

STAFF REPORT

Lancaster Redevelopment Agency
City of Lancaster, California

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Date: July 10, 2007

To: Chairman Hearn and Agency Board Members
Mayor Hearn and City Council Members

From: Elizabeth Brubaker, Housing and Neighborhood Revitalization Director

Subject: **Approve Lease Agreement with Option to Purchase Real Property between the Lancaster Redevelopment Agency and North Downtown Renewal, L.P., a California Limited Partnership**

Agency Recommendation:

Approve a transfer of \$1,500,000.00 from Account No. 930-5201942 Allied Arts Renovation and \$500,000.00 from Account No. 930-8101942 Downtown Revitalization projects, to Account No. 930-8201924 as a loan repayment to the City of Lancaster.

City Council Recommendation:

A) Approve Lease Agreement with Option to Purchase Real Property between the City of Lancaster and North Downtown Renewal Limited Partnership for commercial property located at 665 West Lancaster Boulevard.

B) Increase estimated revenues in Account No. 101-3703100 by \$2,000,000.00 for loan repayment from the Lancaster Redevelopment Agency. Appropriate \$2,000,000.00 to Account No. 101-11BS007924 for the acquisition and renovation.

Fiscal Impact:

The acquisition will be funded by a loan repayment from the Lancaster Redevelopment Agency to the City of Lancaster in the amount of \$2,000,000.00.

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Background:

On November 8, 2005, the City Council approved an Agreement for Professional Services with RBF Consulting, Incorporated for the preparation of the Downtown Specific Plan. The City and the Redevelopment Agency (the "Agency") have made significant public investments throughout the downtown area over the past 20 years, including major drainage improvements to control storm water run-off, the addition of several public parking lots in the downtown area to serve local business, widening sidewalks and introducing a modern street theme involving new pedestrian lighting, street trees, paving materials, street furniture and aerospace walk of honor monument, construction of City Hall facilities, the Performing Arts Center, and the Lancaster Museum Art Gallery. In addition, the City has assisted in the relocation of Los Angeles County Sheriff's Station, the Los Angeles County Library, the Metro-link station and the Veterans Administration urgent care facility to Lancaster Boulevard. Since 2005, the City of Lancaster has initiated a comprehensive planning process for Downtown Lancaster in an effort to revitalize Downtown and create a corridor that is a place of historic, cultural, social, economic, and civic vitality for the Lancaster community, as well as the Antelope Valley. The City is entering into the final phase of this planning process where all the efforts of the community and design team have become truly evident.

The City of Lancaster has a unique opportunity to be a participant and kick-off this most recent effort to further makeover Downtown Lancaster. In the past few weeks, through cooperative ventures with private development interests in the downtown, the City and Agency have been presented with an opportunity to redevelop and reuse a large downtown vacant commercial building as part of the ongoing improvements being made to the Downtown.

North Downtown Renewal, L.P. is the owner of a commercial building located at 665 West Lancaster Blvd, where Wells Fargo Bank was formally located, on the northeast corner of Lancaster Boulevard. North Downtown Renewal, LP has offered the City a lease of the building for ninety-nine years with the option to purchase the property beginning in the seventeenth year. The City/Agency will hold a sole leasehold interest in the real property together with fifty (50) parking spaces. The Lease will provide for rent in the amount of \$1,500,000.00 to be paid upon commencement of the Lease plus one dollar (\$1.00) per year. The City will also retain an exclusive right regarding the transfer of title to the property to the City to be exercised following year seventeen (17) of the Agreement. In 2005 North Downtown Renewal, LP acquired the property for \$1,600,000.00. The property was appraised in 2007 for \$2,050,225.00.

Not only will the City receive full control of the property, North Downtown Renewal, L.P. will renovate the subject building in thirty (30) days in an amount not to exceed \$500,000.00, for use by City staff to relocate while the existing City Hall is being renovated. These improvements will also benefit the relocation of the museum.

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Following is a more detailed summary of the Lease with Option to Purchase.

- The building is approximately 13,150 square feet with fifty parking spaces
- Term of the lease ninety-nine (99) years
- Rent will be a total of \$2,000,000.00 with a lump sum payment of One Million Five Hundred Thousand Dollars (\$1,500,000.00) on the effective date of the lease and up to Five Hundred Thousand Dollars (\$500,000.00) payable in installments on completion of tenant improvements, plus a dollar (\$1.00) per year.
- Urban Renewal, LP will renovate the building to provide City staff a place to work while City Hall is renovated within thirty (30) days of the approval of the Lease. The cost of the renovation shall not exceed \$500,000.00.

During this same time period the Agency will sell to the Antelope Valley High School District (the "District") the property which houses the Lancaster Museum and Art Gallery. The District is growing and needs the space currently occupied by the Museum. In keeping with the Downtown Specific Plan, after the renovation of City Hall is complete the building will be transformed into the Lancaster Museum and Art Gallery with other retail uses compatible to the Museum and the Lancaster Downtown. The Museum and Art Gallery located in the downtown is the most desirable and convenient location making it easily accessible for pedestrians and the public.

Agency staff believes that entering into a Lease Agreement with the Option to Purchase 665 West Lancaster Boulevard is in harmony with the Downtown Specific Plan and therefore is recommending that the City Council approve the proposed acquisition of the property.