



PLANNING COMMISSION AGENDA REPORT

III.3.

MEETING DATE: SEPTEMBER 26, 2005

ITEM NUMBER:

**SUBJECT: DA-05-04 ANNUAL REVIEW OF SEGERSTROM HOME RANCH DEVELOPMENT
AGREEMENT (DA-00-01)
1201 SOUTH COAST DRIVE**

DATE: SEPTEMBER 13, 2005

**FOR FURTHER INFORMATION CONTACT: CLAIRE L. FLYNN, AICP, SENIOR PLANNER
(714) 754-5278**

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.



CLAIRE L. FLYNN, AICP
Senior Planner



R. MICHAEL ROBINSON, AICP
Asst. Dev. Svcs. 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 for Commission review and reference.

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 third 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 November 2006.

- 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 above, the first amendment to the development agreement allows City Council to reallocate the contribution, provided the applicant assents 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 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 over the next five years 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.

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

Annual Monitoring

Through Years 2003 to 2008, the sales tax revenue guarantee period commences on July 1 through June 30 of each year. This timeframe is established in the Development Agreement, as it coincides with the first full quarter following the issuance of a Certificate of Occupancy for IKEA in May 2003.

If the yearly amount guarantee is not met, the Development Agreement requires that the *difference* between the guarantee and actual sales tax revenue be paid to the City. As shown in Table B, the sales tax revenue guarantee was met for Year One, and staff anticipates that it will also be met for Year Two. Because sales tax revenue data is not yet available for Quarter 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 (2003/2004)			Not Required
Quarter 1	07/01/03-09/30/03	\$ 239,384	
Quarter 2	10/01/03-12/31/03	\$ 206,038	
Quarter 3	01/01/04-03/31/04	\$ 206,718	
Quarter 4	04/01/04-06/30/04	\$ 204,277	
TOTAL		\$ 856,417	
YEAR TWO (2004/2005)			TBD
Quarter 1	07/01/04-09/30/04	\$ 254,896	
Quarter 2	10/01/04-12/31/04	\$ 219,424	
Quarter 3	01/01/05-03/31/05	\$ 222,428	
Quarter 4	To Be Determined	TBD	
TOTAL		\$ 696,748	

Other Departmental Review

The City Attorney's office has reviewed the obligations of the development agreement and believes that there are not any legal issues outstanding at this time. Transportation Services has also reviewed the development agreement and concurs the applicant is in compliance with the terms of the agreement.

ALTERNATIVES

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

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CONCLUSION

Both the applicant and the City have 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 August 11, 2005
 2. Development Agreement DA-00-01
 3. First Amendment to the Development Agreement

cc: Deputy City Manager-Dev. Svcs. Director
 City Attorney
 Sr. Deputy 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
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Don Collins
IKEA
1475 South Coast Drive
Costa Mesa, CA 92626

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

August 11, 2005

Ms. Claire Flynn
Senior 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. Flynn,

Enclosed please find application and payment in the amount of \$1,555 for annual review of the Home Ranch Development Agreement DA-00-01.

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

Following last year's review, 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. In March of this year the City of Costa Mesa informed us that under the terms of the agreement they would indeed require C.J. Segerstrom & Sons to provide a 30,000 s.f. parcel suitable for the construction of a new fire station. A preferred site for that station was not stated by the City, but there are strong indications that a site on Gisler Avenue next to the Mesa Consolidated colored water facility will best fit the City's emergency service needs. A location in the Home Ranch development area itself, perhaps on Susan Street south of South Coast Drive, appears to be problematic in terms of response time to some areas of the City. We await a final determination by City officials.

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 begun conversations with planning consultants who have experience with historic districts. The historic district obligations will be met before the 2007 deadline.

Sincerely yours,



David Wilson

Attachment 2
Development Agreement



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 PLANNING DIV. AT (714)754-5245.**