

BURBANK REDEVELOPMENT AGENCY
June 4, 2002

A regular meeting of the Burbank Redevelopment Agency was held in the City of Burbank Council Chamber, 275 East Olive Avenue, on the above date. The meeting was called to order at 5:05 p.m. by Mr. Laurell, Chairman.

CLOSED SESSION

Present- - - - - Members Golonski, Murphy, Vander Borght and Laurell.
Absent - - - - - Member Ramos.
Also Present - Mr. Ovrom, City Manager; Mr. Barlow, City Attorney; and, Mrs. Campos, Secretary.

5:05 P.M. The Agency recessed at this time to the City Hall Basement Lunch
Recess Room/Conference Room to hold a Closed Session on the following:

- a. Conference With Real Property Negotiator:
Pursuant to Govt. Code §54956.8
Agency Negotiator: Assistant Executive Director/Susan M. Georgino.
Properties: (1) 1725, 1801-1815 Grismer Avenue; and, (2) 1819-1815 Grismer Avenue; and, (2) 1819 Grismer Avenue.
Party With Whom Agency is Negotiating: (1) David Weiswasser; and, (2) Travis Randolph Huteson, Trustee of the Randolph T. Revocable Trust.
Terms Under Negotiation: Acquisition of property.
- b. Conference With Real Property Negotiator:
Pursuant to Govt. Code §54956.8
Agency Negotiator: Assistant Executive Director/Susan M. Georgino.
Properties: 1729-1735 Elliott Drive.
Party With Whom Agency is Negotiating: Linda D. Reinoso.
Terms Under Negotiation: Acquisition of property.

Regular Meeting Reconvened in Council Chambers The regular meeting of the Redevelopment Agency of the City of Burbank was reconvened at 6:41 p.m. by Mr. Laurell, Chairman.

Invocation The invocation was given by Pastor Ron White, American Lutheran Church.

Flag Salute The pledge of allegiance to the flag was led by Michelle McElddrey, St. Francis Xavier School.

ROLL CALL

Present- - - - - Members Golonski, Murphy, Ramos, Vander Borght and Laurell.
Absent - - - - - Members None.
Also Present - - Mr. Ovrom, Executive Director; Ms. Alvord, Assistant City Manager; Mr. Barlow, City Attorney; Mrs. Georgino, Assistant Executive Director; and, Mrs. Campos, Secretary.

6/4/02

7:00 P.M.
Jt. Public Hrg. w/
Council
RA 52-1
1st Amend to
DDA to Housing
& Childcare Ctr.
Demo. Proj.
(2245- 2251 N.
Fairview St., &
2242-2308 N.
Ontario St.)

Chairperson Laurell stated that "this is the time and place for the continued joint public hearing of the Redevelopment Agency and the Council of the City of Burbank regarding the Housing and Childcare Demonstration Project proposed by M. David Paul and Associates. The item that requires Council and Agency consideration is a First Amendment to the Disposition and Development Agreement. This hearing has been continued from the joint meeting of May 28, 2002."

Notice
Given

The Secretary was asked if notices had been given as required by law. She replied in the affirmative and advised that no written communications had been received.

Staff
Report

Mrs. Evans, Assistant Community Development Director, Housing and Redevelopment, stated that on July 12, 2002, the Council and Agency approved a Disposition and Development Agreement (DDA) with M. David Paul (Developer) for the construction of twenty small-lot, single family homes and an 8600 square foot childcare center, and that ten of the units were to be sold at market-rate and the remaining ten units must be sold at a restricted sales price to moderate-income families. She discussed that, because this was a new housing product for the neighborhood, both the Developer and staff were uncertain about the ultimately achievable sales price, and therefore the terms of the DDA included a sharing formula for the market-rate units which stated the proceeds of the units which sold in excess of \$240,000 would be split 50/50 between the Agency and Developer.

Mrs. Evans discussed that upon completion of construction drawings, Developer obtained construction bids and the necessary insurance in preparation for closing escrow, it was determined that construction costs had increased considerably from the original pro forma from \$55 per square foot to \$72 per square foot, insurance costs had also increased, and the increase in the size of the units affected total development cost. She stated that the Developer subsequently requested the sharing formula be changed from \$240,000 per unit to \$290,000 per unit, and noted that at the Joint Hearing on Tuesday, May 28, 2002, staff presented Developer's proposal with a recommendation that sharing commence at \$273,000 which, when combined with an increase in the price of the restricted units to \$205,000, would allow the Developer to realize the 10.6 percent return that is considered reasonable for this degree of risk. During Council deliberations, a further modification

was suggested that put the profit sharing at \$255,000, which when combined with an increase in the restricted units from \$190,000 to \$205,000, gives the Developer an 8.7 percent return, which is acceptable to the Developer.

Applicant Paul Krueger, representing M. David Paul and Associates, stated the Developer is in complete agreement with the proposal to modify the adjustment to the sales price. In response to a question from Mrs. Ramos, Mr. Krueger confirmed that the proposed increase in square footage of the units would be maintained.

Citizen Comment Appearing to comment were Mike Nolan, on the deal being structured so that the money for the Agency comes from the last unit sold, excluding upgrades, on the Developer's obligation to provide child care, and on the parking rental agreement requiring parking across the street from the development; Howard Rothenbach, on the rise of mortgage payments to purchasers of the moderate-income units, and inquiring how much the median income has risen in the County of Los Angeles since the project was first proposed; Mark Barton, in agreement with the modifications recommended by staff; and David Piroli, on changes in the economy and the housing market since the inception of the project.

Applicant Mr. Krueger addressed the issue of profit sharing on proceeds from upgrade options by stating that the Developer and staff agreed it was appropriate, and that the moderate income levels have increased to about \$54,000 for a moderate-income family, that market demand is very strong, and that the Developer is committed to delivering a quality project, even with the reduced return margin. In response to a question by Mr. Golonski, Mr. Krueger stated that in order to achieve their original profit market, Developer would need to exceed the \$255,000 price level, and that there is no specific control in place to keep Developer from selling options. Mrs. Evans stated that due to the fact that this was a new housing product for the neighborhood, staff was also concerned with windfall profits, and for this reason instituted the sharing formula, and that staff's recommendation is with regard to the pro forma price, not the price of upgrade options. Mrs. Georgino stated that the nature of the transaction was structured to prevent any undue profit to Developer, and suggested adding a provision to the agreement that any overhead or profit that the Developer attaches to any upgrade would be added to the total sale price which would then become part of the 50/50 split over the base purchase price, and that Developer agrees to such a provision.

Hearing Closed There being no further response to the Chairman's invitation for oral comment, the hearing was declared closed.

6/4/02

City Council Reso. Adopted	City Council Resolution No. 26,247 Approving the First Amendment to the Disposition and Development Agreement by and between the Redevelopment Agency of the City of Burbank and Burbank Cottages, L.P. was adopted with the provision to the agreement that the Developer's profit for the upgrades would be shared with the Agency on a 50 percent basis after deduction of the Developer's cost and overhead.
Motion	It was moved by Mrs. Murphy and seconded by Mr. Vander Borght that "the following resolution be passed and adopted with the provision to the agreement that the Developer's profit for the upgrades would be shared with the Agency on a 50 percent basis after deduction of the Developer's cost and overhead."
RA 52-1 1 st Amended DDA w/Burbank Cottages, L.P.	<u>RESOLUTION NO. R-2024:</u> A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK APPROVING THE FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK AND BURBANK COTTAGES, L.P.
Adopted	The resolution was adopted by the following vote: Ayes: Members Golonski, Murphy, Ramos, Vander Borght and Laurell. Noes: Members None. Absent: Members None.
8:24 P.M. City Council Meeting Recessed	The City Council meeting was recessed at this time to permit the Agency to continue its meeting.
Motion	It was moved by Mrs. Murphy and seconded by Mrs. Ramos that "the following items on the consent calendar be approved as recommended:"
Minutes Approved	The minutes for the regular meetings of April 9, April 30, May 7 and May 21, 2002 were approved as submitted.

