

Lompoc City Council Report



City Council Meeting Date: February 5, 2013

TO: Laurel M. Barcelona, City Administrator

FROM: Teresa Gallavan, Economic Development Director/
Assistant City Administrator
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Joseph W. Pannone, City Attorney
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SUBJECT: Update on the Proposed Master Plan, Pro Forma and Terms and Conditions of Exclusive Negotiating Agreement (ENA) with Environmental Education Group (EEG) Relating to the Proposed California Space Enterprise Center

Recommendations:

Staff recommends the Council:

1. Receive the presentation and review the memo and analysis from Keyser Marston Associates, Inc. (KMA), regarding the pro forma submitted by EEG relating to the proposed California Space Enterprise Center;
2. Receive and review the Conceptual Master Plan (specifically see pages 11 – 16 Center Features & Attractions, and pages 29 – 44 Project Development & Features Detail and Project Schedule) for the proposed California Space Enterprise Center;
3. Determine the pro forma prepared by KMA and Conceptual Master Plan meet the requirements of the ENA;
4. Review and approve the amendments to the ENA that:
 - a. Require EEG, on or before April 8, 2013, to obtain a qualified developer before any further work can proceed;
 - b. Require EEG, on or before May 1, 2013, to obtain and demonstrate proof of \$68 Million in equity and grant funding for partial financing needed for the proposed project; and

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- c. Direct the selected developer and EEG to communicate with the City through the City Administrator, Economic Development Director / Assistant City Administrator or City Attorney regarding the proposed project.
5. Approve the use of the remaining funds (\$5,750), pursuant to the current contract between the City and KMA, to:
 - a. Cover the costs of KMA's travel to and participation in this evening's Council meeting and preparation of the memo to Council (City will be billed for actual costs not to exceed \$2,500); and
 - b. Assist staff in review of the qualifications of the developer commitment and equity and grant funding once submitted by EEG, in accordance with the terms of the amended ENA and other financial assistance related to the proposed project.

Background/Discussion:

At the October 18, 2011, City Council meeting, EEG presented a proposal to Lompoc City Council to revive the California Space Center project as the California Space Enterprise Center. Council directed staff prepare a draft ENA for EEG and come back to Council with a report. The project involves a 96-acre site, including and adjacent to Ken Adam Park, which is the same area as previously discussed with the California Space Authority. The California Space Enterprise Center (CSEC) project proposed by EEG is based upon the former California Space Authority project – a \$220 Million project with a rocket launch viewing site, museum, amphitheater and aerospace business park.

On April 17, 2012, Council directed EEG to meet with the Economic Development Committee. On May 2, 2012, EEG gave a presentation to the Committee and the Committee unanimously approved to recommend Council enter into a 90-day agreement with EEG for purpose of enabling EEG to secure commitments from developers, banks, fundraisers and other interested parties, so EEG could then develop a business plan to present to the City of Lompoc.

On May 29, 2012, Council directed the City enter into a 365-day term ENA, similar to the one the City previously entered into with the California Space Authority. The ENA provides a process for the parties to negotiate a possible lease agreement/disposition and development agreement (DDA) for, among other things, the possible conveyance to and development by EEG of the Proposed Project Site. The ENA does not commit the City to such conveyance or development, or commit EEG to developing the Center, but commits the parties to negotiate in good faith to attempt to reach agreement on a lease

agreement/DDA. The ENA provides a 365-day term, with the ability to extend it, administratively, for an aggregate of 90 more days. It also requires EEG to complete several milestones during that time as follows:

- (i) In 90 days (by August 28, 2012), a pro forma and conceptual master plan, including phasing, must be provided;
- (ii) In 180 days (by November 26, 2012), evidence of financing must be provided; and
- (iii) During that time, community outreach regarding the proposed project must be conducted.

On July 3, 2012, Council approved entering into an agreement with Keyser Marston Associates, Inc., for economic analysis of the EEG financial information. The total amount of the agreement was not to exceed \$11,500 and no more than half of the total (\$5,750) was to be used in the development of the pro forma.

On July 30, 2012, Council received a request for a 60-day extension from EEG to submit the pro forma and conceptual master plan.

On August 21, 2012, Council directed staff to amend the ENA with EEG and grant a 60-day extension in the requirement for EEG to provide a pro forma and conceptual master plan to the City for the proposed project.

On October 29, 2012, the City received from EEG its proposed conceptual master plan and pro forma.

Keyser Marston Associates, Inc. has analyzed and worked on the development of the pro forma and has submitted a summary of the analysis for Council's consideration.

On November 24, 2012, EEG submitted a request for an extension of time to submit evidence of financing. In its request, EEG explains it misunderstood the initial extension of time granted to submit the pro forma and master plan did not affect the other benchmarks in the ENA. EEG also indicated it needed control of the property before it could seek the funding commitments needed for the proposed project.

The proposed second amendment to the ENA provides an extension to EEG to provide the evidence of financing. It also establishes two milestones which must be met by EEG as part of that requirement. The first (paragraph 4 of the second amendment) requires EEG, on or before April 8, 2013, to enter into an agreement with an experienced developer. The second (paragraph 6 of the second amendment) requires EEG, on or before May 1, 2013, to show evidence of commitments of grant and equity

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funding of at least \$68 Million. That amount is half of the grant and equity funding KMA estimates will be required for completion of the project. The commitment of funding can be conditioned, but only on the property being conveyed to the development entity and all land use entitlements being granted for the project.

Including conditions precedent to conveyance of public property for development is typical and reasonable. A commercial lender would not start funding a construction loan until its conditions precedent were met.

While the CSEC is an exciting opportunity for the City and region, as well as the State and beyond, it is a very ambitious and complicated endeavor. The conditions proposed in the second amendment will ensure an experienced development team is working to have this complex real estate project succeed. In addition, requiring a significant level of financing before the City transfers title to its property is a reasonable means to protect public property proposed to be conveyed, as well as providing evidence the City's efforts and time will more likely be successful.

After meeting with the City Administrator, Economic Development Director and City Attorney and being provided a draft of the second amendment, EEG has submitted a letter indicating concerns about those milestones. The letter is attached.

It is ultimately a policy decision for the Council to make. However, your staff and consultant still recommend the Council require the milestones described above be met before the City actually conveys any interest of the City's land.

Paragraph 6 of the second amendment memorializes the means of communication for the City regarding this project the Council has previously directed staff to utilize. EEG's letter does not indicate any issues with that.

The term of the current amended ENA terminates as of May 30, 2013. The Council can, at this time, discuss and determine whether to extend that term. If such direction is provided, then the proposed Second Amendment to the ENA, included with the Council agenda materials, will need to be revised.

If a second amendment is not approved by the City and signed by EEG, then some of the fundamental requirements of the current ENA will not be met.

Conclusion:

Council is requested to review KMA's analysis of EEG's pro forma, determine the pro forma submitted by KMA and master plan submitted by EEG meet the requirements of the ENA, decide whether to approve the proposed second amended ENA as submitted by staff or with revisions, or provide other direction.

Respectfully submitted,

Teresa Gallavan, Economic Development Director/Assistant City Administrator

Joseph W. Pannone, City Attorney

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Laurel M. Barcelona, City Administrator

- Attachments:
- 1) [California Space Enterprise Center, Master Vision](#)
 - 2) [Memo and analysis of EEG's pro forma](#)
 - 3) [Request for Extension from EEG](#)
 - 4) [Proposed Second Amendment to ENA](#)
 - 5) [Letter dated 1/30/13 from EEG](#)