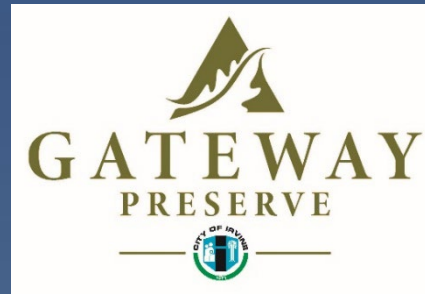


Creation of Gateway Preserve and Closure of All American Plant

April 11, 2023

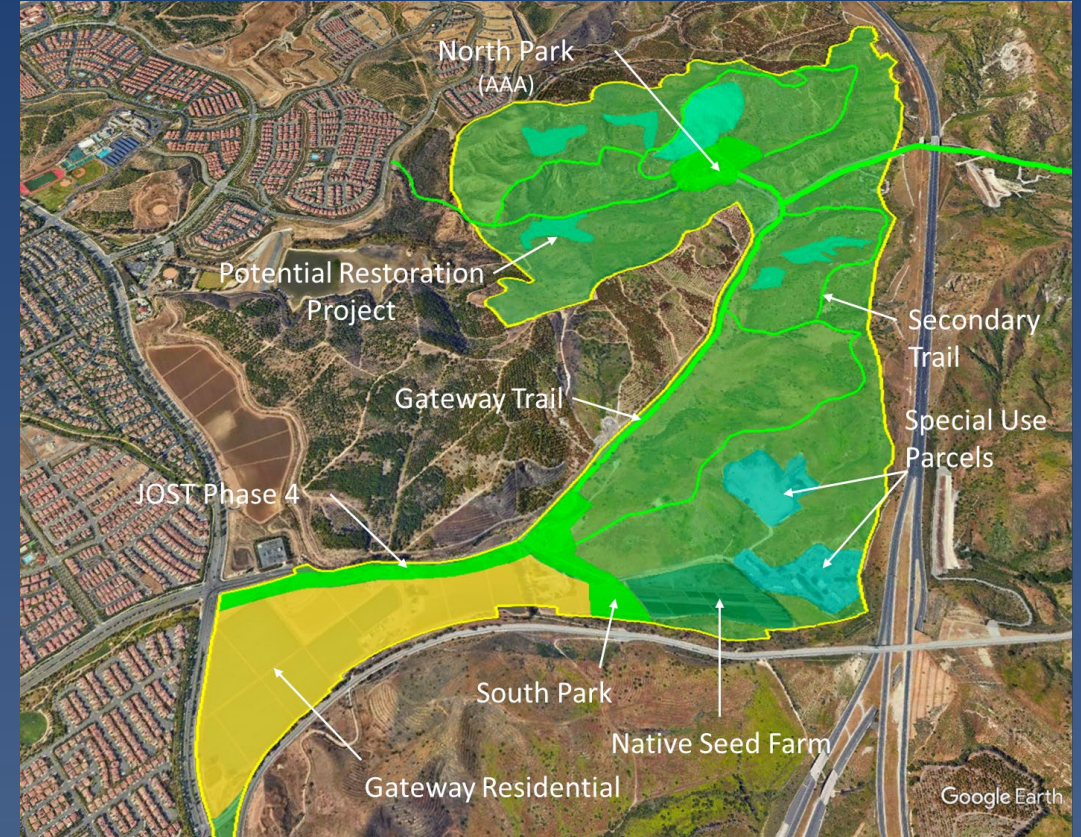


CITY OF IRVINE



Gateway Preserve Vision

- For the past several months, the City has been working to establish the ~700 acre Gateway Preserve
 - The overall effort involves the purchase and closure of the AAA asphalt plant
 - Concurrently, the City has negotiated deals with the Irvine Company to:
 1. Establish an approximate 70 acre residential village, which will pay for the AAA purchase
 2. Facilitate additional open space land to facilitate establishment of the Gateway Preserve



Overview


- Project Overview
- Transactional Overview
- Opportunities and Risks
- Next Steps

Project Overview

The Gateway Preserve


- 700 acres of preserved open space and outdoor recreation
- Gateway Preserve includes three key elements:
 1. Acquisition and closure of All American Asphalt Plant
 - Asphalt production to cease by mid-November
 - 11-acre site to be rolled into Gateway Preserve; interpretive area, open space staging
 2. Open space dedications from Irvine Company
 - 191-acre Area Q and other areas to follow
 3. City-owned existing open space area

Project Overview

 GATEWAY PRESERVE BOUNDARY

 AREA Q BOUNDARY

 FUTURE DEDICATION

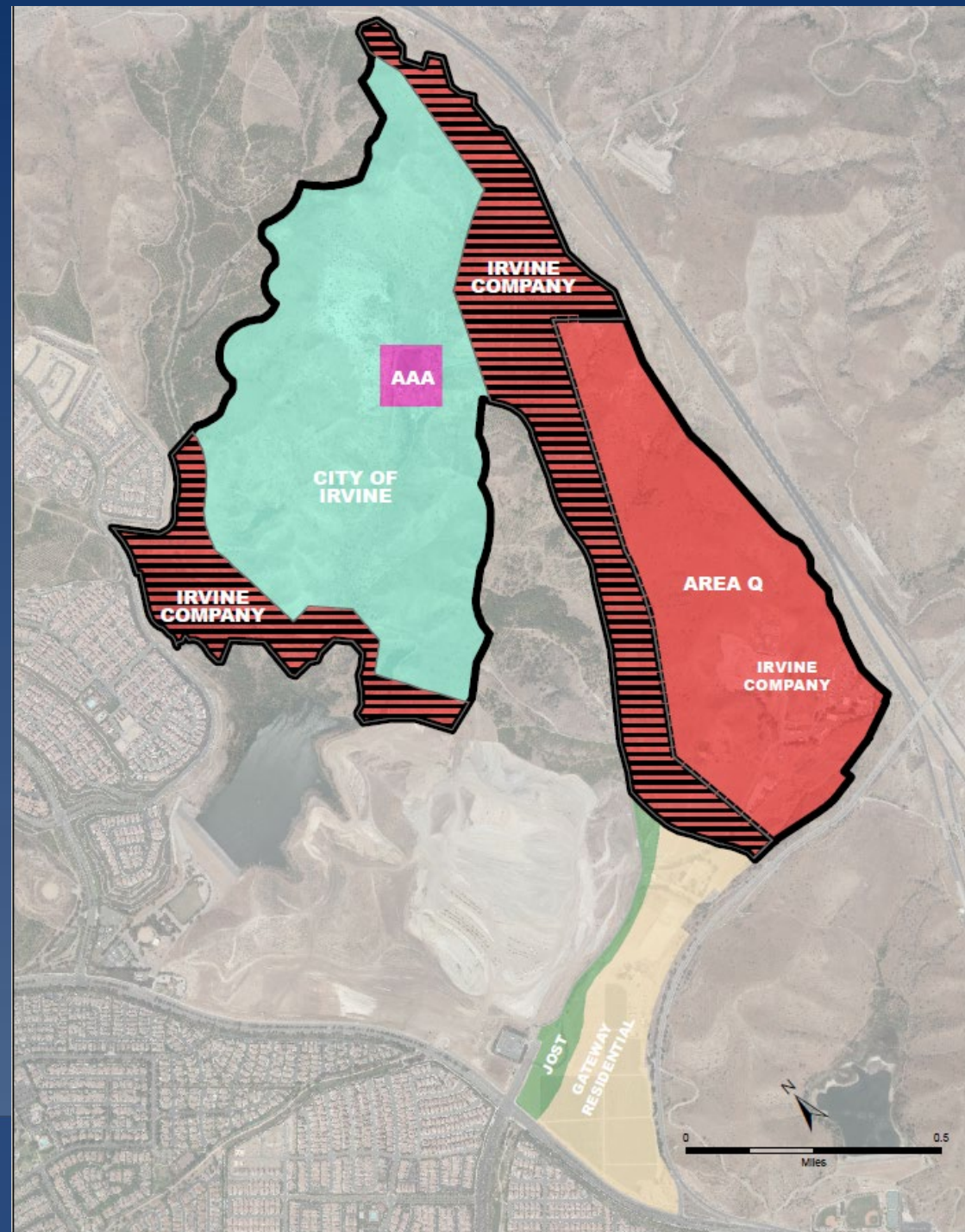
 CITY OF IRVINE

 IRVINE COMPANY

 ALL AMERICAN ASPHALT

 GATEWAY RESIDENTIAL

 JOST



Project Overview

The Gateway Residential Village

- To pay for the planned Gateway Preserve improvements, the City will be utilizing a ~70-acre parcel of land at NE corner of Jeffrey and Portola Parkway
 - Irvine Company will be transferring the property to City with allowance for residential development
 - Project subject to environmental review and entitlement
 - Proceeds from City sale of land to pay for AAA plant purchase
- The JOST will also be extended by the Irvine Company north of Portola along western edge of Gateway Land



Transactional Overview

Three Primary Transactions

1. Purchase and closure of the AAA plant
 - PSA between City and owners of the plant property, business
2. Discharge Agreement between City and Irvine Company
 - Dedications of open space (Area Q) and Gateway Land
 - Affordable housing credits
 - Community Park obligations
3. Financing for initial purchase of AAA plant

Transactional Overview: *AAA Purchase*

Purchase and closure of the AAA plant

- Purchase price for property, equipment, business interest:
 - \$285 million
- Key dates
 - June 15 – first deposit \$28.5 million
 - November 15 - Cessation of asphalt production
 - Within five days – second deposit \$228 million
 - February 1, 2024 – outside date for close of escrow
 - One day prior – final \$28.5 million payment due
- City and AAA to settle lawsuit

Transactional Overview: *Irvine Co. Agreement*

Discharge Agreement between City and Irvine Company

- Gateway Land Dedication
 - Proceeds from land sale are estimated to be \$330 million, which would offset AAA acquisition cost
 - 91 acres, less JOST extension to be constructed by Irvine Company
 - Potential use as new residential village, contingent on environmental review and entitlement
- Open Space Dedication
 - Area Q – 191 Acres now
 - Additional acreage – ~190 acres to be transferred shortly

Transactional Overview: *Irvine Co. Agreement*

Discharge Agreement between City and Irvine Company

- Community Park Obligation
 - Gateway Land dedication satisfies remaining park obligation
 - Reaffirms park standard of 2 acres per 1,000 residents and calls for revision of associated documents
- Affordable Housing Credits
 - Irvine Company has unused credits for delivering affordable units beyond requirements
 - Through this negotiation, the Irvine Company has agreed to forfeit their credits to help the City meet affordable housing goals

Transactional Overview: *Financing Plan*

City to secure financing for initial purchase of AAA plant

- Financing provides interim capital for \$285 million purchase and associated costs
- Contemplated terms
 - 30-year lease revenue bond
 - Debt service deferred for first three years, allowing time for environmental review, entitlement, and potential sale
- Staff to bring financing details forward for Finance Commission and City Council approval in May with final financing terms for review and approval

Opportunities and Risks

Opportunity

- 700 acres of preserved open space and outdoor recreation
- Closure of AAA plant and removal of environmental blight
- New housing stock, affordability

Risks

- Purchase price and non-refundable deposits
- Lack of certainty regarding value and timing associated with sale of Gateway Land
- Purchase of plant “as is” with limited due diligence
 - City pursuing environmental insurance to mitigate

Due Diligence

- If deal is approved, the City is set engage in investigatory due diligence work to better understand Gateway Land
 - Civil Engineering / Survey
 - Design and Site Planning
 - Environmental Site Assessment
 - Utilities Planning
 - Market Study
 - Traffic Analysis
 - Geotechnical
 - CFD Evaluation
- Targeting completion in early June, prior to first deposit on AAA purchase
- Studies used to understand risks and costs, better inform our estimate of proceeds from Gateway Land sale

Next Steps

- Staff will work to procure environmental insurance policy
- Amendments to Park Plan and associated documents, per Irvine Company agreement, set for consideration in May / June
- Financing plan back to City Council in May
- First deposit on AAA purchase June 15
- Staff will return to City Council in coming months with details on next phase of project – environmental review and entitlement

Recommendations

- 1) Approve and authorize the City Manager to execute a “Purchase and Sale Agreement and Joint Escrow Instructions” with Dix Leasing for the Acquisition of the All American Asphalt Property located at 10671 Jeffrey Road, Irvine, CA, find the Agreement exempt from further environmental review and direct staff to file a Notice of Exemption.
- 2) Approve the financing plan to support the acquisition of the All American Asphalt Property located at 10671 Jeffrey Road, Irvine, CA.
- 3) Approve and authorize the City Manager to execute the “Agreement Regarding Satisfaction and Discharge of Community Park Obligations, Extinguishment of Affordable Housing Credits, Dedications of Land, and Related Matters,” with The Irvine Company LLC and the Irvine Community Development Company LLC, adopt findings that the environmental impacts of this Agreement, including the exhibits hereto, and implementation thereof, have been analyzed pursuant to previously certified Environmental Impact Reports (EIRs) in accordance with California Environmental Quality Act (CEQA) and direct staff to file a Notice of Determination.
- 4) Approve a budget appropriation in the amount of \$500,000 from the General Fund for site studies and due diligence work related to the above property transactions.

Creation of Gateway Preserve and Closure of All American Plant

April 11, 2023