



Agenda Report

Fullerton City Council

MEETING DATE: NOVEMBER 19, 2019

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: MATT FOULKES, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR

SUBJECT: EXTENSION TO EXCLUSIVE NEGOTIATION AGREEMENT BY AND BETWEEN THE CITY OF FULLERTON AND ALLEN CHRISTOPHER CORPORATION DBA PARKWEST GENERAL CONTRACTORS AND WESTPARK INVESTMENTS, LLC ON PROPERTY LOCATED AT THE SOUTHEAST CORNER OF EAST SANTA FE AVENUE AND SOUTH POMONA AVENUE (APN 033-030-18)

SUMMARY

Consideration of an extension of an Exclusive Negotiation Agreement by and between the City of Fullerton and Allen Christopher Corporation dba Parkwest General Contractors and Westpark Investments, LLC (together, "Developer") to provide for a period of exclusive negotiations during which the City and Developer will develop a plan for the development of an upscale boutique hotel on a portion of an approximately 2.05-acre parcel of land owned by the City. The property is currently a surface parking lot located at the southeast corner of East Santa Fe Avenue and South Pomona and is part of the Fullerton Transportation Center Specific Plan (FTCSP) area. The extension to the ENA is requested by the City as a result of additional time required to complete components of the analysis of the project which were beyond the Developer's and City's control.

RECOMMENDATION

Approve a 12-month extension to the Exclusive Negotiation Agreement (ENA) by and between the City of Fullerton and Allen Christopher Corporation, DBA Parkwest General Contractors and Westpark Investments, LLC on property located at the southeast

corner of East Santa Fe Avenue and South Pomona Avenue (APN 033-030-18) and authorize the City Manager to execute the corresponding First Amendment to said ENA.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Infrastructure and City Assets.

FISCAL IMPACT

Pursuant to the ENA, the City has no obligation to pay or reimburse the Developer for any costs or expenses incurred as a result of the ENA, the preparation and submittal of the development plan, the negotiation of a Disposition and Development Agreement or other agreement, the retention of any consultant, the development of the property or any other matter concerning the property, except as otherwise agreed to by the City in writing prior to costs or expenses being incurred. The City has incurred legal fees for the preparation of the ENA as well as professional service fees for the third-party review of Developer's proposal.

DISCUSSION

On December 1, 2018, the City entered into an ENA with the Developer. The ENA established a six month initial negotiation period commencing on December 1, 2018 and identified five milestones that must be satisfied by the Developer no later than May 31, 2019 in order for the ENA to extend another six months. The Developer satisfied all of these milestones within the initial negotiation period.

- *Prepare and submit a preliminary financial feasibility analysis and market study, including development costs and a development pro-forma.*

COMPLETED – The Developer retained CBRE to prepare a Financial Feasibility Analysis and Market Study for the development of a hotel on the subject property. This information was submitted by the Developer to the City's economic development and real estate consultant on May 2, 2019 for review and consideration. They have reviewed the material and are conducting on-going discussions with Parkwest regarding their analysis and any additional information necessary to provide the City with recommendations on the feasibility of the Project.

- *Prepare and submit a Project Description, adequate in scope to begin environmental analysis of the Project.*

COMPLETED – The Developer submitted the following preliminary Project Description as part of the entitlement package: The Proposed Project consists of a 6-story, 128 room hotel with an approximate 4,000 square foot restaurant at the ground floor level and a roof-top bar. The ground floor includes three meeting rooms as well as other amenities for hotel guests including a fitness center and business center. Guest rooms are located on floors two through six. Levels two through five have 28 rooms each while level six has 16 rooms. The hotel occupies 17,660 square feet on the ground floor for a total of 94,032 square feet

over the six floors. A stand-alone 4-level parking structure is proposed to the east of the hotel building. The parking structure provides the required parking for the hotel (128 spaces) as well as the replacement public parking (138) for a total of 266 spaces. There are also eight surface spaces on the property outside of the structure.

Parkwest, at the direction of staff, is also working on a re-design of the area on the north side of the train station to better facilitate circulation for the users of the station and hotel guests.

- *Prepare and submit preliminary Project plans, including Site, Floor, Landscape, and Elevation plans, and*
- *Prepare and submit all required Development Applications, including any General Plan Amendment, Specific Plan Amendment, Conditional Use Permit and other Project-specific entitlements.*

COMPLETED – On April 25, 2019, the applicant submitted all required Plans and Development Applications for the Project. On May 30, 2019, the Developer attended the Development Coordination Review Committee where representatives from Planning, Building, Public Works, Police and Fire provided technical comments following review of the Project Plans. The Developer has continued to refine the plans based on these comments, review of the Town Architect, as required under the FTCSP and subsequent City reviews.

- *Provide a written progress report to City Council on the steps, actions and accomplishments taken by the Development to meet the Initial Negotiation Period Milestones.*

COMPLETED – The Developer prepared a written progress report, pursuant to the Agreement, which was provided to the City Council in May 2019.

Pursuant to the terms of the ENA, the negotiation period automatically extended for an additional six months, ending November 30, 2019. During this second six-month period, five additional milestones were required. The milestones with their current status are as follows:

- *Commence the required environmental analysis necessary for the Project CEQA determination.*

IN PROGRESS – A scope of work has been prepared for the environmental analysis and the consultants to perform the work identified. The selected CEQA consultant has not yet commenced work because the terms and conditions for the development of the property have not yet been finalized. Once completed, the costs associated with the CEQA review will be paid by the Developer. The Developer has completed the Phase 1 and is completing the Phase 2 Environmental Site Assessment work required by the FTCSP, however.

- *Conduct stakeholder and community outreach regarding the Project through various engagement strategies, including holding at least one community meeting.*

COMPLETED – A community meeting was held on October 14, 2019. The meeting was noticed to all owners (149) and tenants (313) in a 300 foot radius of the project and publicized on the Community and Economic Development Department's Nextdoor page, Facebook page and through the Fullerton Observer. Separately, the Developer has also met with representatives from Bushala Brothers, Inc. and Southern California Railway Plaza Association, who are adjoining tenants on the subject property, and made revisions to the design to improve coordination among the three uses. Both groups have expressed support for the development based on these revisions.

- *Prepare and submit to the City a draft Disposition and Development Agreement (DDA) or other form of agreement or agreements between the City and Developer concerning the development of the Property.*

IN PROGRESS – The Developer has provided the City with preliminary terms and conditions that will become the basis for the DDA or other agreement. The City's economic development and real estate consultant is still reviewing the project's financial aspects and draft terms and conditions for the development of the property. Once completed, and following City Council agreement on price and terms as allowed under Government Code Section 54956.8, a draft agreement will be prepared. Final approval of the agreement by City Council would be part of the subsequent entitlement process which will be noticed public hearings.

- *Submit to the City sufficient evidence that the Developer has the required equity and/or loan commitments, and letters of interest to complete the development of the Property, provided however, that the City understands and acknowledges the proprietary nature of the information contained in the Developer's financial statements and agrees, to the extent permitted by law (including by not limited to the Public Records Act (Government Code Section 6250 et seq.)), not to disclose said information contained therein to any person or entity other than representatives of the City or their consultants.*

IN PROGRESS – The Developer's team has provided preliminary financial information to potential investors and hotel brands. At this stage and pending resolution of the terms and conditions for the development of the property, obtaining financing and branding commitments is premature.

- *Provide oral and written reports as requested by City regarding Developer's progress toward meeting its obligations under this Agreement.*

ONGOING – The Developer is in regular communication with City staff and provides information as requested in a timely fashion. The Developer has also prepared an update for the City Council on their progress over the last six months (Attachment 2).

The phased, milestone-based approach to the 12-month ENA was recommended to ensure that the Developer continues to demonstrate a commitment to the project through specified deliverables which will achieve the City's desired outcome for the property and not require multiple extensions to the ENA as had previously occurred. In

December 2018, Staff identified, however, that items beyond either the Developer's or City's control may necessitate additional time; if the Developer has substantially achieved the obligations set forth above, the City Council would have the discretion to extend the Total Negotiation Period.

The recommended 12-month extension to the Total Negotiation Period and associated milestones is being requested by staff and the Developer to provide additional time to complete a series of tasks in succession: (1) the third-party technical review of the project's financial aspects and draft terms and conditions for the development of the property, (2) the negotiations between the Developer and the City Council including the drafting of the DDA, (3) the equity and / or loan commitments and letters of interest, (4) amendments to the FTCSP, (5) the CEQA analysis and (6) the public hearings before the Planning Commission and City Council.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Written Progress Report from Parkwest General Contractors