

ROSE EQUITIES Owner-Builders since 1949

February 14, 2024

Mr. Scott Drapkin
 Economic and Development Services
 City Costa Mesa
 77 Fair Drive
 Costa Mesa, CA 92626

Subject: One Metro West – Follow up to December 4, 2023 request letter

Dear Mr. Drapkin,

As a follow up to our letter to the Economic and Development Services Department sent December 4, 2023 (included herein), we would like to provide some background to our requests to address the following items:

1. **Measure Y/Measure K Procedure**
2. **Amendments to the Development Agreement**
3. **Amendments to the Conditions of Approval**

Measure Y/Measure K Procedure - Background

The voter approved Measure K **exempts** portions of the city, including the One Metro West site, from the public vote requirement outlined in Measure Y. As a result, One Metro West is no longer bound by the previously required public vote requirement and the development's entitlements should be amended to reflect the current city ordinance.

Requested Amendments to the Development Agreement - Background

There are a number of public benefits within the One Metro West community, including:

1. 1.5 acres of publicly accessible, improved, open space (approximately **\$4,500,000 plus** in land value and improvements)
2. Enhancements to the bike path from Sunflower to the Santa Ana River Trail (approximately **\$1,000,000** in improvements)
3. Improvements to Sunflower Avenue (approximately **\$4,000,000**)
4. 1,500 square foot community center to the benefit of the City of Costa Mesa (approximately **\$700,000** in improvements)
5. 67 Very Low and 39 Low affordable units for a total of 106 units (approximately **\$30,000,000** of present-day value)
6. Impact Fees (approximately **\$13,000,000**) and Exactions (**\$6,000,000**)

As required in the Development Agreement and above, **all** of these items are to be paid or installed during **Phase I** of construction (with the exception of the affordable housing, of which approximately 45 units or 42% of the affordable units, will be included in Phase I and the Community Room in Phase III).

These upfront costs to a multi-phased development are significant and are challenging to the financial feasibility of the community's first phase. Furthermore, it establishes a **precedent**, creating a significant barrier and discouraging for new housing in the city.

The history of this request goes back to the development's approval, in the spring of **2021**. On April 28, 2021, Rose Equities requested a similar amendment (included herein) to the Development Agreement. This was in advance of the Planning Commission approval on May 11, 2021 and was to be addressed by the City Council.

On June 15, 2021, One Metro **West** was approved by City Council. The request highlighted in the April 28 letter was not addressed by the City Council. It was an unintended oversight on everyone's part.

The request then and now as it relates to the Development Agreement is the basically the same. All of the upfront infrastructure (**\$10 million plus**) will be installed with Phase I. The Exactions will be divided up within first three phases at 40%, 30% and 30% respectively.

The Impact Fees will be proportionate (plus a **10%** down payment toward the next phase's fees) to the number of units in each phase. By way of example, if the proportionate Impact Fees for Phase I of the project result in \$5 million, the actual fees paid would equal \$5.5 million. The city will always be ahead. The Impact Fees for the final phase will equal to the remainder of the total fees to be paid for the entire project, less what has been paid to date.

This accomplishes the following:

1. Allocates a significant amount of upfront costs/improvements to Phase I, but not all.
2. Ensures all upfront infrastructure, including 1.5 acres of new open space and improvements to Sunflower Avenue, are built in Phase I.
3. Prevents the establishment of an anti-housing precedent from being enacted.

Requested Amendments to the Conditions of Approval - Background

The two requested amendments to the Conditions of Approval address Rose Equities' intent to create a truly special façade along the I-405 freeway. The plan is to engage multiple design teams to develop the façade, while working closely with the Arts Committee. By removing as many constraints as possible, there will be time and freedom for the creative team's dream. This design effort and approval will be completed before first occupancy of the first phase.

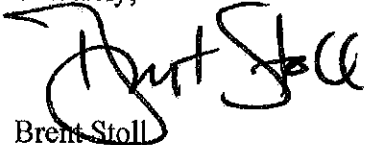
These requested amendments include:

1. Removing the constraint to include vertical landscaping on the façade. This will leave all creative design options on the table, including vertical landscaping.
2. Adjusting the time frame to design and obtain final approval of the façade. The current requirement is for the approval to occur prior to first building permit. Rose Equities proposes

this change prior to issuance of the certificate of occupancy for the first phase. This adjustment allows for additional time to design the elevation, while removing barriers to demolition and portions of the construction of Building A.

We are looking forward to working with the city to address these items and move toward demolition and construction of One Metro West in early 2025.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent Stoll". The signature is stylized with a large, sweeping initial "B" and a long, horizontal stroke extending to the right.

Brent Stoll

on behalf of Rose Equities

Cc: Leonard Glickman, Rose Equities
Dan Miller, Rose Equities
John Ramirez, esq., Rutan & Tucker

December 4, 2023

Ms. Jennifer Le
Economic and Development Services Director
City Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626

Subject: One Metro West

Dear Ms. Jennifer Le,

In conjunction to our city council approved, One Metro West community, to be located at 1683 Sunflower Avenue, please use this letter as Rose Equities' request to address the following items:

- 1. Measure Y/Measure K Procedure**
- 2. Amendments to the Development Agreement**
- 3. Amendments to the Conditions of Approval**

Measure Y/Measure K Procedure

The voter approved Measure K exempts portions of the city, including the One Metro West site, from the voter requirement outlined by Measure Y. As a result, said voter requirement for One Metro West is no longer necessary, and the project's entitlements should be amended to reflect the current circumstances. These details are outlined by the following:

- Measure K, approved by the voters at the November 8, 2022 election, adds a new subsection (g) to Section 13-200.106 of the Costa Mesa Municipal Code. Said subsection provides that Measure Y "shall not apply to any amendment, change, or replacement of the general plan, or of Costa Mesa's zoning ordinance . . . or any specific plan or overlay plan . . . applicable to property located in" certain defined areas "to provide for the development of housing and/or mixed use and/or revitalization of existing commercial and/or industrial corridors therein." The One Metro West site is within an area excepted by Measure K, specifically, it is "[n]orth of the 405 freeway as bordered by the city limits." (Section 13-200.106(g)(9).)
- Resolution No. XX, adopted by the City Council on June 15, 2021, indicates that its approvals of General Plan Amendment GP-20-01, Planning Application 19-19, and Tentative Tract Map No. 19015 are each "subject to the requirements of Measure Y." Because Measure Y is no longer applicable to the Site, there are no such requirements, and the approvals granted by Resolution No. XX are now in effect, with no further action by the City Council required.

- On the other hand, Ordinance Nos. 2021-11, 2021-12, and 2021-13 all contain a version of the following language regarding their effective dates: "This Ordinance shall become effective following approval of the Project by the electorate at the next regular municipal election or at a special election funded by the applicant." While such approval is no longer required to comply with the City's code due to Measure K, these ordinances need to be edited to reflect the self-executing nature of Measure K removing any vote-requirement on the previously approved ordinances.
- In order to move the project forward consistent with the previously-approved general plan amendment and Measure K, we request the City Council take action to amend/edit each of the ordinances to reflect consistency with Measure K.

Requested Amendments to the Development Agreement

Community Benefits within the Development Agreement that will remain **unchanged** include:

- 1.5 acres of publicly accessible, improved, open space (approximately \$4,500,000 in land value plus improvements) in Phase I of the project
- Enhancements to the bike path from Sunflower to the Santa Ana River Trail (approximately \$1,000,000) in Phase I of the project
- Improvements to Sunflower Avenue (approximately \$4,000,000) in Phase I of the project
- 1,500 square foot community center to the benefit of the City of Costa Mesa (approximately \$700,000)
- 67 Very Low and 39 Low affordable units (approximately \$30,000,000 of value)
- Impact fees (approximately \$14,000,000) and exactions (\$6,000,000)

We request the following Community Benefits within the Development Agreement to be **amended**. The goal of these amendments is to phase the development fees and exactions, which are heavily front loaded. Most importantly, if approved, Phase I will still include more than \$10,000,000 of physical improvements (open space, bike path and Sunflower Avenue), plus the phase's portion of affordable units. Requested amendments:

- *4.1.5 Advancement of Development Impact Fees: OWNER shall pay all development impact fees identified in Section 4.3 to the CITY, prior to the issuance of the first building permit of the building permit for said phase, plus an additional 10% downpayment on the next phase. 10% downpayment to be estimated by the Planning Division.*
- *4.1.6 Funding for Public Safety: prior to issuance of first building permit OWNER shall pay to CITY the sum of two million dollars (\$2,000,000) to be used, in the City's sole and absolute discretion, to enhance the operations of the CITY's Police and Fire departments, including, but not limited to updates to the firing range, replacement Fire apparatus, and other public safety related projects and/or expenses, in accordance to the following schedule:*
 - *Eight hundred thousand dollars (\$800,000) prior to the issuance of the building permit for Phase I of the project;*

- *Six hundred thousand dollars (\$600,000) prior to the issuance of the building permit for Phase II of the project;*
 - *Six hundred thousand dollars (\$600,000) prior to the issuance of the building permit for Phase III of the project.*
- *4.1.7 Funding for Community Infrastructure Improvements: ~~prior to issuance of first building permit~~ OWNER shall pay to CITY the sum of one million dollars (\$1,000,000) to be used, in the City's sole and absolute discretion, to be used toward City-wide roadway and trail improvements (e.g. Adams Avenue improvements and Citywide bike trail improvements), in accordance to the following schedule:*
 - *Four hundred thousand dollars (\$400,000) prior to the issuance of the building permit for Phase I of the project;*
 - *Three hundred thousand dollars (\$300,000) prior to the issuance of the building permit for Phase II of the project;*
 - *Three hundred thousand dollars (\$300,000) prior to the issuance of the building permit for Phase III of the project.*
- *4.1.8 Economic Recovery Fund: ~~prior to issuance of first building permit~~ OWNER shall pay to CITY the sum of three million dollars (\$3,000,000) to be used by the City, in its sole and absolute discretion, to assist community incentives related to economic recovery and/or to support essential government functions during the states of emergency and/recovery therefrom, in accordance to the following schedule:*
 - *One million, two hundred thousand dollars (\$1,200,000) prior to the issuance of the building permit for Phase I of the project;*
 - *Nine hundred thousand dollars (\$900,000) prior to the issuance of the building permit for Phase II of the project;*
 - *Nine hundred thousand dollars (\$900,000) prior to the issuance of the building permit for Phase III of the project.*

Requested Amendments to the Conditions of Approval

The requested amendments to the Conditions of Approval include:

- Removal of Planning Condition #9 – This condition states:

“The final design of the public art display on Building A's parking structure façade along the I-405 Freeway, which shall incorporate vertical landscaping, shall be subject to review and final approval by the Planning Commission.”

The final design will require Arts Commission approval. By removing this constraint, we leave all creative design options on the table, including vertical landscaping.

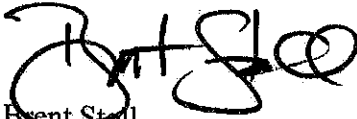
- Edit Planning Condition #66 as follows:

"Prior to issuance of the ~~first building permit~~ certificate of occupancy for Building "A" of the proposed project, the owner/developer would be required to submit a Design Plan for the Building "A" parking elevation (facade) along the I-405 Freeway for review by the Planning Division and approval by the City's Cultural Arts Committee. All architectural treatments including public art installations must comply with the regulations in the One Metro West Specific Plan. As such, architectural treatments would exclude the use of moving, flashing, or otherwise visually distracting elements or materials that are highly reflective or generate noise."

This change potentially allows for additional time to design the elevation, while removing barriers to demolition and portions of the construction of Building A.

We are looking forward to working with the city to address these items and move toward demolition and construction of One Metro West in 2024.

Sincerely,



Brent Stoll

on behalf of Rose Equities

Cc: Leonard Glickman, Rose Equities
John Ramirez, esq., Rutan & Tucker

April 28, 2021

Ms. Jennifer Le
Economic and Development Services Director
City Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626

Subject: One Metro WEST

Dear Ms. Jennifer Le,

In conjunction with our upcoming May 4th, 2021 city council hearing, please use this letter as our formal request to amend the Development Agreement.

Section 4.3 of the agreement states the payment of fees (Park, Traffic, Measure Z and Fire Protection System) for the entire project be paid prior to first building permit.

For each of these fees, we request the following change:

- The fee paid prior to obtaining the building permit would be equal to proportionate amount of the fee for said phase, **plus** 25% of the fee for the next phase.

By way of example - if the proportionate fee for phase I is \$2,000,000 and the estimated proportionate fee for phase II is \$1,000,000, then \$2,250,000 ($\$2,000,000 + (\$1,000,000 \times 25\%)$) would be paid prior to issuance of the building permit for phase I.

Again, this equation would be applied to the Park, Traffic, Measure Z and Fire Protection System fee. It ensures payment of the appropriate fee for said phase, in addition to a 'down payment' on the subsequent phase. The city would always be ahead.

The public benefit package in the first phase is significant. One Metro West will be funding \$6 million in development agreement exactions, as well as constructing the park, the bike path and Sunflower Avenue in the first phase. These benefits range from \$13-\$15 million. By comparison, the entire 2020-2021 city budget for capital expenditures is \$17.5 million.

We hope you see this change to Development Agreement section 4.3 as reasonable. With this change, One Metro West will still be providing about 75% of the total project's fees, infrastructure and exactions during the first phase. We are looking forward to discussing this with the Mayor and Council.

I have included a suggested redline and amended agreement for your review. I have also included an estimated breakdown of these aforementioned fees and costs.

Looking forward to continuing to move One Metro West forward and our upcoming hearing on May 4th.

Sincerely,

Rose Equities

A handwritten signature in blue ink, appearing to read "Brent Stoll". The signature is stylized and cursive.

Brent Stoll

Cc: Leonard Glickman, Rose Equities
John Ramirez, esq., Rutan & Tucker
Nicole Morse, esq., T&B Planning

**OMW Estimated City Impact Fees +
Infrastructure Costs**

<u>Costa Mesa Impact Fees (Total)</u>	<u>Total</u>	<u>Per Unit</u>		
Park	\$ 5,285,000	\$ 5,000		
Measure Z	\$ 2,172,135	\$ 2,055	1,370	sf
Traffic Trips	\$ 1,598,000	\$ 1,512	6,800	trips
Fire Impact Fee	\$ 900,000	\$ 851	TBD	
Contingency/Plan Check	\$ 2,642,500	\$ 2,500		
Total Impact Fees	\$ 12,597,635	\$ 11,918		

<u>Costa Mesa Impact Fees (Phase I)</u>	<u>Total</u>	<u>Per Unit</u>		
Park	\$ 2,240,000	\$ 5,000		
Measure Z	\$ 920,640	\$ 2,055	1,370	sf
Traffic Trips	\$ 677,298	\$ 1,512		
Fire Impact Fee	\$ 381,457	\$ 851	TBD	
Contingency/Plan Check	\$ 1,120,000	\$ 2,500		
Total Impact Fees Phase I	\$ 5,339,395	\$ 11,918		

<u>Development Agreement Improvements</u>	<u>Total</u>	<u>Per Unit</u>	
Public Open Space	\$ 3,000,000	\$ 2,838	Improvements only
Sunflower	\$ 3,500,000	\$ 3,311	
Bike Path	\$ 750,000	\$ 710	
Community Center	\$ 600,000	\$ 568	
	\$ 7,850,000	\$ 7,427	

<u>Development Agreement Exactions</u>	<u>Total</u>	<u>Per Unit</u>
Public Safety	\$ 2,000,000	\$ 1,892
Community Infrastructure	\$ 1,000,000	\$ 946
Economic Recovery	\$ 3,000,000	\$ 2,838
Total Community Benefit	\$ 6,000,000	\$ 5,676

Total Fees and Improvements (Phase I)	\$ 19,189,395
Total Fees and Improvements (All Phases)	\$ 26,447,635
Percentaged of Fees + Improvements Phase I	73%