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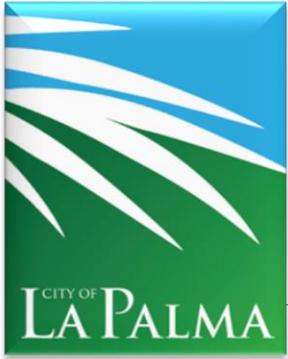
# Consideration of an Exclusive Negotiation Agreement with Eight88 Hospitality, LLC to negotiate a Master Development Agreement for the development of property within the City

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**CITY COUNCIL MEETING**

**FEBRUARY 5, 2019**

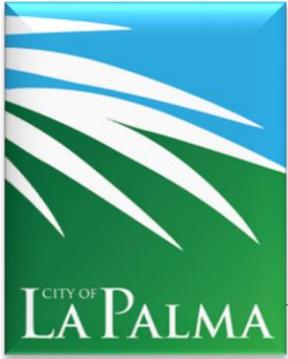




# Summary

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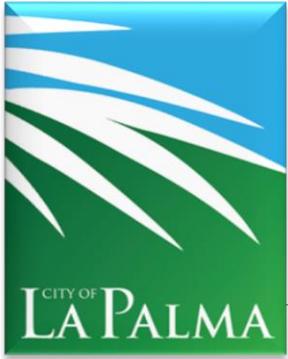
- **At its January 25, 2019, Strategic Planning and Goal Setting Session, the City Council voted unanimously to approve an Exclusive Negotiation Agreement with Eight88 Hospitality, LLC to negotiate a Master Development Agreement for the development of property within the City located north of Orangethorpe Avenue, south of Fullerton Creek, east of Coyote Creek, and west of Valley View Street.**
- **The City Council also appointed Mayor Goodman and Council Member Patel to a Negotiating Ad Hoc Committee along with the City Manager, City Attorney, and other City staff and consultants as deemed necessary during the course of the agreement.**



# Summary

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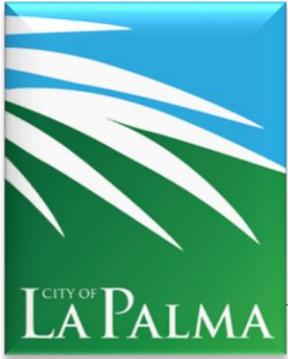
- **Eight88 Hospitality, LLC approached City regarding proposed development & an Exclusive Negotiation Agreement (ENA)**
- **Seeking to develop and expand Mixed Use Business (B1) Zone and a portion of the General Industrial (GI) Zone**
- **Property location: north of Orangethorpe Avenue, south of Fullerton Creek, east of Coyote Creek, and west of Valley View Street (114 acres)**



# Summary

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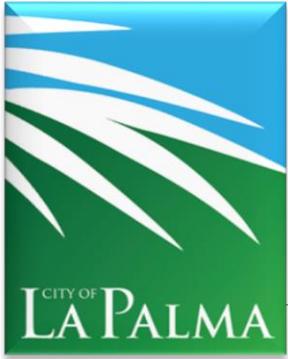
- **Development Goal: Energize the area, businesses, and residents while creating demand generators to generate tourism and visitors to the revitalized area.**



# Summary

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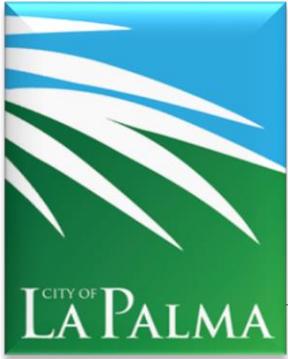
- **Agreement Lists Potential projects as:**
  - **Full-service hotel (300 rooms)**
  - **A central park that feeds into a majority of the development (events, concerts, and other gatherings)**
  - **2-4 condominium towers with full-service amenities**
  - **Concept-focused restaurants and pop-up eateries**
  - **New retail and inclusion of an eGaming component**
  - **Housing, manufacturing, warehousing, logistics, and other legally permitted businesses will be reviewed for best use planning**
  - **Additional parking and possible street & freeway reconfiguration**



# Summary

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- **Developer Stated Potential projects would include:**
  - **Full-service hotel (300 rooms)**
  - **1,000 condominiums and/or apartments**
  - **4,000 tram/trolley access parking**
  - **2,000 onsite parking**
  - **1 million square feet of retail and entertainment venues**
    - **10,000 capacity for all venues**
  - **8 restaurant pads**
  - **91 Freeway improvements to double the capacity of on and off ramps**

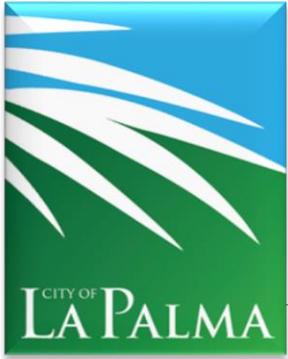


# Summary

## ➤ Potential Fiscal Impact of Development

REVENUE	CURRENT	PROPOSED RANGE	NOTES
Transient Occupancy Tax (8%)	\$393,000	\$2,194,000	
Sales Tax (1%) & Transaction and Use Tax (1%)	\$1,067,000	\$5,022,000 - \$5,864,000	Generated from the Mixed Business/Industrial Zones
<b>TOTAL</b>	<b>\$1,460,000</b>	<b>\$7,216,000-\$8,058,000</b>	

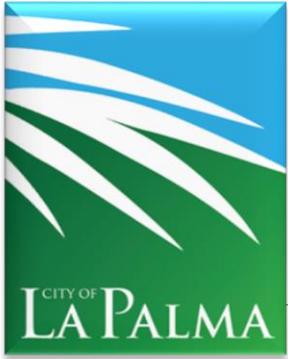
\* Addition income would be derived from property tax increment and entertainment venues – Developer indicates it could be two to three times the City’s conservative estimates above



# Background

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- **Exclusive Negotiation Agreement terms**
  - **3 years with two, one-year extensions to negotiate a Master Development Agreement for property**
  - **Developer provided City with non-refundable fee of \$1,000 and initial deposit of \$50,000 to be used for legal and consultant costs**

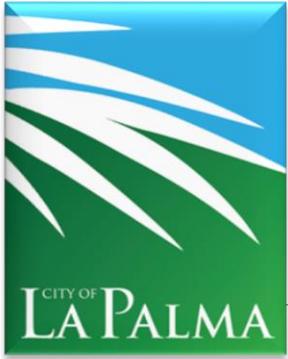


# Background

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## **What is an Exclusive Negotiation Agreement (ENA)?**

- **An ENA is used by many cities and developers to conduct due diligence and negotiate exclusively for a specific period of time on potential terms of land sale and/or development.**
- **ENA also provides cities and developers an opportunity to analyze the feasibility of pursuing a project while addressing other issues related to potential site development.**

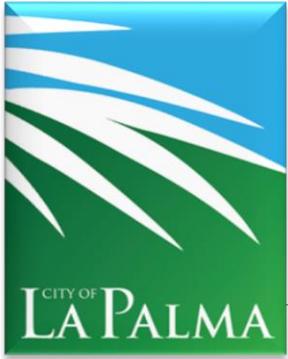


# Background

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## What is an Exclusive Negotiation Agreement (ENA)?

- ENA approval DOES NOT obligate the City to grant any future development approval or approve any proposed development agreement.
- Any land sale or development must be approved by a different agreement which is not part of the ENA.

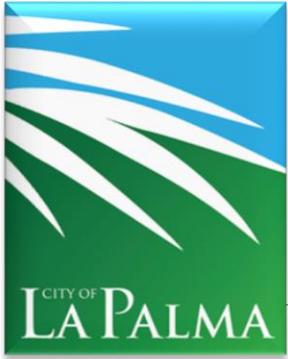


# Background

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## Why is an ENA requested?

- 1. ENA often enables developers to more easily obtain financing for development.**
- 2. Once developer acquires the project site from existing owners, an ENA enables the developer to demonstrate that it maintains authority to market the site and negotiate with potential tenants.**
- 3. Developers often want assurance that cities will not negotiate with other developers since developers expend significant resources to conduct and prepare studies, reports, conceptual design, site planning, etc.**

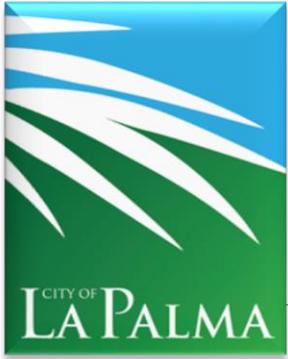


# Background

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## How does approval of the ENA impact the rights of existing property owners?

- ENA approval does not impact existing property owners' rights
- If approved, the developer will seek to purchase properties that are considered part of the proposed development site
- ENA does not obligate existing property owners to sell their property to the developer

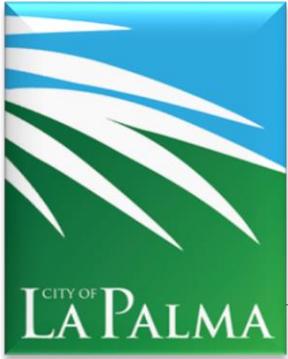


# Background

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**Will there be opportunities for the La Palma community to participate in the project review and entitlement process?**

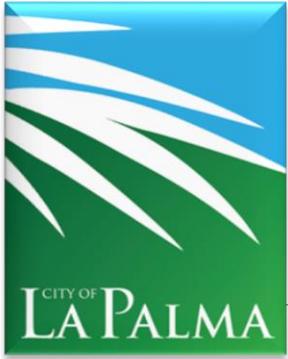
- **Yes! The entitlement process, including development agreement approval, requires public hearings by the City Council**
- **City will hold multiple community meetings to receive community input and ideas during the development process**



# Next Steps

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- **Developer will:**
  - **Interview tenants in the development site to find out uses, lease terms, and possible future plans**
  - **Interview property owners to find out what their income return needs are**
  - **Review purchase options of the development area**
- **Once purchase or lease agreements are in place, developer will return to the City to negotiate final terms for a Master Development Agreement (MDA) or Disposition and Development Agreement (DDA)**



# Fiscal Impact

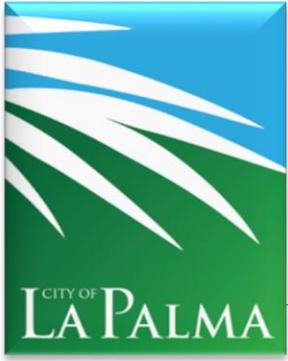
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## ➤ **Fiscal Impact of ENA:**

- **Developer provided City with non-refundable fee of \$1,000 and initial deposit of \$50,000 to be used for legal and consultant costs**

## ➤ **Fiscal Impact of Development:**

- **Upon complete build-out of project, the City could see increase in its annual revenues by \$5.8 million to \$6.6 million (conservatively)**



# Questions

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