ITEM 8.A.

MOORPARK CITY COUNCIL
AGENDA REPORT

TO: Honorable City Council

FROM: David C. Moe II, Redevelopment Manager DCM

DATE: November 23, 2008 (CC meeting of 12/3/2008)

SUBJECT: Consider Resolution Revising Approval of Sale of Property Owned by the Redevelopment Agency of the City of Moorpark, Located at 192 High Street, to Aszkenazy Development, Inc.

BACKGROUND AND DISCUSSION

The Redevelopment Agency of the City of Moorpark ("Agency") acquired a 2.34 acre site, located at 192 High Street ("Property"), from the Ventura County Transportation Commission on August 8, 1993, at a cost of $393,451.34. An aerial of the Property is attached as EXHIBIT A. This Property was part of a 4.77 acre purchase for $800,000.00. Since the acquisition, the Property has been leased to a variety of commercial tenants.

The Agency has negotiated a Disposition and Development Agreement with Aszkenazy Development, Inc. ("Developer") to construct two, two-story, commercial buildings totaling 71,656 square feet. The proposed project would be built in two phases under separate Disposition and Development Agreements.

The first phase of the project would be sold under this Disposition and Development Agreement and include the land from between the Metrolink parking lot and Maria's Restaurant. The Developer would construct a 49,140 square foot building to include office and retail uses.

The second phase would include Maria's Restaurant to the east edge of the property currently leased to the Chamber of Commerce. The Developer proposes to construct the 22,516 square foot building in the second phase, which would also include office and retail uses.

The Agency will subdivide the Property into three parcels. Parcel one would be the property leased by the Chamber of Commerce and is not included in this project. Parcel two is the second phase of this project, which includes Maria's Restaurant. Parcel three is the first phase of the proposed development. Developer will have a two year option (from after commencement of construction for phase I) to purchase parcel two at fair market price; however, the Developer must have the building in phase I 90% leased to bona fide third parties in order to exercise the option.

The sale price of parcel three (phase I) is $1,121,330.00 to reflect the current fair market value of the property. The sale price is slightly less than the previous Section 33433 Summary Reports dated November 21, 2007 and more than the March 7, 2008 as the Developer has now proposed to increase the size of the property in the first phase from 65,776 to 80,095 square feet.

The Section 33433 Summary Report (EXHIBIT B) summarizes the Agency's cost associated with the acquisition, holding and sale of the Property; states that the Property is being sold for the fair market value; and describes how the sale of the Property will assist with the elimination of blight and is consistent with the 2005-2009 Five Year Implementation Plan.

The City Council originally held a public hearing and approved the sale of Agency owned property on December 5, 2007. The City Council held a subsequent public hearing on March 19, 2008, to revise the sale price of the property from $1,123,414.00 to $920,854.00 to reflect the land value established by an appraisal conducted on February 4, 2008 by DMD Appraisals, Inc.

At the request of the Developer, the Agency allowed a redesign of the proposed project. The Developer now plans to utilize a larger parcel of land in the first phase than proposed on March 19, 2008. This increased the sale price of the land and increased the amount of the Agency's loan to the Developer. Further, the amount of the cash payment due to the Agency at the close of escrow was decreased by $75,000.00. These changes require the City Council to conduct another public hearing and approve the revised sale of the property.

On September 17, 2008, the City Council opened the public hearing to take public comment on the proposed sale of Agency owned property and continued it open until November 5, 2008. The City Council continued the public hearing open from November 5, 2008, to November 19, 2008. The City Council continued the public hearing open from November 19, 2008, to December 3, 2008.

FISCAL IMPACT

The Agency would receive a cash payment of $149,683.00 at the close of escrow, which is $75,000.00 less than the amount mentioned in previous staff reports. The

Developer will in turn utilize the $75,000.00 to comply with the required CEQA (California Environmental Quality Act) process.

The Agency would make a loan for the balance of the purchase price to the Developer for $971,647.00 for 10 years. Monthly interest only payments would be an estimated $6,680.07 or $80,160.84 per year the loan is outstanding. Interest payments may be deferred until phase I is 90% leased. The Agency would receive $971,647.00 upon repayment of the loan. If the Developer makes interest only payments for the term of the loan, the Agency would receive a total of $801,608.40 in interest payments. In addition, the project is estimated to generate over $500,000.00 in net tax increment for the Agency over the first ten years and create 50 new jobs.

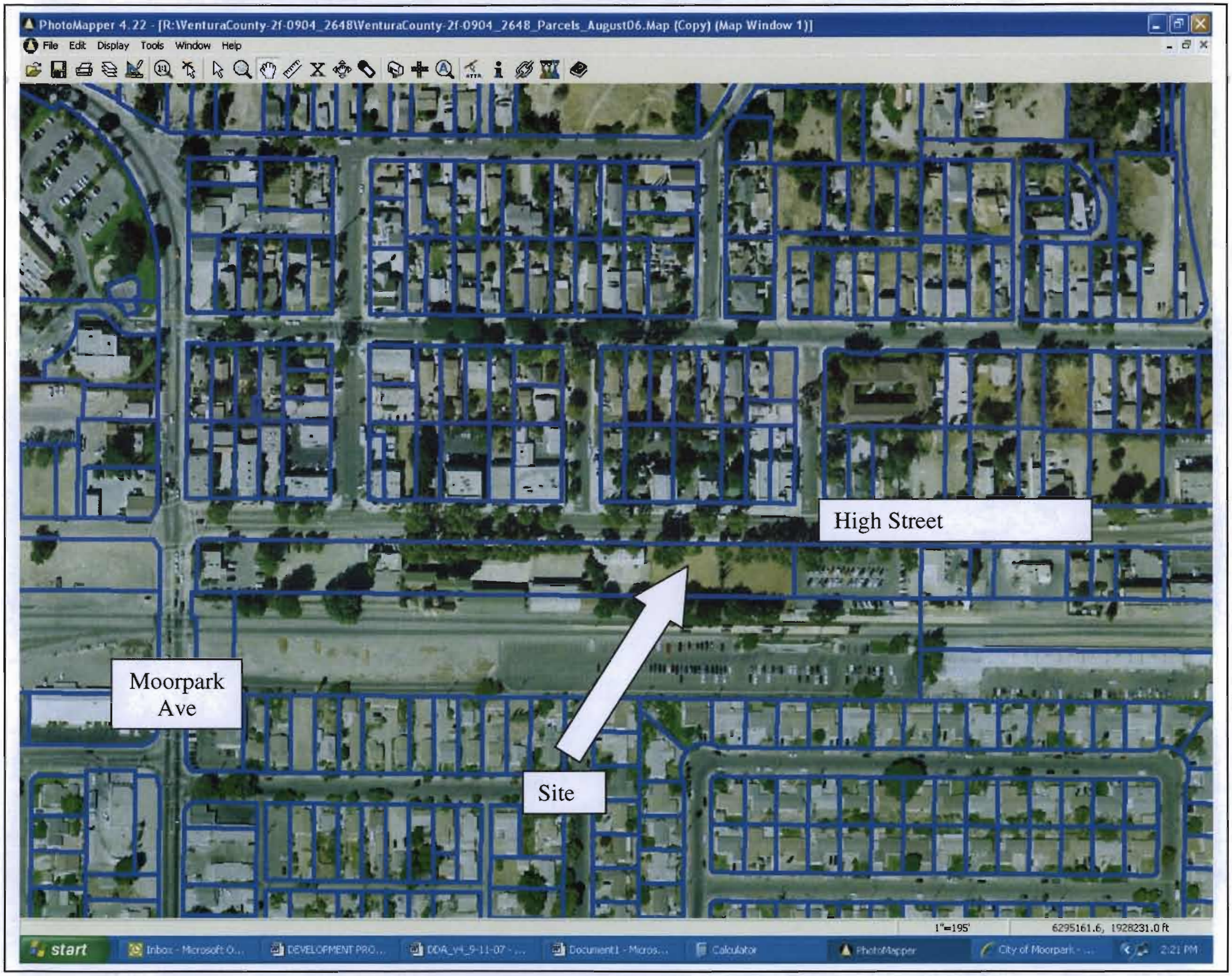
STAFF RECOMMENDATION

1) Continue to accept public testimony, and close the public hearing; and

2) Adopt Resolution No. 2008 - ____ approving the sale of Property between the Agency and Developer, subject to Disposition and Development Agreement approval by the Agency.

Exhibit "A" Aerial
Exhibit "B" Section 33433 Summary Report
Exhibit "C" Resolution

EXHIBIT A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URBAN FUTURES
UFI / GRC

EXHIBIT B

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Assistant City Manager's Office

Finance • Redevelopment • Implementation • Planning • Bond Administration • Continuing Disclosure

INFORMATION SUMMARY FOR PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT WITH ASZKENAZY DEVELOPMENT, INC., A CALIFORNIA CORPORATION "33433 REPORT"

This summary was prepared for the Moorpark Redevelopment Agency (the "Agency") pursuant to Section 33433 of the California Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code, the "CCRL") with respect to the Disposition and Development Agreement ("DDA") between the Agency and Aszkenazy Development Inc., a California Corporation (the "Developer"). The DDA pertains to the development of a multi-tenant commercial building of approximately 50,000 square feet of gross building area (the "Project") on an approximately 80,095 square foot parcel (i.e., approximately 1.84 acres of land) located near the southeast corner of Moorpark Avenue and High Street (the "Site") within the Moorpark Redevelopment Project Area. In addition, this report supersedes the 33433 Reports prepared by Urban Futures, Inc. for the Project dated November 21, 2007, March 7, 2008 and August 28, 2008.

1. Cost of Project to Agency:

The overall Project is not anticipated to produce a net cost to the Agency. On the contrary, Urban Futures, Inc. projects that the Agency's overall revenues, interest earnings and land sale proceeds resulting from its property management, purchase money financing and Site disposition, as contemplated in the DDA, are anticipated to be approximately $1,403,421. This conclusion is based upon the following data:

a. **Land Acquisition Cost**: On August 17, 1993, the Agency acquired approximately 4.7 acres of land (approximately 204,732 square feet)(the "Acquisition Property") from the Ventura County Transportation Commission ("VCTC") for $800,000. Agency records reflect that the Agency incurred $39,140.93 of acquisition-related costs. Further, during 2007, the Agency incurred $50,000 of additional costs to rectify certain property boundary discrepancies with the VCTC with respect to adding approximately 14,000 square feet of additional area to the Acquisition Property and incurred $11,600 of additional costs for the preparation of a current environmental assessment of the Site. As a result, the Acquisition Property currently consists of an area of approximately 218,732 square feet or approximately 5.02 acres. Therefore, in total, the Agency has incurred $900,740.93 of costs related to purchasing the Acquisition Property. The Site consists of approximately 37.7% of the Acquisition Property. Therefore, on a prorated basis the Agency has incurred approximately $339,579.33 (rounded to $339,600) of costs reasonably related to acquiring the Site.

b. **Clearance Costs:** The proposed DDA obligates the Agency to demolish and clear the structures currently located on the Site. Agency staff and its construction experts have inspected the improvements on the Site and have determined that the Agency requires approximate $313,000 to carryout this work.

c. **Relocation Costs:** All of the current tenants on the Site have post acquisition month-to-month rental agreements. As such, the tenants are not eligible for relocation benefits. Notwithstanding this, one particular sub-tenant (i.e., Carlos and Mayra Perez, DBA Maria's Family Restaurant [the "Maria's Restaurant"]) has requested assistance from the Agency to remain as a tenant within the Project. In addition, the Developer has indicated a desire to include Maria's Restaurant within the Project. As a result, the Agency has committed to assist Maria's Restaurant as may be required consistent with the Agency's Owner Participation Rules. In addition, the level of such assistance is unknown as of the date of this 33433 Report. Therefore, for the purposes of this 33433 Report it is assumed that any of the Agency's expenses with respect to assisting Maria's Restaurant remain as a tenant within the Project will be characterized as economic development expenses rather than relocation expenses. Notwithstanding the manner in which the assistance to Maria's Restaurant is classified, it would be received in a seamless fashion by the participant. Therefore and only for the purposes of this analysis, it is assumed that the Agency will not incur any relocation costs.

d. **Improvement Costs**: The Agency has not incurred any improvement costs.

e. **Finance Costs**: None

f. **Other Costs**: None

g. **Offsetting Revenue:** The sum of the above costs (i.e., items "a" through "f") is $652,600, which represents the Agency's current total investment in the Site. These costs are offset by the $1,121,330 sales price of the Site, the prorated rental income received by Agency during the term of its ownership of the Acquisition Property and the interest income anticipated to be earned from the Agency's purchase money loan to the Developer over the next ten years.

With respect to the rental income, Agency staff has estimated that the Agency has received roughly $223,000 of rental income attributable the Acquisition Property over the last nine years (i.e., since 1999). Unfortunately, the Agency no longer has records that will confirm the amount of rental income it received from the Acquisition Property during the Agency's first five years of ownership. However, upon obtaining title to the Acquisition Property the rent role shows that the annualized rental income from the then existing tenants was $52,320. Therefore, in light of the lack of records and the knowledge that tenants actually occupied the Acquisition Property, Urban Futures, Inc. believes it is appropriate to provide a conservative estimate of the rental income the Agency received during its initial five year period of ownership of the Acquisition Property. With the foregoing in mind and in order to be extraordinarily conservative, Urban Futures, Inc. believes that an estimate of annual rental income received prior to 1999 should be based on not more than 50% of the Acquisition Property's initial annualized rental role. This conservative estimate should fairly allow for vagaries that may have occurred with respect to tenant changes and/or short-term vacancies. Using this formula, Urban Futures, Inc. believes that it is reasonable to project that the Agency received at least $26,000 per year in rental income during the first five years of the Agency's ownership of the Acquisition Property for a total of approximately $130,000 (i.e., $52,320 x .50 = $26,160, rounded to $26,000 x 5 = $130,000). Therefore, it is reasonable to project that throughout the term of the Agency's ownership of the Acquisition Property, the Agency received at least $353,000 (i.e., $223,000 + $130,000 = $353,000) of rental income from this property. On a prorated basis (i.e., 37.7%), $133,081 may be reasonably attributed to the Site.

It is also important to note that the DDA calls for approximately 87% of the purchase price (i.e., $971,647) to be funded with an Agency purchase money 10-year interest only subordinate loan (the "Agency Loan"). The $149,683 balance will be paid in cash at escrow closing. Agency staff and the Developer have determined that a fair interest rate for the Agency Loan is 8.25%. By way of comparison and as of the date of this report, the interest rate proposed for the Agency Loan is 4.25% above the Prime Rate and 1.73% above the SBA 504 Program rate. Given these parameters, Urban Futures, Inc. concurs that the interest rate proposed for the Agency Loan is fair and reasonable. Based on the proposed rate, the Agency Loan, will generate $80,161 of interest income per year for each year that it remains outstanding or $801,610 over its full ten year term, if it remains outstanding for a full ten-year period.

The sum of the above noted sources (i.e., $1,121,330 + $133,081 + $801,610) is $2,056,021. Therefore, Urban Futures, Inc. projects that the Agency's overall revenues, interest earnings and land sale proceeds resulting from its property management, purchase money financing and Site disposition, as contemplated in the DDA, are anticipated to be approximately $1,403,421 (i.e., $2,056,021 - $652,600 = $1,403,421).

2. Estimated value of interest to be conveyed or leased, determined at highest and best use permitted by the Redevelopment Plan:

In order to determine the estimated value of the interest to be conveyed, staff engaged the services of Dale Donerkiel, SRPA, SRA and California Certified General Real Estate Appraiser ("Appraiser") as an expert, third party real estate appraiser. On February 4, 2008, the Appraiser completed a real estate appraisal on an approximately 2.36-acre (approximately 108,142 square feet) portion of the Acquisition Property, from which the Site will be created (the "Appraised Property"). The appraisal is on file with the Agency. Based upon their value analysis, it is the Appraiser's opinion that the estimated value of the Appraised Property at its highest and best use permitted by the Redevelopment Plan equals a total of $1,514,000 or $14.00 on a square foot basis. It is important to state that in determining this value, the Appraiser assumed that the Agency would cause the improvements on the Site to be demolished; in other words, that the Site was vacant. The Appraiser also assumed that the Site is free from environmental contamination. With respect to this issue, the VCTC's immediate past Executive Director (i.e., Ms. Ginger Gherardi) assured Urban Futures, Inc. that the appropriate steps were taken during 1993 to ensure the Site was free from environmental contamination. Unfortunately, this assurance could not be confirmed by any of the VCTC's written records. Therefore and to be both safe and conservative, Agency staff recently engaged the services of an environmental engineer (i.e., AGI Geotechnical, Inc.) who has also confirmed that the Site is free from environmental contamination. AGI Geotechnical, Inc. indicated that they did not detect any substance that exceeded the detection limit threshold established by the appropriately responsible government agency. Their findings are on file with the Agency.

Therefore, by using the Appraiser's above noted per square foot value, the imputed value of the Site is $1,121,300 (i.e., $14.00 x 89,095 sq. ft. = $1,121,300). Pursuant to the DDA, the Developer will purchase the Site for $1,121,300 which is equal to its full fair market value.

3. Estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants and development costs required by the sale or lease:

Pursuant to the DDA, the Developer will purchase the Site for $1,121,300 which is equal to its full fair market value.

4. The purchase price or sum of the lease payments which the lessor will be required to pay during the term of the lease:

Pursuant to the DDA, the Developer will purchase the Site for $1,121,300 which is equal to its full fair market value.

5. Explanation of the reason (if applicable) why the sales price or lease rate paid to the Agency may be less than market value of the property as determined at its highest and best use:

Not applicable. The sale price of the Agency parcels is at fair-market value.

6. Explanation of why the sale or lease of the property will assist in the elimination of blight:

This DDA is part of a project designed in part to eliminate blight in the Moorpark Redevelopment Project Area. The greater portion of the Site (i.e., the Acquisition Property) has been used for non-operating railroad related purposes for many years in the past. In recent times it has been used for multi-tenant small-scale commercial purposes. The current improvements on the Site are both economically obsolete and exhibit conditions of physical degradation. Pursuant to the DDA, the Agency is obligated to remove the improvements which will eliminate the existing blighting conditions. The proposed DDA will facilitate the development of a multi-tenant commercial building of approximately 50,000 square feet of gross building area conservatively estimated by

Urban Futures, Inc. to provide approximately 50 employment opportunities (i.e., approximately one job per 1,000 square feet of gross building area). Therefore, the Project will result in eliminating blight that exists in a portion of the Moorpark Redevelopment Project Area, specifically on the Site, and will cause new economic development activity, including job creation.

7. Economic benefits of the Project:

At a conservative value of $200 per square foot of finished building area, the completed Project is anticipated to add approximately $8 million of assessed value to the redevelopment project. Based on this additional assessed value estimate, it is anticipated that the Project will generate approximately $80,000 of additional gross tax increment (i.e., prior to tax sharing) revenue during its first taxable year. Utilizing a 2% per year growth factor, over its first ten years it is anticipated that the Project will generate approximately $876,000 of gross tax increment revenue. Inclusive of the Low-to Moderate-Income Housing Fund, the Agency currently receives approximately 58% of the gross tax increment revenue. With respect to the current illustration, the Project could generate over $500,000 of net tax increment revenues to the Agency over its first ten years of operation. These additional tax increment revenues will assist the Agency in removing blight within the Moorpark Redevelopment Area as well as promoting economic development, job creation and affordable housing projects and programs.

Certification: I certify that this report complies with the reporting requirements of Section 33433 of the CCRL. Further, I do not have a present or perspective interest in the Site, the Project or the parties to the DDA. My engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the Agency, reports provided by its consultants or as otherwise noted herein. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to the DDA change after the date provided below, then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report. In addition, this report supersedes the 33433 Reports prepared by Urban Futures, Inc. for the Project dated November 21, 2007, March 7, 2008 and August 28, 2008.

Respectfully Submitted,
URBAN FUTURES, INC.

STEVEN H. DUKETT
Managing Principal

Dated: October 30, 2008

Exhibit C

RESOLUTION NO. 2008-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, APPROVING THE SALE OF PROPERTY OWNED BY THE MOORPARK REDEVELOPMENT AGENCY TO ASZKENAZY DEVELOPMENT, INC. AND FINDING SALE CONSISTENT WITH CALIFORNIA REDEVELOPMENT LAW SECTION 33433

WHEREAS, the City Council of the City of Moorpark, adopted the Redevelopment Plan for the Moorpark Redevelopment Project on July 5, 1989, by Ordinance No. 110, in accordance with the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*); and

WHEREAS, the Moorpark Redevelopment Agency ("Agency") purchased the east 800 feet of APN 512-0-090-100 ("Property") for redevelopment purposes; and

WHEREAS, California Community Redevelopment Law ("CCRL") Section 33433 requires that the City Council approve, by resolution and after a public hearing, any Agency sale or lease of property which was acquired with tax increment funds; and

WHEREAS, Section 33433 of CCRL requires that the City Council include the following findings in the resolution approving the sale or lease of Agency property purchased with tax increment:

1. The sale of property will assist in the elimination of blight in the Moorpark Redevelopment Project Area.

2. The sale of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.

3. The property is being sold to the Developer at the fair market price at the highest and best use in accordance with the Moorpark Redevelopment Plan; and

WHEREAS, on December 5, 2007, the City Council opened the public hearing to gathered public comment and approved the sale of Agency owned property; and

WHEREAS, on March 19, 2008, the City Council opened the public hearing to gathered public comment and approved the revised sale of Agency owned property; and

WHEREAS, notice was published in the Ventura Star once a week for two weeks prior to the public hearing scheduled for September 17, 2008, to consider revised terms of sale for the Property; and

WHEREAS, on September 17, 2008, the City Council opened the public hearing to take public comment on the revised sale of Agency owned property and continued it until November 5, 2008; and

WHEREAS, on November 5, 2008, the City Council opened the public hearing to take public comment on the revised sale of Agency owned property and continued it open until November 19, 2008; and

WHEREAS, on November 19, 2008, the City Council opened the public hearing to take public comment on the revised sale of Agency owned property and continued it open until December 3, 2008; and

WHEREAS, the proposed sale will assist with the elimination of blight in the Moorpark Redevelopment Project Area; and

WHEREAS, the proposed sale is consistent with the adopted 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL; and

WHEREAS, the Property has been appraised and the fair market price, at its highest and best use in accordance with the Moorpark Redevelopment Plan, has been established; and

WHEREAS, on November 19, 2008, the City Council reviewed the proposed sale and determined that it is consistent with Section 33433 of the CCRL.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council approves the sale of Agency owned property to Aszkenazy Development, Inc. subject to approval of the Disposition and Development Agreement by the Agency.

SECTION 2. The City Council determines the proposed sale is consistent with Section 33433 of the CCRL and the following findings are made:

1. The sale of property will assist in the elimination of blight in the Moorpark Redevelopment Project.

2. The sale of property is consistent with the goals and objectives in the 2005-2009 Implementation Plan for the Moorpark Redevelopment Project pursuant to Section 33490 of the CCRL.

3. The property is being sold at the fair market price at the highest and best use in accordance with the Moorpark Redevelopment Plan.

SECTION 3. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 3rd day of December, 2008.

Janice S. Parvin, Mayor

ATTEST:

Maureen Benson, Assistant City Clerk