



# **CITY COUNCIL AGENDA REPORT**

MEETING DATE: MARCH 18, 2008

ITEM NUMBER:

**SUBJECT: DA-08-01 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT AGREEMENT (DA-00-01)  
1201 SOUTH COAST DRIVE**

**DATE: FEBRUARY 27, 2008**

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

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## **RECOMMENDATION:**

The Planning Commission recommends that City Council determine and find that C.J. Segerstrom & Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01, based on the evidence in the record, and that the deadline for the dedication, endowment, and preservation plan for the historic site be extended to March 2009.

## **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 fifth annual review of the Home Ranch agreement.

On February 25, 2008, Commission recommended that Council find that the applicant has demonstrated good faith compliance with the terms of the Segerstrom Home Ranch Development Agreement (DA-00-01) and that the deadline for the dedication, endowment, and preservation plan for the historic site be extended to March 2009, on a 4-0 vote (Clark absent).

## **ANALYSIS**

In the Cultural Resources section of the Development Agreement, the dedication, endowment, and preservation plan of a minimum 1.5 acre parcel of land as a historic area were to be completed by March 2007. In February 2007, a one-year time extension was granted to March 2008. The applicant is requesting another one-year time extension to March 2009 to fulfill this obligation due to an extended lease agreement with the Mesa Water Consolidated District for the existing well site located

adjacent to the historic home. Commission recommend granting 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 in early 2009.

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. The reservoir was removed from the Mesa Consolidated Water District's master plan in May 2002. Therefore, an additional 1.5 acres adjacent to the Historic site is required to be dedicated for expanding the site and creating more open space by 2010.

The attached Planning Commission agenda report provides detailed information regarding the developer's obligations.

**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 and extend the deadline on the historic site to 2009.



REBECCA ROBBINS  
Assistant Planner



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

- Attachments:
1. Planning Commission Minutes and Staff Report from February 25, 2008
  2. C. J. Segerstrom & Sons letter dated January 17, 2008
  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

# **Attachment 1**

## **PLANNING COMMISSION MINUTES AND STAFF REPORT**

02-25-08 PC Minute Excerpt for DA-08-01 -Unofficial Until Approved

1. Development Agreement DA-08-01, 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.

Assistant Planner Rebecca Robbins reviewed the information in the staff report.

David Wilson, representative for C.J. Segerstrom & Sons, said he would be happy to answer any questions.

Mr. Wilson replied to the Chair that the agreement was satisfactory.

There were no further comments and the Chair closed the public hearing.

**MOTION: Recommended that City Council find C.J. Segerstrom & Sons has demonstrated good faith compliance with the terms and conditions of Development Agreement DA-00-01.**

**Moved by Vice Chair James Fisler, seconded by Commissioner James Righeimer.**

During discussion on the motion, Commissioner Righeimer noted that the Commission should recommend that action to the City Council, and the Vice Chair agreed.

The motion carried by the following roll call vote:

Ayes: Chair Donn Hall, Vice Chair James Fisler, Commissioner Eleanor Egan, and Commissioner James Righeimer

Noes: None.

Absent: Commissioner Sam Clark

Planning Commission Secretary Kimberly Brandt mentioned that this item would be scheduled for the City Council meeting of March 18, 2008.



# **PLANNING COMMISSION AGENDA REPORT**

VI.1

MEETING DATE: FEBRUARY 25, 2008

ITEM NUMBER:

**SUBJECT: DA-08-01 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT AGREEMENT (DA-00-01)  
1201 SOUTH COAST DRIVE**

**DATE: FEBRUARY 5, 2008**

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

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## **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.

Handwritten signature of Rebecca Robbins in black ink.

REBECCA ROBBINS  
Assistant Planner

Handwritten signature of Kimberly Brandt in black ink.

KIMBERLY BRANDT, 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 fifth 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:**

#### *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. 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).

This dedication, endowment, and preservation plan were to be completed by March 2007. In February 2007, a one-year time extension was granted to March

2008 to fulfill this obligation due to their lease agreement with the Mesa Water Consolidated District for the existing well site located adjacent to the historic home. The lease agreement with the Water District was recently extended until September 2008. Therefore, the applicant is requesting another one-year time extension to March 2009. 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 in early 2009.

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. The reservoir was removed from the Mesa Consolidated Water District's master plan in May 2002. Therefore, an additional 1.5 acres adjacent to the Historic site is required to be dedicated for expanding the site and creating more open space by 2010.

- 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. Once the location of the fire station is identified, construction of the facility is required to commence by 2010, or the property dedicated shall be conveyed back to the property owner.

**H. Sales and Use Tax Guarantee:***Sales 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) which began 18 months after issuance of the first certificate of occupancy. 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 was guaranteed. For Year 3, the guaranteed amount increased to \$1,000,000.

**Table A – 5-Year Sales Tax Guarantee**

| <b>Sales and Use Tax Guarantee Year</b> | <b>Yearly Amount Guaranteed</b> | <b>Cumulative Amount Guaranteed at Year End</b> |
|---|---------------------------------|---|
| 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                                     |
| <b>TOTAL</b>                            | <b>\$5,000,000</b>              | <b>\$5,000,000</b>                              |

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 \$1,500,000 was met for Year One and Year Two of the 5-year period. Because sales tax revenue data is not yet available for Quarter 3 and 4 of Year Three, staff will continue to monitor sales tax revenues for Year Three to confirm that the guarantee is met.

Table B – Annual Sales Tax Guarantee Program

| Quarter  | Period            | Sales Tax Revenue Generated | Guarantee Payment Required |
|--|-------------------|-----------------------------|----------------------------|
| <b>YEAR ONE (2005)</b><br>\$750,000 Guaranteed                   |                   |                             |                            |
| Quarter 1  | 01/01/05-03/31/05 | \$ 222,428                  |                            |
| 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                  |                            |
|  | <b>TOTAL</b>      | \$ 965,386                  | Not Required               |
| <b>YEAR TWO (2006)</b><br>\$750,000 Guaranteed                   |                   |                             |                            |
| Quarter 1  | 01/01/06-03/31/06 | \$ 230,933                  |                            |
| Quarter 2  | 04/01/06-06/30/06 | \$ 231,551                  |                            |
| Quarter 3  | 07/01/06-09/30/06 | \$ 274,322                  |                            |
| Quarter 4  | 10/01/06-12/31/06 | \$ 230,845                  |                            |
|  | <b>TOTAL</b>      | \$ 960,051                  | Not Required               |
| <b>YEAR THREE (2007)</b><br>\$1,000,000 Guaranteed               |                   |                             |                            |
| Quarter 1  | 01/01/07-03/31/07 | \$ 232,294                  |                            |
| Quarter 2  | 04/01/07-06/30/07 | \$ 225,733                  |                            |
| Quarter 3  | 07/01/07-09/30/07 | Not Available               |                            |
| Quarter 4  | 10/01/07-12/31/07 | Not Available               |                            |
|  | <b>TOTAL</b>      | Not Available               | N/A                        |
| <b>TOTAL AFTER 2 FULL YEARS</b><br><b>\$1,500,000 Guaranteed</b> |                   | \$1,925,437                 | Not Required               |

**OTHER DEPARTMENTAL REVIEW**

The City Attorney and Transportation Services have also reviewed the development agreement and concur that the Developer is in compliance with the terms of the Agreement.

**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. C. J. Segerstrom & Sons letter dated January 17, 2008
  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

Jim McCluney / Michael Rockenbach  
Emulex  
3333 Susan Street  
Costa Mesa, CA 92626

|                    |              |                 |
|--------------------|--------------|-----------------|
| File: 022508DA0801 | Date: 020708 | Time: 3:30 p.m. |
|--------------------|--------------|-----------------|

# **Attachment 2**

**C. J. SEGERSTROM & SONS CORRESPONDENCE**

**C.J. SEGERSTROM & SONS**

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

January 17, 2008

RECEIVED  
CITY OF COSTA MESA  
DEVELOPMENT DEPARTMENT

JAN 19 2008

Ms. Rebecca Robbins  
Assistant 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. Robbins,

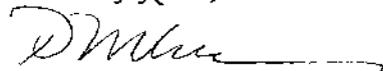
Enclosed please find payment in the amount of \$1,690 to cover our application for annual review of the Home Ranch Development Agreement DA-00-01.

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, subject to a finding of necessity by the City, to provide a site for a new fire station. We understand that a fire services needs assessment determined that a fire station north of the I-405 freeway was contraindicated and that an alternative location on Gisler Street just south of the I-405 was not acceptable to the City. We would hope for a final resolution of this issue at this time.

One year ago the City of Costa Mesa granted a one-year extension until March of 2008 to deal with matters associated with the historic district. It now appears that the Mesa Consolidated Water District will abandon Well 4 near the Segerstrom farmhouse, allowing that area to be included within the historic district. We have agreed with the directors of the Water District to extend our current lease agreement until September of 2008 to allow an unrushed conclusion to negotiations. We ask the same extension from the City of Costa Mesa for the timetable associated with formation of the historic district. We have already interviewed preservation architects about the special needs of the farmhouse and barn, which is a necessary first step in planning the historic district. We expect to retain one of them in the immediate future.

Sincerely yours,



David Wilson

**Attachment 3**  
**DEVELOPMENT AGREEMENT DA-00-01**

PLEASE CONTACT City Clerk's  
office for copy of ATTACHMENT.  
Thank you.

City Clerk  
X. 5225

(714) 754-5225