



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**

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

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

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 \$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
YEAR ONE (2005) \$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	
	TOTAL	\$ 965,386	Not Required
YEAR TWO (2006) \$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	
	TOTAL	\$ 960,051	Not Required
YEAR THREE (2007) \$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	
	TOTAL	Not Available	N/A
TOTAL AFTER 2 FULL YEARS \$1,500,000 Guaranteed		\$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 1

C.J. SEGERSTROM & SONS

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

January 17, 2008

Ms. Rebecca Robbins
Assistant Planner
City of Costa Mesa
P.O. Box 1200
Costa Mesa, CA 92628-1200

RECEIVED
CITY OF COSTA MESA
DEVELOPMENT SERVICES

JAN 19 2008

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

Dear Ms. Robbins,

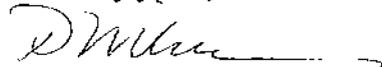
Enclosed please find payment in the amount of \$1,690 to cover our application for annual review of the Home Ranch Development Agreement DA-00-01.

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 2
Development Agreement

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

CITY OF COSTA MESA
77 Fair Drive
Costa Mesa, CA 92626
Attn: CITY Clerk

Recorded in Official Records, County of Orange
Darlene Bloom, Interim Clerk Recorder

NO FEE

20020229863 02:45pm 03/20/02

114 11 A12 46

0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

(Space Above This Line For Recorder's Use)

This Development Agreement for Home Ranch
Development Property is recorded at the request and
for the benefit of the CITY of Costa Mesa and is
exempt from the payment of a recording fee pursuant
to Government Code § 6103

460
11

CITY OF COSTA MESA

By: Mary T. Egan
Its: Deputy City Clerk
Dated: March 20, 2002

DEVELOPMENT AGREEMENT FOR
HOME RANCH

by and between

CITY OF COSTA MESA

and

C. J. SEGERSTROM & SONS, SEGERSTROM PROPERTIES LLC, AND HENRY T
SEGERSTROM PROPERTIES LLC

DA-00-01
Ordinance No. 01-29



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.**