



CITY COUNCIL AGENDA REPORT

MEETING DATE: FEBRUARY 6, 2007

ITEM NUMBER:

**SUBJECT: DA-06-03 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT AGREEMENT (DA-00-01)
1201 SOUTH COAST DRIVE**

DATE: JANUARY 24, 2007

FROM: PLANNING DIVISION/DEVELOPMENT SERVICES DEPARTMENT

PRESENTATION BY: DONALD D. LAMM, AICP, DEPUTY CITY MANAGER, DEV. SVS. DIRECTOR

**FOR FURTHER INFORMATION CONTACT: REBECCA ROBBINS, ASSISTANT PLANNER
(714) 754-5609**

RECOMMENDATION:

Based on the evidence in the record, determine and find that C.J. Segerstrom & Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01 and grant a one-year extension to March 2008 on the fulfillment of the historic site dedication and associated endowment and funding of a preservation plan.

BACKGROUND

The 93-acre Segerstrom Home Ranch site is generally located north of the I-405, west of Fairview Road, east of Harbor Boulevard, and south of Sunflower Avenue. The site includes IKEA, Emulex Industrial Park, Providence Park homes, and the Segerstrom farmhouse/offices.

Development Agreement DA-00-01 for the Segerstrom Home Ranch site was adopted by Council on December 3, 2001. Section 3.5 of the agreement requires periodic review of the agreement. The City's procedures and requirements for consideration of development agreements require this periodic review to be conducted annually through the life of the agreement. This is the fourth annual review of the Home Ranch agreement.

On November 27, 2006, the Planning Commission recommended that City Council find that the applicant has demonstrated good faith compliance with the terms of the Segerstrom Home Ranch Development Agreement (DA-00-01), on a 5-0 vote. This item was continued from Council's January 2, 2007 meeting.

ANALYSIS

The attached Planning Commission agenda report provides detailed information regarding the developer's obligations. However, staff would like to correct the information presented in the Commission report regarding the \$5 million sales tax guarantee. Staff had mistakenly begun calculating the sales tax generation from the date of the issuance of the Certificate of Occupancy instead of eighteen months after its issuance (Exhibit F, Section H of the Development Agreement). The following section corrects the sales tax revenue guarantee to the proper start date (January 1, 2005). In addition, an update is provided regarding the upcoming deadline for the dedication of historic site.

Sales and Use Tax Guarantee:

The Development Agreement requires that the owner, or designee, shall guarantee \$5 million in sales tax revenue from the Home Ranch development site (e.g. IKEA, Emulex) to the City over a 5-year period (See Table A). If the required yearly amount is not met, the difference shall be paid to the City. For Years 1 and 2, a yearly amount of \$750,000 is required to be guaranteed.

Table A – 5-Year Sales Tax Guarantee

Sales and Use Tax Guarantee Year	Yearly Amount Guaranteed	Cumulative Amount Guaranteed at Year End
1	\$750,000	\$750,000
2	\$750,000	\$1,500,000
3	\$1,000,000	\$2,500,000
4	\$1,250,000	\$3,750,000
5	\$1,250,000	\$5,000,000
TOTAL	\$5,000,000	\$5,000,000

IKEA received its Certificate of Occupancy in May 2003. Eighteen months from that date is November 2004, which falls in the middle of a sales tax quarter. Therefore, the sales tax guarantee start date has been adjusted to January 1, 2005.

As shown in Table B, the sales tax revenue guarantee of \$750,000 was met for Year One of the 5-year period. Because sales tax revenue data is not yet available for Quarter 3 and 4 of Year Two, staff will continue to monitor sales tax revenues for Year Two to confirm that the guarantee is met.

Table B – Annual Sales Tax Guarantee Program

Quarter	Period	Sales Tax Revenue Generated	Guarantee Payment Required
YEAR ONE (2005) \$750,000 Guaranteed			
Quarter 1	01/01/05-03/31/05	\$ 222,428	Not Required
Quarter 2	04/01/05-06/30/05	\$ 230,940	
Quarter 3	07/01/05-09/30/05	\$ 277,676	
Quarter 4	10/01/05-12/31/05	\$ 234,342	
TOTAL		\$ 965,386	
YEAR TWO (2006) \$750,000 Guaranteed			
Quarter 1	01/01/06-03/31/06	\$ 230,933	N/A
Quarter 2	04/01/06-06/30/06	\$ 231,551	
Quarter 3	07/01/05-09/30/05	Not Available	
Quarter 4	10/01/05-12/31/05	Not Available	
TOTAL		Not Available	
TOTAL AFTER 1 FULL YEAR \$750,000 Guaranteed		\$965,386	Not Required

Cultural Resources:

By March 2007, the development agreement requires the applicant to dedicate to the City, a non-profit organization, or other governmental agency a minimum 1.5 acre parcel of land as a historic area for the following: preservation of Segerstrom home, guesthouse, garage, and barn as historic resources, public assembly areas, parking, and passive public recreation. In addition, the development agreement requires the applicant to:

- Establish a \$250,000 endowment for the formation of a non-profit foundation to manage the historic site; and
- Fund a preservation plan to maintain the historic site (approximate value \$10,000).

Both of these requirements are also to be accomplished by March 2007. The applicant is requesting a one-year extension to March 2008 to fulfill this obligation due to their lease agreement with Mesa Water Consolidated District for the existing well site located adjacent to the historic home. The applicant believes that the ultimate relocation of this well will remove a significant planning constraint in the historic site's ultimate configuration. Staff concurs with this request provided that the applicant commits to making substantial progress in completing this obligation by the next annual review of the development agreement, which will occur at the end of 2007. See Attachment 1 for copy of letter.

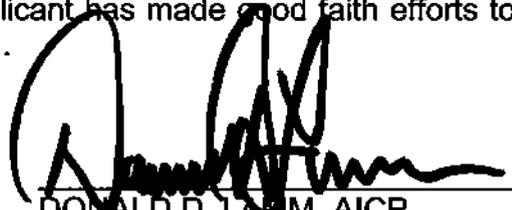
ALTERNATIVES

If Council finds C.J. Segerstrom & Sons not in compliance with the Agreement's terms, evidence supporting that determination would be required.

CONCLUSION

Based on review of the remaining development agreement obligations, Commission recommends that Council determine the applicant has made good faith efforts to comply with the provisions and conditions of the DA-00-01.


 REBECCA ROBBINS
 Assistant Planner


 DONALD D. LAMM, AICP
 Deputy City Mgr. – Dev. Svs. Director

- Attachments:
1. C.J. Segerstrom & Sons letters dated October 16, 2006 & January 25, 2007
 2. Planning Commission and City Council Minutes and Staff Report from November 27, 2006 and January 2, 2007
 3. Development Agreement DA-00-01

- cc:
- City Manager
 - Asst. City Manager
 - Deputy City Manager-Dev. Svs. Director
 - City Attorney
 - City Engineer
 - Transportation Services Manager

Transportation Services Manager
Fire Chief
Finance Director
Staff (4)
File (2)

David Wilson
C.J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa CA 92626

File: 020607DA0603	Date: 012407	Time: 8:50 a.m.
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Attachment 1

C. J. SEGERSTROM & SONS CORRESPONDENCE

C.J. SEGERSTROM & SONS

3315 Fairview Road • Costa Mesa, California 92626

Telephone (714) 546-0110

January 25, 2007

Ms. Kimberly Brandt
Principal Planner
City of Costa Mesa
P.O. Box 1200
Costa Mesa, CA 92628-1200

Re: Supplementary Information to Annual Review of DA-00-01 (Home Ranch)

Dear Ms. Brandt:

The staff report for Annual Review of DA-00-01 (Home Ranch) correctly summarizes the main points of the development agreement, but I wish to point out a few additional public benefits that are essentially linked to the agreement without being specifically enumerated.

As you know, federal and state approvals were recently obtained for the new Susan Street off-ramp that Home Ranch owners are privately funding, another element of the Home Ranch DA. We expect construction to begin in mid-2007 following review and approval of final environmental and design studies.

In addition to the millions of dollars contributed by the developer to public purposes like educational foundations and athletic facilities, millions more were paid in advance for public street improvements -- more, in fact, than what was required as mitigation for all the specific traffic impacts of the entire project at buildout. The city has capably leveraged these dollars as matching funds for state and federal programs, allowing projects to be funded that otherwise would have lagged. In 2007 construction will begin on widening the Fairview bridge over the 405, adding a third left-turn lane onto the access ramp for the southbound freeways.

As we have discussed, two obligations under the DA remain outstanding. The question of the fire station remains under study by the City. The property owners have been studying issues associated with our obligation to create a Historic District. The deadline for our submitting a historic preservation plan is fast approaching. By this letter I respectfully request a one-year extension until March 20, 2008.

We believe such an extension is adequate and is warranted. We recently agreed with the Mesa Consolidated Water District to a short-term lease extension for the existing well site next to the Segerstrom home. There is an opportunity for a nearby new well site — the District needs and is pressing for one — that would relocate Well Four and remove a potential constraint on planning the historic site. Uncertainty about the well site's

ultimate location has until now blocked smooth progress toward developing a sound plan for the district.

It is my expectation that within a year the Segerstrom family can develop a sound plan to propose to the city. In any case our ideas will be subject to city review and approval and the historic site will be under the care and control of a public body or non-profit organization -- not the family.

The plan we will propose will be a plan for preservation in perpetuity. During the last few years, the well district site and other variables connected with development of the property have made it difficult to take a best-practices approach to planning the site. The additional time, if granted, will allow us to propose the plan that best fits the public interest and the changing realities of the planning area.

Thank you in advance for your consideration of our request.

Sincerely yours,



Paul Freeman
Director of Community and Government Relations

C.J. SEGERSTROM & SONS

3315 Fairview Road • Costa Mesa, California 92626
Telephone (714) 546-0110

October 16, 2006

Ms. Kimberly Brandt
Principal Planner
City of Costa Mesa
P.O. Box 1200
Costa Mesa, CA 92628-1200

Re: Annual Development Agreement Review of DA-00-01

Dear Ms. Brandt,

Enclosed please find payment in the amount of \$1,690 to cover our application for annual review of the Home Ranch Development Agreement DA-00-01.

In prior reviews the City's deliberative bodies have found all parties to the agreement to have acted in good faith and to be in compliance with the terms of the agreement.

Two elements of DA-00-01 remained to be addressed. The property owners are obliged to create a historic district and, subsequent to a finding of necessity by the City, to provide a site for a new fire station. We await a final determination by City officials with regard to a fire station site.

The property owners have until March 2007 to finalize the actions and documents associated with the three-acre historic preserve. The matter has been discussed with planning staff and with members of the City of Costa Mesa Historical Preservation Committee. We have had preliminary conversations with planning consultants who have experience with historic districts.

Sincerely yours,



David Wilson

Attachment 2

PLANNING COMMISSION MINUTES AND STAFF REPORT

11-27-06 PC Minute Excerpts DA-06-03

DEVELOPMENT AGREEMENT
ANNUAL REVIEW
DA-06-03

DAVID WILSON/C.J.
SEGERSTROM AND SONS

The Chair opened the public hearing for Development Agreement Annual Review DA-06-03, for David Wilson, authorized agent for C.J. Segerstrom and Sons, for the annual review of the Home Ranch Development Agreement (DA-00-01), located at 1201 South Coast Drive. Environmental determination: exempt.

Principal Planner Kimberly Brandt reviewed the information in the staff report and gave a presentation. She said staff is recommending that C.J. Segerstrom and Sons be found in compliance and recommends the same action by City Council.

There was a discussion between Commissioner Egan, Deputy City Attorney Duarte, and Principal Planner Brandt concerning the sales tax revenue. Ms. Brandt stated it is staff's belief that C.J. Segerstrom and Sons is in compliance with the agreement due to the applicant meeting their cumulative amount guarantee, but will forward concerns and an interpretation from the City Attorney to City Council.

The Chair opened the public hearing for public comment, and no one wished to speak, so he closed the public hearing.

MOTION:
DEVELOPMENT AGREEMENT
DA-06-03

RECOMMENDED TO CITY
COUNCIL

A motion was made by Vice Chair Hall, seconded by Chair Perkins and carried 5-0 to recommend to City Council that they find and determine that C.J. Segerstrom and Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01, and that the City Attorney renders an opinion regarding the sales tax revenue provisions of the development agreement and forwards the opinion to City Council.

Ms. Brandt mentioned that this item will go before the City Council on January 2, 2007.



PLANNING COMMISSION AGENDA REPORT

MEETING DATE: NOVEMBER 27, 2006

VI.2

ITEM NUMBER:

**SUBJECT: DA-06-03 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT
AGREEMENT (DA-00-01)
1201 SOUTH COAST DRIVE**

DATE: NOVEMBER 13, 2006

**FOR FURTHER INFORMATION CONTACT: REBECCA ROBBINS, ASSISTANT PLANNER
(714) 754-5609**

DESCRIPTION

Annual review of the Segerstrom Home Ranch Development Agreement (DA-00-01).

APPLICANT

The applicant for the annual review is C. J. Segerstrom and Sons.

RECOMMENDATION

Recommend the following action by City Council:

Based on the evidence in the record, determine and find that C.J. Segerstroms & Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01.

REBECCA ROBBINS
Assistant Planner

R. MICHAEL ROBINSON, AICP
Asst. Dev. Svs. Director

BACKGROUND

Development Agreement DA-00-01 for the Segerstrom Home Ranch site was adopted by City Council on December 3, 2001. The agreement was amended in 2003 to allow flexibility in the expenditure of traffic impact fees and funds allocated for the relocation and renovation of the Huscroft House. Copies of the agreement (Attachment 2) and the first amendment (Attachment 3) are attached.

Section 3.5 of the agreement requires periodic review of the agreement. The City's procedures and requirements for consideration of development agreements require this periodic review to be conducted annually through the life of the agreement. This is the fourth annual review of the Home Ranch agreement.

ANALYSIS

The purpose of the annual review is to determine if the applicant and/or City have made good faith efforts to comply with the provisions and conditions of the development agreement. Attachment 1 includes a letter from the applicant summarizing their actions since their last annual review.

Typically, the annual review focuses on the community benefits provided by the owner. For DA-00-01, these benefits are listed in Exhibit F. The following sections summarize the applicant's and the City's performance related to these benefits and obligations.

A. Circulation Improvements:

Improvements Required in Accordance with General Plan

The applicant has paid the City and Transportation Corridor Agency traffic impact fees as required.

B. Cultural Resources:

Requirements to be Initiated in December 2006

Most of these requirements are not triggered until five years after the recordation of the agreement. The applicant continues to maintain the site and designated buildings. With regard to the possible underground reservoir, the applicant has been informed by the Mesa Consolidated Water District that they do not intend to pursue the reservoir plan.

Dedication of Historic Site

The applicant has initiated discussions with the City to dedicate a minimum 1.5 acre parcel of land as a historic area for the following: preservation of Segerstrom home, guesthouse, garage, and barn as historic resources, public assembly areas, parking, and passive public recreation. This dedication must be completed by March 2007.

- C. **Educational Advancement:** The required contribution has been paid by the applicant, and the education foundations have been established.
- D. **Athletic Field Contribution:** The required contribution has been paid by the applicant.
- E. **Huscroft House Contribution:** The required \$200,000 contribution has been paid by the applicant. As noted previously, the first amendment to the development agreement allowed City Council to reallocate the contribution, provided the applicant agrees to the proposed use of the funds. This reallocation was completed by City Council in May 2005 with \$120,000 allocated to the Estancia Adobe and \$80,000 to Segerstrom Homestead.
- F. **Residential Component:** Construction of the Standard Pacific Providence Park single-family homes and town homes was completed.
- G. **Fire Station:** The fire suppression fee has been paid for IKEA, Emulex, and Standard Pacific. The City retained a consultant that completed a fire suppression study in February 2005. In March 2005, the City requested that the Segerstroms dedicate a 30,000 square-foot parcel of undeveloped land for a future fire station. The City of Costa Mesa Fire Department is currently conducting a comprehensive study of fire service requirements and, the City has yet to determine the exact location of the fire station and will continue to work with the property owner on the final site selection pursuant to the terms of the Development Agreement.
- H. **Sales and Use Tax Guarantee:**

Sales Tax Guarantee

The Development Agreement requires that the owner, or designee, shall guarantee sales tax revenue from the Home Ranch development site (e.g. IKEA, Emulex) to the City in the amounts identified in Table A. If the required yearly amount is not guaranteed, the difference shall be paid to the City. For Years 1 and 2, a yearly amount of \$750,000 is required to be guaranteed. For Year 3, the guaranteed amount increases to \$1,000,000.

Table A – 5-Year Sales Tax Guarantee

Sales and Use Tax Guarantee Year	Yearly Amount Guaranteed	Cumulative Amount Guaranteed at Year End
1	\$750,000	\$750,000
2	\$750,000	\$1,500,000
3	\$1,000,000	\$2,500,000
4	\$1,250,000	\$3,750,000
5	\$1,250,000	\$5,000,000
TOTAL	\$5,000,000	\$5,000,000

ALTERNATIVES

If the Planning Commission finds C.J. Segerstrom is not in compliance with the Agreement's terms, evidence supporting that determination would be required.

CONCLUSION

Based on a review of the remaining development agreement obligations, staff believes that the applicant has made good faith efforts to comply with the provisions and conditions of the DA-00-01. The Planning Commission's findings and recommendation to City Council can be made by minute order.

Attachments: ~~1. G. J. Segerstrom & Sons letter dated October 16, 2006~~
 ~~2. Development Agreement DA 00-01~~
 ~~3. First Amendment to the Development Agreement~~

cc: Deputy City Manager-Dev. Svs. Director
 City Attorney
 City Engineer
 Transportation Services Manager
 Fire Chief
 Fire Marshal
 Finance Director
 Staff (4)
 File (2)

David Wilson
C. J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa CA 92626

Don Collins
IKEA
1475 South Coast Drive
Costa Mesa, CA 92626

Paul Folino / Michael Rockenbach
Emulex
3333 Susan Street
Costa Mesa, CA 92626

File: 112706DA0603	Date: 111406	Time: 10:15 a.m.
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CITY COUNCIL AGENDA REPORT

MEETING DATE: JANUARY 2, 2007

ITEM NUMBER:

**SUBJECT: DA-06-03 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT AGREEMENT (DA-00-01)
1201 SOUTH COAST DRIVE**

DATE: DECEMBER 13, 2006

**FOR FURTHER INFORMATION CONTACT: REBECCA ROBBINS, ASSISTANT PLANNER
(714) 754-5609**

RECOMMENDATION:

Based on the evidence in the record, determine and find that C.J. Segerstrom & Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01.

BACKGROUND

The 93-acre Segerstrom Home Ranch site is generally located north of the I-405, west of Fairview Road, east of Harbor Boulevard, and south of Sunflower Avenue. The site includes IKEA, Emulex Industrial Park, Providence Park homes, and the Segerstrom farmhouse/offices.

Development Agreement DA-00-01 for the Segerstrom Home Ranch site was adopted by Council on December 3, 2001. Section 3.5 of the agreement requires periodic review of the agreement. The City's procedures and requirements for consideration of development agreements require this periodic review to be conducted annually through the life of the agreement. This is the fourth annual review of the Home Ranch agreement.

On November 27, 2006, the Planning Commission recommended that City Council find that the applicant has demonstrated good faith compliance with the terms of the Segerstrom Home Ranch Development Agreement (DA-00-01), on a 5-0 vote.

ANALYSIS

The attached Planning Commission agenda report provides detailed information regarding the developer's obligations. At the November 27, 2006 meeting, Commission requested that the City Attorney provide an opinion regarding the sales tax guarantee (See Planning Commission staff report, Pages 3 and 4). The City Attorney will be addressing the sales tax guarantee in a separate memo to Council.

ALTERNATIVES

If Council finds C.J. Segerstrom & Sons not in compliance with the Agreement's terms, evidence supporting that determination would be required.

CONCLUSION

Based on review of the remaining development agreement obligations, Commission recommends that Council determine the applicant has made good faith efforts to comply with the provisions and conditions of the DA-00-01.



REBECCA ROBBINS
Assistant Planner



DONALD D. LAMM, AICP
Deputy City Mgr. – Dev. Svs. Director

- Attachments:
1. Planning Commission Minutes and Staff Report from November 27, 2006
 2. C. J. Segerstrom & Sons letter dated October 16, 2006
 3. Development Agreement DA-00-01

cc: Deputy City Manager-Dev. Svs. Director
City Attorney
City Engineer
Transportation Services Manager
Fire Chief
Fire Marshal
Finance Director
Staff (4)
File (2)

David Wilson
C.J. Segerstrom & Sons
3315 Fairview Road
Costa Mesa CA 92626

File: 010207DA0603	Date: 121306	Time: 9:00 a.m.
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Attachment 3
DEVELOPMENT AGREEMENT DA-00-01



CITY OF COSTA MESA

P.O. BOX 1200 • 77 FAIR DRIVE • CALIFORNIA 92628-1200

DEVELOPMENT SERVICES DEPARTMENT

FOR ATTACHMENTS NOT INCLUDED IN THIS REPORT,

PLEASE CONTACT THE CITY CLERK'S OFFICE AT

(714) 754-5121