Developer shall not discriminate against nor segregate any person or group of persons on account of sex, race, color, marital status, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Proposed Development Project, nor shall Developer establish or permit any such practice or practices of discrimination or segregation in the selection, location, number, use, or occupancy of tenants, lessees, subtenants, subleases or vendees of the properties.
- Environmental Requirements. Certain state and local environmental requirements 11. (including without limitation, CEQA) may be applicable to the Proposed Development Project and DDA. Pursuant to such requirements certain environmental documents and environmental assessments of the Proposed Development Site may be required to be prepared for the Proposed Development Project and land therefor. Developer agrees to reasonably cooperate with Agency in obtaining information to determine the environmental condition, environmental impact, and remedial requirements, if any, of the Proposed Development Site and the Proposed Development Project, all at Developer's sole cost and expense, which Developer has the right to agree to or not in its sole and absolute discretion. Developer shall pay and reimburse Agency for any reasonable costs incurred by Agency (or City) to prepare or cause to be prepared such environmental assessment and impact documents, if any, as may need to be completed, including without limitation an EIR, if required, and assessments or studies for Phase 1 and/or Phase 2 environmental assessments. Developer agrees to provide Agency complete and true copies of any and all environmental reports, assessments, or other documents prepared and all such documents may be used by Agency for use and evaluation of future projects, if any, proposed for the Proposed Development Site, and Developer shall not be entitled to any compensation therefor.
- 12. No Predetermination of Agency or City Discretion. The Parties agree and acknowledge that nothing in this Agreement in any respect shall be construed to affect or prejudge the exercise of Agency's (or City's) discretion relating to consideration and/or action on any submittal by or application from Developer. Further, nothing in this Agreement in any respect shall be construed to affect or prejudge Agency's (or City's) discretion to consider, negotiate, or undertake the acquisition and/or development of any portion of the Proposed Development Site, or shall affect Agency's (or City's) compliance with the laws, rules, and regulations governing the acquisition and disposition of property pursuant to applicable laws.
- final and complete discretion and approval rights as to any DDA, any other agreement, and all proceedings and decisions in connection herewith and therewith. This Agreement shall not be construed as a grant of development rights or land use entitlement to construct, developer, operate or otherwise use the Proposed Development Project or Proposed Development Site, or any other project or property. All design, architectural, and building plans for the Proposed Development Project shall be subject to the review and approval of Agency and City (and any other governmental entity or agency with jurisdiction over the Proposed Development Project or Proposed Development Site.) By its execution of this Agreement, Agency is not committing itself to nor agreeing to undertake the disposition of the Proposed Development Site, or any part thereof, or other real property to Developer, or any other acts or activities requiring the subsequent independent exercise of discretion by Agency, City, or any board, commission, agency, or department thereof (or any other governmental entity or agency with jurisdiction over the Proposed Development Project or Proposed Development Site.)

14. Address for Notices. Any notices pursuant to this Agreement shall be in writing and sent by (a) Federal Express (or other established express delivery services which maintains delivery records); or (b) by hand delivery; or (c) by certified or registered USPS mail postage prepaid, return receipt requested, to the following addresses:

To Agency:

Garden Grove Agency for Community Development

11222 Acacia Parkway

Garden Grove, California 92640

Attention: Matt Fertal, Agency Director/City Manager

To Developer:

Brandywine Homes

16580 Aston Irvine, CA 92606

Attention: Mr. Jim Barisic

- Default. Failure by either Party to negotiate in good faith or to perform any other of its duties as provided in this Agreement shall constitute an event of default under this Agreement. The non-defaulting Party shall give written notice of a default to the defaulting Party, specifying the nature of the default and the action required to cure the default. If the default remains uncured fifteen (15) days after the date of such notice, the non-defaulting Party may exercise the remedies set forth in Section 17 of this Agreement.
- Agreement, the sole remedy to the non-defaulting Party is termination of this Agreement; provided however, Agency shall retain all right to seek any remedy available at law or equity to cause Developer to pay for the CEQA Costs. Developer shall remain responsible for the CEQA Costs and any and all other fees, expenses, and costs allocable and payable by Developer hereunder. Developer knowingly agrees that it shall have no right to specific performance for conveyance of the Proposed Development Site or any part thereof, nor to claim any right of title or interest in the Proposed Development Site or any portion thereof.
- Property Owners on Proposed Development Site. Developer and Agency understand 17. and acknowledge that Other Owners that are private property owners and/or business operators/tenants (together, "Owners/Businesses") hold interest in portions of the Proposed Development Site ("Owners/Businesses"). The Owners/Businesses and any other owner of real property within the Project Area are subject to the rules, rights, and obligations set forth in the OP Rules. Developer acknowledges and agrees that Agency will and shall remain authorized and entitled, pursuant to the OP Rules, to reasonably consider proposals from Owners/Businesses, if any, submitted pursuant to the OP Rules, and may select one or more of such proposals instead of the Developer's Proposed Development Project for the Proposed Development Site. Agency's selection of one or more proposal(s) submitted by one or more Owners/Businesses, and negotiation of an appropriate agreement with such Owners/Businesses, shall not be a default of this Agreement. In the event that Agency selects a proposal from one or more Owners/Businesses which is not compatible with Developer's Proposed Development Project, Agency may terminate this Agreement by providing written notice thereof to the Developer, with no further rights or obligations between or among the Parties, and in such event Developer's Deposit shall be refunded to it in full.
- 18. Attorney's Fees. In the event any action is taken pursuant to this Agreement, the prevailing Party shall be entitled to recover its actual and reasonable attorney's fees and costs.
- 19. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties, integrates all the terms and conditions mentioned herein or incidental hereto, and

supercedes all negotiations or previous agreements mentioned herein or incidental hereto, and supercedes all negotiations or previous agreements between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

- 20. **Time of Essence.** Time is of the essence of every portion of this Agreement in which time is a material part.
- 21. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.
- 22. **Broker's Commission.** Each Party represents that it has not engaged any broker, agency or finder in connection with this Agreement, and agrees to hold the other party harmless from any claim by any other broker, agent or finder retained by the party making the above representation.
- Agreement through the Agency Director (or his authorized representative(s).) Agency Director shall have the authority to extend the term of the Negotiating Period pursuant to Section 1 hereof, to approve the Developer's Submission(s) made pursuant to Section 5 hereof, to issue interpretations, waive provisions, and/or enter into certain amendments of this Agreement on behalf of the Agency so long as such actions do not materially or substantially change uses or development permitted on the Proposed Development Project or Proposed Development Site, or add to the costs incurred or to be incurred by Agency, as specified herein, and such interpretations, waivers and/or amendments may include extensions of time to perform. All other materials and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the Agency Board.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first appearing above.

year mist appearing accive.	
	AGENCY:
	GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic
	By:
	Director
ATTEST:	
Secretary of the Agency	
APPROVED AS TO FORM:	
Stradling Yocca Carlson & Rauth	
Stradling Yocca Carlson & Rauth Agency Counsel	

[signature blocks continued on next page]

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	DEVELOPER:
	BRANDYWINE HOMES, a California Corporation
	By:
APPROVED AS TO FORM:	Title:
Counsel to Developer	•••

EXHIBIT A

SITE MAP

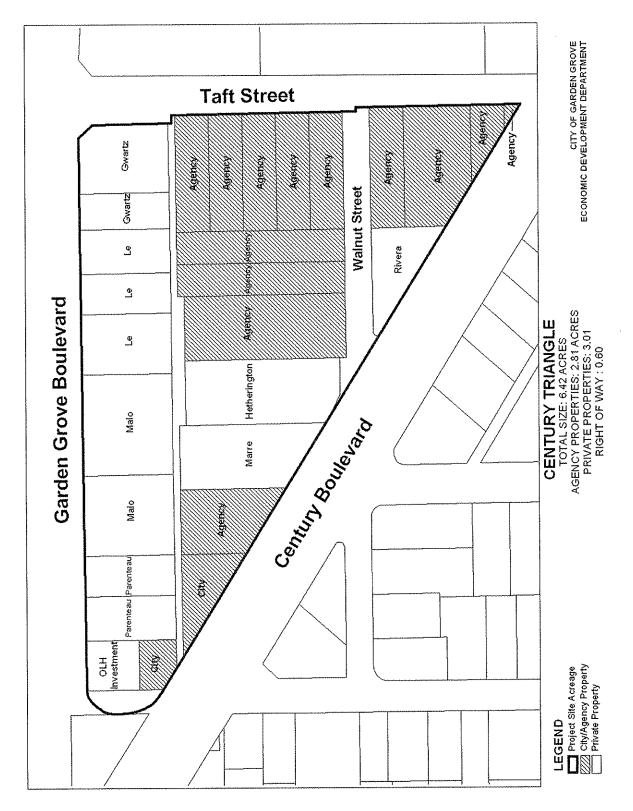


EXHIBIT D
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