

STAFF REPORT
Lancaster Redevelopment Agency

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Date: September 25, 2007

To: Chairman Hearn and Agency Board Members

From: Elizabeth Brubaker, Housing & Neighborhood Revitalization Director

Subject: **Approve Ownership Participation Agreement between the Lancaster Redevelopment Agency and North Downtown Renewal Limited Partnership**

Recommendation:

Approve Owner Participation Agreement between the Lancaster Redevelopment Agency and North Downtown Renewal to redevelop the former S&S Furniture site and construct a mix-use project in Downtown Lancaster.

The Agency will appropriate \$567,000 in economic development funds from FY 2007-08 budget fund balance 901-2900-000 to Program Account No. 930-8301-942 and will appropriate \$1,365,000 in housing funds from Program Account No. 938-2900-000 to Program Account No. 930-8402-942.

Financial Impact:

The Participant is requesting Agency assistance to fund a gap in the amount of \$1.932 million dollars and the Agency is willing to provide assistance to ensure that the project is consistent with the proposed Downtown Specific Plan. The Lancaster Redevelopment Agency assistance will come from the economic development funds and housing funds FY 2007-08 budget. The disbursement of Agency funds is contingent upon the Participant repaying the Essex Note as defined in the Agreement.

Background:

In recent years, City and Agency staff has been refocusing public and private redevelopment efforts in the downtown with an emphasis on creating a more “pedestrian-oriented” environment through the North Downtown Transit Village Plan and the “Visioning Plan” for the Downtown Lancaster Specific Plan (the “Downtown Specific Plan”). The proposed project is centrally located within the Downtown Specific Plan’s “Boulevard District” and is an essential element for pedestrian related uses and activities in the downtown.

In early 2006 the City of Lancaster 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. As part of the May 2006 visioning effort for the Downtown Specific Plan, members of the Lancaster community created the following statement for their vision of Lancaster, “*Downtown Lancaster is ...*”

- “The cultural, dining, specialty retail, entertainment, and civic hub of the Antelope Valley, an authentic place for people to gather.”
- “Architecturally pleasing, environmentally sound, pedestrian friendly mixed use area achieved through attractive storefronts, plentiful landscaping, meandering streets and sidewalks.”
- “You are able to live, work, and play in downtown Lancaster. Downtown offers a variety of housing options for all people within easy access of most necessary services. We offer numerous opportunities for meaningful employment in government, finance, and retail. Downtown Lancaster provides many cultural and entertainment activities through our fine and performing arts centers, public art, street fairs, farmer’s market, street performers, and a variety of family-oriented activities. Lancaster has ample parking and is easily accessible to all of Lancaster and the Antelope Valley.”

The Specific Plan, still in draft stage, is being created to guide this vision. The Boulevard District is the core of the Downtown Specific Plan. It has a variety of entertainment and retail, along with mixed-use structures combining commercial and residential uses. LPAC anchors this district, with new buildings envisioned on infill sites, a public parking structure, an outdoor amphitheater near LPAC, and a public plaza near the center of this district. Buildings will be built to the sidewalk and would range from one to five stories in height. Parking would be provided on street with angled parking on one side and parallel on the other – with each block alternating angled/parallel, creating a meandering road through this part of downtown. Additional parking would be provided to the rear of the buildings in surface lots and/or parking structures.

The Participant is interested in working with the Agency to redevelop the former S&S Furniture site. The proposal has the potential to act as a major catalyst for both new development and the positive re-use of existing buildings within the downtown area. As proposed, the project would include renovating the existing commercial properties and developing a housing project, thus creating a mixed-use development. The proposed commercial renovation of the site will involve the creation of two (2) new tenant spaces potentially for restaurant uses, dividing the existing 14,000 square feet building into an 8,000 square feet unit and 6,000 square feet unit of leasable space. The Participant has designed the project to address business interests and to incorporate elements that would support the desired pedestrian theme for downtown, including the addition of new public parking areas, widened pedestrian access areas, enhanced landscaping and public seating areas, street furniture, with a portion of the property dedicated to housing (see attached renderings). Along with the commercial renovations discussed above, the Participant is proposing additional public parking spaces to generally serve as part of the downtown parking loop, a pedestrian promenade, and plans to eventually work with the Agency to develop adjoining property with housing compatible with the Downtown Specific Plan with approximately 6,500 square feet of additional commercial storefront.

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- The proposal will add two new restaurants to create dining and entertainment opportunities along with nighttime activity in the heart of the downtown area, and will spur reuse of a portion of the existing Bank of America building for a coffee house.
- The proposal will result in the creation of a 14,000 square foot public plaza in the heart of the downtown, creating an authentic public gathering place for socializing, festivals, and other events.
- The proposal will result in approximately 200 construction jobs and 150 permanent jobs, \$63,000 annually in sales tax revenue to the City, \$8,500 annually in housing set-aside funds to the Redevelopment Agency and \$1,600 annually in tax increment funds to the Redevelopment Agency.
- The location of the promenade ties, both physically and visually, with the LPAC to the west, the future LMAG to the northwest, and the future Gilley Park to the north. This further strengthens the network of public spaces located within the downtown area, including the library plaza area and the Western Hotel, and also reinforces the fact that downtown is an “authentic place” and not merely a commercial creation.
- The proposal will set the stage for the creation of additional housing in the downtown area that will align with the vision of downtown as an area to live, work, and play. Additional residents in the downtown will strengthen the viability of commercial enterprises downtown, particularly in terms of providing all day activity and pedestrian traffic.
- The proposal will be in line with the goal of reducing blight within the downtown area by allowing for the productive re-use of vacant existing buildings, thereby creating additional pedestrian and nighttime activity.
- The proposal will allow for the retention and long-term enhancement of parking within the core of the downtown to ensure long-term growth can occur on surrounding properties.
- The proposal is environmentally sound because it allows for the use of existing buildings and infrastructure in a productive manner.
- This project will create a bold statement about the future of the downtown area. Development such as this, which encourages linkages between different uses, pedestrian activity, and a sense of community, represents the “state of the art” in City planning.
- A successful mixed-use project will act as an inducement for other development within the area, since “success breeds success.” The Downtown Specific Plan, slated for approval in the first part of 2008, will guide that future development to ensure that the walkable, pedestrian-oriented downtown desired by the community occurs.

The Participant's total estimated costs of new construction and renovations for the proposed project, in conjunction with the criteria of the draft Downtown Specific Plan, are expected to exceed \$6 million. The Participant's proforma identifies a funding gap of \$1.932 million, which the Participant is requesting be offset with Agency assistance to ensure a project consistent with the proposed Downtown Specific Plan. A key factor for the funding gap can be associated with design criteria established in the Downtown Specific Plan, which requires a public promenade and additional parking within this project site to support downtown parking needs. The Agency has historically participated in several downtown revitalization projects by adding public improvements and parking facilities at several locations along Lancaster Boulevard.

Creation of the "pedestrian-oriented" promenade in the downtown is a key element of the Boulevard District of the Downtown Specific Plan and will be owned by the City. As a condition of approval of the Participant's rehabilitation and construction of improvements on the property, Participant is being required to complete those public improvements subject to reimbursement by the Agency. Since the design theme proposed under the Specific Plan for the promenade has yet to be approved. Participant will work closely with City staff to insure a quality project in conformity with the proposed Downtown Specific Plan.

Pursuant to the Community Redevelopment Law Redevelopment Agencies throughout the State of California are required to provide viable housing to families of various ages and income levels within in their community. For Redevelopment Agencies to provide viable housing, they must persuade developers to participate in developing housing by offering subsidies and/or incentives. The Agreement ratifies this need. The Participant has proposed 100 residential units which will be sold and occupied by persons or families with annual incomes of between \$45,000 and \$67,800.

For several years, staff has been working with Scott Ehrlich and Steve Eglash managing members of North Downtown Renewal L.P., (the "Participant") on the construction and redevelopment of several significant commercial and residential revitalization projects in Lancaster's Downtown. Participant projects have included: (a) Arbor Gardens (SW corner of Kettering and Elm Ave); (b) Arbor Grove (NE corner of 10th St. West and Kettering); (c) Gramercy Park/Arbor Court I (SE corner of Kettering and 10th St. West); (d) Wells Fargo Bank Acquisition (NE corner of Lancaster Blvd & Elm Ave); and recently (e) S&S Furniture site (South of Lancaster Blvd. between Elm & Fig Avenues). Scott Ehrlich and Steve Eglash continue to work with staff to produce exceptional projects.

Recommendation:

Once completed, additional benefits from the project would include: (a) the introduction of the first "pedestrian-oriented" themed project under the proposed Downtown Specific Plan; (b) new public parking facilities in the downtown; (c) new affordable and inclusionary housing with the completion of the project; (d) infill development on valuable underutilized land; (e) additional home ownership and rental property options for local residents; (f) additional retail locations for new business and added sales tax; and (g) increased tax increment revenues. Therefore, Agency staff believes that entering into Owner Participation Agreement with North Downtown Renewal Limited Partnership meets the 2020 Vision Goals of the City Council, the Five-Year Implementation Plan and the Downtown Specific Plan and therefore is recommending that the Agency Board approve the proposed participation agreement.