

**SUMMARY REPORT PURSUANT TO  
SECTION 33433  
OF THE  
CALIFORNIA HEALTH AND SAFETY CODE  
AND  
SECTIONS 52200 – 52201  
OF THE CALIFORNIA GOVERNMENT CODE  
ON  
THE DISPOSITION AND DEVELOPMENT AGREEMENT  
BY AND BETWEEN THE  
CITY OF ANAHEIM  
AND  
ZELMAN ANAHEIM, L.L.C.**

**DRAFT**

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The following Summary Report has been prepared pursuant to Section 33433 of the California Health and Safety Code and Sections 52200 – 52201 of the California Government Code. The report sets forth certain details of the proposed Amended and Restated Disposition and Development Agreement (Agreement) between the City of Anaheim (City) and Zelman Anaheim, L.L.C. (Developer). The site is approximately 25 acres located in the northwest quadrant of the center section of Beach Boulevard and Lincoln Avenue (Site). The Site is comprised of two parts, the Loan Pham parcel and the City Parcel. The City Parcel is 24.185 acres.

**BACKGROUND STATEMENT**

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 includes a description of the project; and the major responsibilities imposed on the City and the Developer by the Agreement.
- II. **Cost of the Agreement to the City:** This section details the total and net cost to the City 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 existing zoning and the requirements imposed by the 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 use, and with the conditions and covenants required by the Agreement.

- V. Consideration Received and Comparison with the Established Value of the Site:** This section describes the compensation to be received by the City, and explains any difference between the compensation to be received and the established value of the Site.
- VI. Creation of Economic Opportunity:** This section describes the how the Project will assist in the creation of economic opportunity.

This Summary 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 Site is located in the West Anaheim Commercial Corridors Redevelopment Project Area (Project Area) and entails the acquisition of land and development, and operation of a commercial retail shopping center of between 200,000 and 300,000 square feet (Project). As currently contemplated the Project is approximately 250,000 square feet. The Project is comprised of four large tenants ranging in size from 30,000 square feet to 40,000 square feet (Mid-sized Retailers), and an approximately 35,000 square foot fitness center. There will also be a paseo comprised of a private street, parallel to Beach Boulevard, lined with restaurants/eateries, walkways, shared outdoor dining /seating, decorative lighting, plazas, parking, water features/public art (collectively the Paseo). In addition, there will be an open space element in the Project available for customer use (Festival Green).

### **B. City Responsibilities**

The Agreement requires the City to accept the following responsibilities in addition to the responsibilities imposed by the Agreement:

1. The City must sell the City Parcel to the Developer for \$15,652,680, which is the fair market price based upon a fair market appraisal.
2. The City will assign rights in the Loan Pham lease to the Developer.
3. The City is responsible for ensuring that the Successor Agency Remedial Improvements are installed or completed.

### **C. Developer Responsibilities**

The Agreement imposes the following additional responsibilities on the Developer:

1. The Developer must accept conveyance of the City Parcel and the Loan Pham parcel from the City under the terms of the Agreement.
2. The conveyance of the Site is contingent on the Developer performing the following activities:
  - a. The Developer shall have provided the City with Evidence of Construction Financing.
  - b. The Developer shall have provided the City and the City shall have approved executed leases from a Major Retailer or three Mid-sized Retailers.
3. If the City elects, the Developer shall complete the Successor Agency Remedial Improvements with reimbursement by the City.
4. The Developer will complete or cause to be completed the Developer Improvements which include extraordinary site development costs including: pile-supported foundations system for the home improvement and supermarket tenants, installing vapor barriers under all buildings, and providing ongoing operation and maintenance of the gas venting and water quality monitoring systems after the initial five years of operation.
5. The Developer must prepare the Construction drawings for the Project that are consistent with the Basic Concept Plan, and submit such plans to the City for review.
6. The Developer shall develop commercial retail center of between 200,000 square feet and 300,000 square feet. The Project is anticipated to include nationally and regionally recognized retail tenants, restaurants, eateries and other retail shops.
7. The Paseo shall be a private street that parallels Beach Boulevard and is lined with restaurants, eateries, walkways, shared outdoor dining and seating, decorative lighting, plazas, parking, and water features/public art.
8. The Festival Green shall be an open space element located within the Project that is available for customer use.
9. The Developer shall pay the City \$15,652,680 for the acquisition of the City Parcel.
10. The Developer shall pay the City \$1,231,753.79 to reimburse Brookfield Beach Boulevard L.L.C. for the Site's share of the hard and soft costs of installing the Eastern Beach Boulevard Street Improvements, and the incremental costs of installing the Median Modifications attributable to the Project.

11. The Developer shall accept the Construction Covenant, which requires Developer to complete the Project by the dates set forth in the Schedule of Performance.
12. The Developer shall accept the Use Covenant, which requires Developer to ensure that the uses within the Project conform to the applicable provisions of the Anaheim Municipal Code.
13. The Developer shall accept the Operating Covenant, which requires the operation of the Project for a period of 20 years from the opening of the Project.
14. The Developer shall accept the Maintenance Covenants, which requires Developer to maintain the Project for 30 years, including the Paseo and Festival Green, in full compliance with the terms of all applicable provisions of the Anaheim Municipal Code, and in compliance with industry standards for a first class retail shopping center.

## **II. COST OF THE AGREEMENT TO THE CITY**

The Redevelopment Agency of the City of Anaheim incurred significant costs to acquire and prepare the Site for development. The more than \$25 million in costs were itemized and discussed previously in a Summary Report in October 2010 for an earlier version of a proposed development at this Site.

The City is not expected to incur any costs associated with the development of the Project.

## **III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN**

Section 33433 of the California Health and Safety Code and Section 52201 of the California Government Code requires the City to identify the value of the interests being conveyed at the highest use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan and the General Plan. The valuation must be based on the assumption that near-term development is required, but the valuation does not take into consideration any extraordinary use and/or quality restrictions being imposed on the development by the City.

The Site requires substantial extraordinary costs to allow for the development of the proposed Project. The extraordinary costs include the ongoing operation and maintenance of landfill gas and groundwater monitoring systems, piles to support the foundations of the two major tenant buildings, methane barrier and passive gas control under all buildings, and permits and fees for these extraordinary items. The City retained Mr. Steve G. White, MAI, to estimate the fair market value of the Site taking into account the extraordinary Site improvement and development costs associated with development at this location. Mr. White, in an appraisal

dated October 7, 2015, taking into account the extraordinary development costs, concluded the Site has a fair market value of between \$12,450,000 and \$15,650,000.

#### **IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED**

As discussed above, the City is conveying the Site to the Developer for \$15,652,680. The price that the City is receiving is at the upper end of the fair market value, so it is concluded that the fair reuse value is equal to or greater than the fair market value.

#### **V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE OF THE SITE**

Under the Agreement, the City is conveying the City Parcel to the Developer for \$15,652,680, which is equal to the fair market value of the Site, 9.0%. It is concluded that the City is receiving the fair market value of the Site through this transaction.

In addition to the Purchase Price, the City will receive its share of property tax revenues and sales tax revenues generated by the Project. The Site currently has a zero assessed value and generates no property tax revenues nor does it generate any sales tax revenues. The completed Project is projected to cost approximately \$75 million, and is projected to provide \$751,000 in property tax revenues. The City's share of property tax revenues is approximately \$81,000, as shown in Table 1. Over a 25-year period, the City's share of property tax revenues are projected to be nearly \$2.6 million, which has a net present value of nearly \$1.3 million, discounted at 6.0%.

The Project will also generate substantial sales tax revenues to the City. The actual tenants are not known, but given the expected mix of tenants, it is reasonable to estimate that the Project could generate \$250 per square foot in taxable sales annually. At this level of sales, the annual taxable sales at the Site would be approximately \$62 million which would generate approximately \$622,000 in local sales tax revenues. The West Anaheim area is currently underserved from a retail perspective, so it is estimated that all or nearly all of the sales tax revenues would be new to the City. Over a 25 year the Project is expected to generate nearly than \$21.3 million in local sales tax revenues, which has a net present value of nearly \$9.6 million.

#### **VI. CREATION OF ECONOMIC OPPORTUNITY**

Implementation of the Agreement helps to remove blighting influences within the Project Area by improving the physical appearance of the Project Area, and by creating a buffer between

commercial/industrial properties and residential areas. Moreover, the Project mitigates the problems associated with a former dumpsite.

The proposed development would fulfill goals and objectives defined in the City's adopted Redevelopment Plan and create economic opportunity in the following ways:

1. The improvement of the physical appearance of the Project Area through the stimulation of new commercial and industrial buildings and sites, through public improvements including undergrounding electrical utilities, upgrading streets, sidewalks, and streetscape, and through a comprehensive urban design and planned signage program.
2. The provision of walls and landscaping to create a buffer between commercial/industrial properties and residential area.
3. The retention and expansion of as many existing businesses as possible by means of redevelopment and rehabilitation activities, and by encouraging and assisting the cooperation and participation of owners, businesses and public agencies in the revitalization of the Project Area.
4. The remediation of the landfill makes it a viable development Site, which allows for the development of the commercial center on the site, which creates local permanent jobs and business activity.
5. The public revenues created by the Project can be used by the City to promote other economic development activities and to provide additional services in the community.

Attachment

TABLE 1

**ESTIMATE OF PROPERTY TAX AND SALES TAX REVENUES  
WESTGATE COMMERCIAL CENTER  
ANAHEIM, CALIFORNIA**

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<u>No. of Years</u>	<u>Value</u>	<u>Property Taxes</u>	<u>City Share @10.8%</u>	<u>Taxable Sales</u>	<u>Sales Tax</u>	<u>Total City Revenues</u>
1	\$75,053,000	\$751,000	\$81,000	\$62,200,000	\$622,000	\$703,000
2	76,554,000	766,000	83,000	63,800,000	638,000	721,000
3	78,085,000	781,000	84,000	65,400,000	654,000	738,000
4	79,647,000	796,000	86,000	67,000,000	670,000	756,000
5	81,240,000	812,000	88,000	68,700,000	687,000	775,000
6	82,865,000	829,000	90,000	70,400,000	704,000	794,000
7	84,522,000	845,000	91,000	72,200,000	722,000	813,000
8	86,212,000	862,000	93,000	74,000,000	740,000	833,000
9	87,936,000	879,000	95,000	75,900,000	759,000	854,000
10	89,695,000	897,000	97,000	77,800,000	778,000	875,000
11	91,489,000	915,000	99,000	79,700,000	797,000	896,000
12	93,319,000	933,000	101,000	81,700,000	817,000	918,000
13	95,185,000	952,000	103,000	83,700,000	837,000	940,000
14	97,089,000	971,000	105,000	85,800,000	858,000	963,000
15	99,031,000	990,000	107,000	87,900,000	879,000	986,000
16	101,012,000	1,010,000	109,000	90,100,000	901,000	1,010,000
17	103,032,000	1,030,000	111,000	92,400,000	924,000	1,035,000
18	105,093,000	1,051,000	114,000	94,700,000	947,000	1,061,000
19	107,195,000	1,072,000	116,000	97,100,000	971,000	1,087,000
20	109,339,000	1,093,000	118,000	99,500,000	995,000	1,113,000
21	111,526,000	1,115,000	120,000	102,000,000	1,020,000	1,140,000
22	113,757,000	1,138,000	123,000	104,600,000	1,046,000	1,169,000
23	116,032,000	1,160,000	125,000	107,200,000	1,072,000	1,197,000
24	118,353,000	1,184,000	128,000	109,900,000	1,099,000	1,227,000
25	120,720,000	<u>1,207,000</u>	<u>130,000</u>	112,600,000	<u>1,126,000</u>	<u>1,256,000</u>
<b>Total</b>		\$24,039,000	\$2,597,000		\$21,263,000	\$23,860,000
<b>Net Present Values @ 6.0%</b>		\$11,591,000	\$1,252,000		\$9,586,000	\$10,775,000

<sup>1</sup> Assumes annual CPI increase of 2.5%.

<sup>2</sup> Sales tax revenue estimated at \$250 per square foot of development.