



AGENDA REPORT

Meeting Date

10/24/2023

Prepared By: Keith Rattay, Assistant City Manager
Budgetary Review By: Cheryl Dyas, Director of Administrative Services / City Treasurer
Submitted By: Dennis Wilberg, City Manager

Agenda Title
LOS OSOS Update

Recommended Action

(1) Receive and file the report summarizing the City's extensive public input efforts; (2) Receive and file the cost estimate and summary of costs for the project; (3) Receive and file the Tax Leakage Report based on entertainment uses; (4) Receive the Retail Partner Overview report and direct City staff to proceed with further negotiations for a retail partnership agreement with the LABco; and (5) Approve the "GO FORWARD PLAN" and direct staff to obtain a proposal from the Collaborative Design Team for development of construction documents and environmental reports for the first phase of the LOS OSOS project.

Executive Summary

This staff report covers numerous subject matters as they relate to moving the LOS OSOS project forward with a first phase development. Below is a summary of each area covered in the report. We have included five memos (Attachments A-E), one for each topic, to provide more detailed information.

SUMMARY OF PUBLIC INPUT PROCESS – Attachment A

The City of Mission Viejo conducted an extensive Community Communication Campaign in an effort to seek comprehensive public input for the LOS OSOS project. The City held seven public input meetings (summarized below). At each meeting, the City provided a presentation and offered a forum for community input and feedback. Additionally, leading up to these meetings, the City posted over 10 articles on various social media platforms. Local news outlets also republished the articles on their sites. Finally, the City attended over eight community-based markets and provided presentations for local community groups in an effort to publicize the project and to encourage community members to participate in the process.

The City sent three communication pieces to the businesses located in the Village Center, and this summer, published a "Flipping Book" that demonstrates visually what is being proposed in the LOS OSOS project. The City has received very positive and supportive input from the business owners.

Meetings Summary

- April 25, 2023 – City Council
- May 8, 2023 – Planning and Transportation Commission
- May 16, 2023 – Community Services Commission
- May 23, 2023 – City Council
- July 10, 2023 – Planning and Transportation Commission
- July 11, 2023 – City Council Meeting
- August 15, 2023 – Community Services Commission
- October 11, 2023 – Walking Tour and Public Input Meeting
- October 24, 2023 – City Council

Additionally, City staff was present at numerous community outreach events, including the following:

Summary of Community Markets and Events

May 20, 2023 – Night Market

June 17, 2023 – Night Market

July 15, 2023 – Night Market

August 19, 2023 – Night Market

September 16, 2023 – Night Market

October 21, 2023 – Night Market

August 5, 2023 – Prelude in the Park Pacific Symphony Event

Each market was attended by well over 1,000 people and the Prelude in the Park event was attended by approximately 5,000 people.

Marketing Literature

Additionally, the City produced meeting reminder cards, contacted each of the tenants at the Village Center (three times) and provided them the “Flipping Book” (below).



The summary memo (Attachment A) also includes the presentation from each of the latest commission meetings and a summary of the public input campaign.

Note: All presentations and a summary of public comments are currently available for public review in the “Resources” section of the EnvisionMV.com website.

Summary of Public Comments

The City of Mission Viejo developed a summary for public comments from each of the seven public input meetings. We have attached a summary of comments from each meeting and have included them as part of this memo. The public input comments varied from meeting to meeting, but topics can generally be grouped into the following categories/concerns:

- Parking
- Continue to allow vehicular traffic through the Urban Alley
- Bike parking and access through the Paseo
- The bridge over Marguerite Parkway connecting to the Civic Center
- The Veterans memorial or recognition within the LOS OSOS development
- CC&R's

Summary of Site Plan Elements - Attachment A

The Summary of the Public Input Process and the Consolidated Public Comments have been included in this staff report as Attachment A (Summary of Public Input). Also included is a detailed summary of the public input meeting presentations from each of the most recent commission meetings.

The LOS OSOS project contains approximately 200,000 SF of improved community gathering and recreational open space as part of the common area of the center. This includes the renovated parking lot, North Paseo, Urban Alley, Entertainment Plaza, Urban Alley Plaza, Lower Creek Side Entertainment Plaza, Event Barn and Bridge Plaza, and the Oso Creek Trail.

The current project consists of 33,000 SF of retail building and 5,266 SF of the existing four retail establishments. Currently, there are 155 parking spaces located on the property. The proposed design eliminates 15,530 SF of building, leaving 17,470 SF of building, which includes the four remote retail kiosks. In the proposed site plan, 108 parking stalls remain.

The drive aisle to the north of the Village Center entrance is shifted and rerouted towards the front of the current CVS building. The rerouted drive aisle is designed to be closed off during large events and provides space to accommodate booths for the weekly farmers market and other community-based events. The road closure does not impact the traffic circulation or reduce the parking required for the LOS OSOS project, and no businesses are impacted by the road alignment, as the new road aligns in the front of CVS.

The rear 39 ft. of the building is removed and redesigned to increase the space behind the building to accommodate the Urban Alley and Urban Alley Plaza. The new structures are glass and provide open views of the open space and the creek.

The project presented includes the following site plan components:

1. North Paseo Entrance
2. North Paseo North Paseo
3. Entertainment Plaza and Retail
4. Urban Alley
5. Creekside Entertainment Plaza
6. Lower Creekside Plaza
7. Event Barn Look Out
8. Marguerite Bridge Overlook
9. Oso Creek Trail
10. La Paz Bridge

Summary of Cost Estimate-Attachment B

The "Quick Reference Rough Order of Magnitude of Cost Estimate" for each area is below:

	Area	Description	Estimated Cost
1	North Paseo Entrance	Marguerite to driveway	\$1,316,615
2	North Paseo North Paseo	Driveway to front of retail	\$3,602,805
3	Entertainment Plaza and Retail Building	Renovated retail and outdoor plaza	\$14,599,430

4	Urban Alley	Retail kiosk, shade structure, elevator, landscape irrigation and plaza	\$8,231,066
5	Creekside Entertainment Plaza	Retail kiosk, retaining wall, landscape and irrigation	\$1,825,250
6	Lower Creekside Plaza	Hardscape, stairs, play structure, landscape and irrigation	\$1,678,500
7	Event Barn Look Out	Retaining wall, paseo bridge, hardscape, landscape and irrigation	\$6,435,750
8	Marguerite Bridge Overlook	Retaining walls, shade structure, hardscape, landscape and irrigation	\$610,000
9	Oso Creek Trail	Trail extension, trail fencing, lighting	\$600,000
10	La Paz Bridge	Landscape, hardscape, site amenities	\$493,000
	Subtotal		\$39,393,426
	General Conditions (7%)		\$2,757,540
	Fee (4%)		\$1,686,039
	GL Insurance (.95%)		\$416,452
	Total		\$44,253,456
	Construction Contingency (5%)		\$2,212,673
	Construction Cost + Contingency + Escalation (.5%/12 months)		\$49,121,336
	Barn Estimated Allowance		\$5,000,000
	Estimated Tenant Improvements		\$1,189,000
	Grand Total		\$55,802,049.52

The initial estimate to achieve the Core Area Vision Plan presented in September 2021 was 46 Million Dollars. The estimate included the purchase of the former Stein Mart building. The building was purchased in December 2021. The proposed estimated cost is now \$67,802,049 (Stein Mart purchase \$12,000,000 + \$55,802,049.52) for a difference of \$21,802,049. This increase is reflective of a design that is more defined than what was presented in September 2021. Additionally, this represents a 32% increase which is in line with the significant increase in construction materials and labor costs that has occurred in most of the construction industry since 2021. According to our Collaborative Design Team construction consultant, construction costs have not decreased, but have somewhat stabilized. Additionally, this estimate does include a contingency and an escalation of approximately 5 million dollars.

Due to current financing costs, City staff is recommending a phased approach to the project. We have provided an estimate for a first phase. This phase includes constructing the North Paseo and Drive Aisle. The Estimate of Probable Construction Costs totals approximately \$6,195,576. This first effort will ensure that the initial recreational improvements in front of the MART building are completed and will allow the community markets and events to continue to reinforce the community gathering components of LOS OSOS. The full estimate is shown below as part of the GO FORWARD PLAN.

SUMMARY OF TAX LEAKAGE REPORT – ENTERTAINMENT - Attachment C

The City of Mission Viejo contracted with Barry Foster of HdL ECONsolutions, a recognized consultant in the development of economic studies and reports using actual sales data and marketplace factors. The firm creates business models that can project sales tax generation in a certain segment of the marketplace.

The City requested that HdL ECONsolutions develop a study that anticipates the restaurant/food oriented retail sales revenue potential for the Mission Viejo marketplace. The study indicated the following key factors:

- 93,080 residents in Mission Viejo but daytime population increases to 114,537 (an estimated increase of 21,457 visitors)
- There are 33,800 rooftops in Mission Viejo
- Average resident age is 45 years old
- Average household income is \$153,974
- Type of jobs (white collar) 79%
- % who have college degree and above 54%
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These statistics can then be used to determine the potential sales and tax generated from the Mission Viejo marketplace. In general, the Mission Viejo marketplace is very strong. The study also considers the 5, 10- and 15-minute drive time areas surrounding Mission Viejo. This increases the potential tax-generated study area well beyond City's boundaries. The City requested that Mr. Foster estimate the sales tax leakage that the City of Mission Viejo faces for the restaurant and food-oriented sector.

HdL ECONsolutions typically generates high-level reports on all aspects of our local economy. However, this report is more granular and detailed to focus specifically on entertainment, and, in particular, fast casual and fine dining opportunities that are leaving or not locating in Mission Viejo due to poor retail condition, size of infrastructure and other factors.

In summary, page 12 of the report indicates that Mission Viejo is experiencing opportunity gaps of at least 20-30% in the three specific food related categories. In other words, currently, there is approximately \$48,000,000 in potential, untapped consumer demand that is not being met.

Based on the comparison of other food-intensive development in Southern California, the report indicates that the LOS OSOS project should be able to anticipate a sale tax generation of \$3.57/SF based on the square footage of the project. This would equate to roughly between \$50,000 and \$65,000 of additional sales tax per year to the City of Mission Viejo that the LOS OSOS development would generate.

Unique food and retail-oriented uses will be critical to keeping the Core Area alive and growing. The City's commercial infrastructure is in poor condition, and on-trend retail and food uses will not choose to locate into the Core Area unless updated retail store fronts and highly amenitized outdoor spaces are provided. Mission Viejo is in direct competition with our neighboring communities for these types of businesses, and using the LOS OSOS project as the center and focal point will entice new and innovative business to come to our City.

Over the last 18 months, Mission Viejo has had many entrepreneurial businesses approach us about leasing space in the LOS OSOS project. Once the project is further along, our ability to attract better quality tenants will be greatly enhanced.

SUMMARY OF RETAIL PARTNER SEARCH - Attachment-D

The City of Mission Viejo contracted with Kosmont Companies to develop a Request for Qualifications (RFQ) to gauge the interest of the surrounding development community. The RFQ was sent to seventeen development firms. A memo from Kosmont Consulting outlines the metrics of the RFQ and summarizes the responses from the various firms that we contacted. In summary, some of the firms felt that LOS OSOS was too small a project, not dense enough for their firms or they passed on the site due to association structure (See Attachment E for details). Fortunately, one well qualified, responsive submission that included plans and a formal proposal was received from the LABco in Costa Mesa who is currently acting as our retail development consultant on the project.

Thirty years ago, the LABco started their business in Costa Mesa in a space the same size as the Mart (30,000 SF). Since then, the LABco has become well known as an award-winning developer that aligns communities with thoughtfully selected, synergistic boutiques and restaurants that relate to the local communities they serve. They have a thorough understanding of what it will take for these young businesses to survive and flourish in LOS OSOS and will position the project to be a true reflection of our City.

The Economic Committee met and reviewed the application and is recommending that the City engage with the LABco to work on a business structure to advance the building and retail and food uses of the LOS OSOS project.

SUMMARY OF A GO FORWARD PLAN - Attachment-E

City staff has provided a “Go Forward Plan” outlining the available funds remaining in the LOS OSOS CIP. The plan outlines the recommendation for the first phase of the project. The City is recommending hiring an environmental consultant to develop the submittals required for the various state/federal regulatory agencies and that the Collaborative Design Team begin developing the first phase of working drawings for the LOS OSOS project.

Additionally, the “Go Forward Plan” provides a road map for implementing the phased development over a period of years.

REMAINING BUDGET

In December 2019, the City sold bonds valued at \$19,000,000 to purchase the Stein Mart Building and the adjacent land.

Budget	\$19,000,000
Cost of Building	\$11,900,000
Cost of Consultants	\$1,065,558.60
Misc. Costs	\$28,009.48
Total Expenditures	\$12,993,568.10
Total Available for Phase I	\$6,006,431.92

Recommendation

Estimate of Probable Construction Costs for Phase I

Implement Phase I

Design and Environmental Clearance (December 2023 – 1st Q 2025)

Construction (2nd Q 2025 -3rd Q 2026)

Area	Description	Estimated Cost
North Paseo Entrance	Marguerite to driveway	\$1,316,615
North Paseo North Paseo	Driveway to front of retail building and renovated parking lot	\$3,602,805
Subtotal	Renovated retail and outdoor plaza	\$4,919,420
General Conditions, Insurance, Design, Contingency, Bonds (7%)		\$344,359
Fee (4%)		\$210,551
General Liability Insurance (.95%)		\$52,006
Construction Total		\$5,526,337
Construction Contingency (5%)		\$276,317

Escalation (.5%/mo./12 months)		\$331,500
Construction Cost + Contingency + Escalation		\$6,134,234
Cost of Bond (1%)		\$61,342
Estimated Project Total Budget Phase I		\$ 6,195,576

The attached memo outlines the second and third phases and provides financial information regarding future phases.

SUMMARY OF MEMO

In summary, the City of Mission Viejo has completed a significant public input process that included seven public input meetings reaching over 10,000 community members and published over 10 articles regarding this input process and the design intent for the project. Additionally, the input from community members has been overwhelmingly positive and supportive. The input also included feedback and recommendations with respect to parking and bicycle access and use. The consolidated public input and responses are detailed in Attachment A.

The City reached out to the development community to gage the interest in the retail development community. While the City only received one response (from the LABco), they are unique in that they have a proven track record for creating small, meaningful places that reflect the true heart and sense of the communities they represent. City staff is recommending moving forward to develop an agreement with the LABco.

The City engaged HdL to conduct an economic study to evaluate the sales tax leakage and “underserving” the City of Mission Viejo is experiencing related to retail/food uses.

Finally, The City has recommended a realistic first phase that can be accomplished with current City financial capabilities.

The North Paseo markets and events over the last year have demonstrated the need for a centrally located, retail/restaurant-oriented community gathering place. LOS OSOS is that place.

Finally, the City has identified a Phase I approach that is achievable and fills the first need for a central gathering space for markets and other community events to occur.

City staff is requesting the following

1. Receive and file the Consolidated Public Input comments and responses
2. Receive and file the Summary of Probable Costs estimate
3. Receive and file the Mission Viejo Sales Tax Analysis and Economic Benefits for Restaurant /Food Oriented Retail
4. Authorize City staff to begin the development of an agreement with the LABco as a potential retail development partner
5. Authorize City staff to return to the City Council with proposals from the Collaborative Design Team and an environmental consultant for first phase development
6. Receive and file the “Go Forward Plan”

Fiscal Impact:

Amount Requested: \$
Sufficient Budgeted Funds Available?: (If no, see attached fiscal analysis)
Prog/Fund #: Category: Pers. Optg. Cap. -or- CIP#: Fund#:

Previous Relevant Council Actions for This Item

Attachments

- Attachment A – Summary of Consolidated Public Input Meetings
- Attachment B – Summary of Probable Construction Costs Estimate
- Attachment C – City of Mission Viejo Restaurant/Food Oriented Retail Project Sales Tax Analysis and Economic Benefits
- Attachment D – Summary of Retail Partner Solicitation efforts and the LABco Statement of Qualifications
- Attachment E – Summary of the” GO FORWARD PLAN”