

GARDEN GROVE CITY COUNCIL

RESOLUTION NO. 9172-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, APPROVING GROVE DISTRICT RESORT HOTEL DEVELOPMENT AGREEMENT BETWEEN THE CITY OF GARDEN GROVE AND LAND & DESIGN, INC.

THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES HEREBY FIND AS FOLLOWS:

A. Land & Design, Inc. ("Developer") has proposed a development project consisting of a combination of hotels, retail, restaurant, and entertainment venues, and related parking facilities (the "Project"), for an approximately five (5) acre site located at the northeast corner of Harbor Boulevard and Twintree Lane (the "Site").

B. A small portion of the Site is owned by the City of Garden Grove, and the remainder of the Site is owned by the former Garden Grove Agency for Community Development (the "Agency").

C. On June 14, 2011, the Agency and the Developer entered into a Disposition and Development Agreement ("DDA") pertaining to the Site and the Project. In conjunction with the Agency's consideration and approval of the DDA, the City Council conducted a joint public hearing with the Agency, considered the evidence and testimony presented at the public hearing, and adopted Resolution No. 9045-11 making certain findings and consenting to the Agency's approval of the DDA. The findings contained in Resolution No. 9045-11 and the evidence and testimony presented at the June 14, 2011 joint public hearing are hereby incorporated by reference into this Resolution.

D. On or about December 12, 2012, the State Department of Finance determined that the DDA is not an "enforceable obligation" pursuant to the RDA Dissolution Act (Parts 1.8 and 1.85 of Division 24 of the Community Redevelopment Law, California Health and Safety Code Sections 33000, et seq.).

E. On November 13, 2012, the City Council adopted Resolution No. 9153-12 approving the International West Hotel – Harbor East (Site C) Mitigated Negative Declaration and Mitigation Monitoring Program, which analyzes the anticipated environmental impacts of the Project and provides for specified mitigation measures.

F. The City and Developer propose to enter into that certain Grove District Resort Hotel Development Agreement attached hereto at Exhibit "A" (the "Agreement"). Pursuant to the proposed Agreement, the Developer would agree to construct a resort hotel project on the Site meeting certain quality thresholds and consisting of up to three hotels, event/meeting space, a retail/restaurant/

entertainment component, and adequate structured parking (the "Project") and to operate the separate components of the Project in accordance with specified covenants. To assure the financial feasibility necessary to allow the construction and operation of the Project to proceed, the City would agree to convey the Site to the Developer, to make certain annual financial assistance payments to the Developer in an amount measured by the tax revenues to the City generated by the Project over a period of up to twenty (20) years, and to provide certain other economic assistance (collectively, the "Covenants Consideration"). Pursuant to the terms of the proposed Agreement, the City's obligation to convey the Site to the Developer is expressly contingent upon the approval by the City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development ("Successor Agency"), the Oversight Board to the Successor Agency, and the Department of Finance of a Long Range Property Management Plan providing for transfer of the portion of the Site owned by the Agency to the City at no cost for development purposes.

G. The Council has been presented a report prepared by Horwath HTL, LLC ("Horwath"), dated March 20, 2013, containing an updated economic evaluation of the proposed Project on the Site, which report is hereby incorporated by reference into this Resolution. Based on the cost and revenue numbers for the Project, Horwath's report concludes that the Project's development costs compared to the estimated income and development values reasonably expected from the Project generates a negative residual land value, or financial feasibility gap, of approximately \$31.5 million, inclusive of City assistance in the form of conveyance of the Site at no cost to Developer. In addition, Horwath also evaluated other potential hotel and room number combinations permitted under the Agreement and concluded that all combinations resulted in a similar negative residual land value / feasibility gap.

H. On April 9, 2013, the City Council conducted a duly noticed Public Hearing, at which it considered the terms of the proposed Agreement, the March 20, 2013 Horwath report, the value of the assistance to provided by the City pursuant to the Agreement, the benefits the City will derive from the Agreement, the report of City Staff, and other evidence and testimony provided at the Public Hearing.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. Based on the evidence and testimony provided at the April 9, 2013 Public Hearing, the City Council hereby makes the following findings:

- A. The development and operation of the Project on the Site, as provided in the Agreement, is in the vital and best interest of the City and the welfare of its residents and is in accordance with the public purposes

and provisions of applicable state and local laws. Without limiting the foregoing, development and operation of the Project will result in substantial benefits to the City, which include (i) additional "Grove District" branding, (ii) job creation and enhanced revenues to the City resulting from construction and operation of the Project, including property taxes, sales taxes, and transient occupancy taxes, (iii) enhanced marketability that is likely to extend out-of-town leisure and convention visitors' lengths of stay in the City as a result of additional attractions and high-quality retail shopping and dining opportunities, and (iv) additional high-quality entertainment, restaurant and retail opportunities for the residents of Garden Grove and the surrounding area(s).

- B. The benefits provided by the Project will result in substantially more benefits to the City than the costs to the City of providing the Covenants Consideration provided for in the Agreement.
- C. The Project would not be able to be developed and operated without the assistance to be provided pursuant to the Agreement.
- D. The Agreement will result in only that assistance to the Developer which is necessary to fund the economic feasibility gap created by the quality of the Project required by this Agreement, and the total value of the assistance to be provided by the City pursuant to the Agreement will not exceed the feasibility gap for the Project.
- E. The amount of each payment required to be made by the City under the Agreement is a fair exchange for the consideration actually furnished pursuant to the Agreement by Developer during each fiscal year of the City in which payment is made; each payment to be made by the City under the Agreement has been calculated so that it will not exceed the resources available to make such payment; and in no event shall the City be immediately indebted to Developer for the aggregate payments provided for pursuant to the Agreement.

SECTION 2. The Grove District Resort Hotel Development Agreement between the City of Garden Grove and Land & Design, Inc., attached hereto at Exhibit "A", is hereby approved.

SECTION 3. The City Manager is hereby authorized to execute the Agreement and any related attachments, including any minor modifications as appropriate, and any other pertinent documents necessary to effectuate and/or implement the Agreement.

SECTION 4. The City Manager or his duly authorized representative is further authorized to implement the Agreement and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the Agreement. The City Manager or his duly authorized representative is hereby authorized to the extent necessary during the implementation of the Agreement to make technical or minor changes thereto after execution, as necessary to properly implement and carry out the Agreement, provided the changes shall not in any manner materially affect the rights and obligations of the City.

SECTION 5. The City Clerk shall certify to the adoption of this Resolution.

Adopted this 9<sup>th</sup> day of April 2013.

ATTEST:

/s/ BRUCE A. BROADWATER  
MAYOR

/s/ KATHLEEN BAILOR, CMC  
CITY CLERK

STATE OF CALIFORNIA    )  
COUNTY OF ORANGE    ) SS:  
CITY OF GARDEN GROVE )

I, KATHLEEN BAILOR, City Clerk of the City of Garden Grove, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Garden Grove, California, at a meeting held on the 9<sup>th</sup> day of April 2013, by the following vote:

AYES:    COUNCIL MEMBERS:   (5) BEARD, JONES, NGUYEN, PHAN, BROADWATER  
NOES:    COUNCIL MEMBERS:   (0) NONE  
ABSENT:  COUNCIL MEMBERS:   (0) NONE

/s/ KATHLEEN BAILOR, CMC  
CITY CLERK