



City Council Agenda Report
January 21, 2025

TO: Honorable City Council

FROM: Jesus M. Gomez, City Manager

BY: Alex Hamilton, Interim Director of Community Development
Nancy Lee, Development Services Manager

SUBJECT: RESOLUTION NO. 25-04 – APPROVING FIRST AMENDMENT TO GROUND LEASE FOR THE WALK PROJECT

Background:

On October 4, 2022, the City Council approved Resolution No. 22-57, which certified the Environmental Impact Report (EIR) and approved a Mitigation Monitoring and Reporting Program and adopted a statement of overriding considerations for the Norwalk Entertainment District – Civic Center Specific Plan (“Specific Plan”) as required by the California Environmental Quality Act (CEQA). The Specific Plan was adopted under Ordinance No. 22-1734.

The Specific Plan area comprises approximately 13.2-acres located at the southeast corner of the intersection of Imperial Highway and Norwalk Boulevard (also described as City Hall Lawn) and allows the following development:

- Development of up to 350 multifamily residential units.
- Up to 110,000 square feet of commercial space.
- Construction of up to two additional levels on top of the existing parking structure that serves both Norwalk City Hall, the Los Angeles County Superior Court, and other adjacent uses.

In conjunction with the Specific Plan, City Council approved Resolution No. 22-58, approving that certain Ground Lease dated December 19, 2022 by and between the City of Norwalk and Primestor Norwalk Entertainment, LLC (“Ground Lease”) in connection with certain real property owner by the City within the Specific Plan area. Under Ground Lease, a total of three parcels and corresponding air parcels were memorialized in Exhibits “A-1” along with the legal descriptions and depictions of each of the parcels.

Key terms to the Ground Lease consisted of some of the following:

1. Proposed Term of the Ground Lease of fifty-five (55) years.
2. The Base Rent payment for the first and second years is five hundred thousand dollars (\$500,000); Primestor will pay the City for each year.
3. Starting the third year, the City will receive thirty-three percent (33%) of the Annual Net Residual Revenue collected from the Project immediately preceding Rent Year.

The project will also result in a variety of community benefits, including but not limited to:

- Prevailing Wage
- Affordable Housing
- Local Tax Generation
- Local Hire Objectives
- Local and Small Business Leasing Opportunities
- Accessible Open Space
- Public Art and Open Space Investment
- Regular Calendar of Events
- Local Events Availability
- Community Engagement During Construction
- Public Bulletin Board

Discussion:

Since the Specific Plan was adopted, the developer, Primestor, has been working on a more detailed design consistent with the Specific Plan. Primestor has proposed minor changes to the original Project which consists of a horizontal mixed-use development with 374 residential dwelling units (an increase of 24 residential dwelling units) comprised of 318 market rate units and 56 affordable units (which includes one manager's unit) and 94,398 square feet of commercial uses.

The current project description as described above is under administrative review in accordance with the Specific Plan. The base project and increase from 350 to 374 the dwelling units is also being administratively reviewed for compliance with State Density Bonus Law and Norwalk Municipal Code Section 17.04.400. State Density Bonus Law is a state mandate that allows developers to build more housing units than normally permitted by local zoning laws if they include a certain percentage of affordable housing units within their development.

With the proposed project modified to account for State Density Bonus Law, as described above, it is necessary to amend the project description contained in the original Ground Lease and relevant exhibits. First Amendment to the Ground Lease (Attachment 2) replaces Exhibit A-3 of the original Ground Lease, which legally describes and depicts the Premises under the Ground Lease, with an updated exhibit that further refines the Premises to reflect nine parcels and corresponding air parcels and includes updated legal descriptions and depictions of the

parcels and air parcels. It should be noted that the boundaries of the leased Premises remain the same, but the original three parcels will be further subdivided into the nine smaller parcels and corresponding air parcels. At minimum, the nine new parcels reflect the following proposed uses:

1. Parcel 1 – Retail
2. Parcel 2 – Retail
3. Parcel 3 – Retail
4. Parcel 4 – Retail
5. Parcel 5 – Retail
6. Parcel 6 – Market Rate Housing
7. Parcel 7 – Affordable Housing
8. Parcel 8 – Residential Parking Structure
9. Parcel 9 – Common Area and Kiosks

Each operator of the land uses and/or individual parcels listed above would be required to enter into individual phased ground leases with the City. In addition to updating Exhibit “A-3”, First Amendment to Ground Lease amends Recital D of the Ground Lease to update the Description of the Project to reflect the following:

1. Update the Residential Project from 350 to 374 units (318 market rate and 56 affordable units).
2. Update the Commercial Project from 110,000 square feet to 94,398 square feet of retail.
3. Update the Open Space Project from 100,000 square feet to 119,643 square feet.

Pursuant to Section 29.12 of the Ground Lease, the parties may change or modify the Ground Lease in writing signed by the Parties.

Upon City Council’s approval, First Amendment to Ground Lease, a subdivision creating the new parcels and air parcels will be completed through a parcel map waiver and certificate of compliance (Per Gov. Code 66428(a)(2)) under the authority of the Community Development Director and City Engineer.

Environmental:

The Specific Plan’s EIR (State Clearinghouse No. 2022020128) was certified by the City on October 4, 2022. According to CEQA Guidelines, Section 15164(a), an addendum shall be prepared if some changes or additions to a previously adopted EIR are necessary, but none of the conditions enumerated in CEQA Guidelines Sections 15162(a)(1) to (3) calling for the preparation of a subsequent EIR have occurred.

Although the Project proposes some changes and refinements as compared to the project studied in the EIR, none of the conditions enumerated in CEQA Guidelines Sections 15162(a)(1) to (3) that call for the preparation of subsequent EIR exist. The proposed changes would not

result in new significant environmental effects or a substantial increase in the severity of previously identified significant effects requiring major revisions to the Adopted EIR. An Addendum to the Specific Plan EIR (Attachment 3) has been prepared for the Project. The Project shall comply with all applicable Mitigation Measures from the EIR.

Fiscal Impact:

The City will receive sales taxes, property taxes, and percentage rent payments from the project.

Citizens Advised:

N/A

Strategic Plan 2023 Implementation:

The recommended actions will further the City's Strategic Plan Goal 3: Build Great Public Destinations in that First Amendment to Ground Lease would implement the Specific Plan and Increase the number of business and associated jobs in the community.

Recommended Action:

Staff recommends City Council

- a. adopt Resolution No. 25-04 OF THE CITY COUNCIL OF THE CITY OF NORWALK ADOPTING THE ADDENDUM TO THE NORWALK ENTERTAINMENT DISTRICT – CIVIC CENTER SPECIFIC PLAN AND APPROVING AMENDMENT NO. 1 TO A GROUND LEASE BY AND BETWEEN THE CITY OF NORWALK AND PRIMESTOR NORWALK ENTERTAINMENT, LLC.; and
- b. authorize the City Manager to execute the First Amendment to Ground Lease, any documents required under the terms of the Ground Lease and such other ancillary documents, in a form authorized by the City Attorney; and
- c. adopt an Addendum to the Specific Plan Environmental Impact Report (State Clearinghouse No. 2022020128).

Attachments:

1. Resolution No. 25-04
2. Draft First Amendment to Ground Lease
3. Addendum to the Specific Plan Environmental Impact Report (State Clearinghouse No. 2022020128)