



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

R-14

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April 15, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize remediation and purchase of a portion of the former Public Service Yard, including grant of reciprocal access easements;

Authorize the relocation and limited restoration of the former railroad station building to Willow Springs Park; and

Increase appropriations in the Capital Projects Fund (CP) in the Public Works Department (PW) by \$3,000,000. (Districts 1, 7)

DISCUSSION

On August 4, 2009, and as modified on May 18, 2010, the City Council authorized the City Manager to enter and consummate a real estate exchange of a portion of the City's Public Service Yard, for a portion of the Los Cerritos Wetlands. As a condition of the exchange, each party (City of Long Beach and LCW Partners, LLC) agreed to indemnify the other party for existing environmental impacts to soils and groundwater. At that time, the remediation costs for the City-owned property were estimated at \$2,853,300. As part of the exchange, each party was also obligated to reasonably cooperate with the other party to minimize environmental liability.

On December 12, 2010, LCW Partners, LLC conveyed the former Public Service Yard property to Alere Property Group, LLC (Alere), which intends to develop the property for industrial uses consistent with zoning. Of the 12.471 acres of former City-owned property conveyed in the exchange, all but 5.31 acres received environmental closure through the local oversight agency at minimal cost. The remediation of the remaining property, in which earthquake fill is located, was anticipated to be addressed through a grading and soil management plan, with environmental closure to be achieved at a reasonable cost.

Upon conduct of the grading and soil management plan, it was discovered that, in 1933, the earthquake fill had been systematically burned, and the lead paint on the debris had spread laterally throughout the property. While of no environmental concern while situated in the soil, grading activities would serve to trigger a requirement that all impacted soil would need to be excavated and transported from the property. The cost for this activity was estimated at \$7.2 million.

As required under the exchange, the parties worked together to minimize environmental liability and identified an alternate plan at significantly less cost. Under the alternate scenario, impacted soils would be localized on the northern portion of the 5.31-acre site, leaving the southern portion

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completely free of earthquake debris. The northern portion would be capped according to an approved Remediation Action Plan, posing no health risk concerns on the surface of the property. The City would record a covenant against the northern portion, requiring coordination with the oversight agency prior to any invasive activities that could disturb the soil. Upon environmental closure for this site, the City would purchase the northern portion, estimated at 1.864 acres and valued at \$1,926,690, which reflects Alere's acquisition cost and temporary holding costs during these protracted discussions. Total cost for environmental activities, to be conducted by Alere, is estimated at \$420,000, which includes grading, compacting and capping activities, which is the lowest of three competitive bids. Total cost to remediate and repurchase the property is estimated at \$2,346,690. As unknown factors could serve to increase this cost, a 10 percent contingency of \$234,700 is recommended for a total remediation and acquisition cost of \$2,581,390.

Under the terms of the Exchange Agreement, the City reserved the right to relocate the former railroad station building currently situated on the Alere property for a four-year period that expires in June of this year. Grading activities will be made more difficult if the station building continues to reside on the property. Therefore, staff seeks an additional \$150,000 to facilitate the relocation of the station building to Willow Springs Park and \$268,610 to rehabilitate and restore the structure to functional use.

This matter was reviewed Deputy City Attorney Rich Anthony on March 20, 2014 and Budget Management Officer Victoria Bell on March 31, 2014.

TIMING CONSIDERATIONS

City Council action is requested on April 15th, 2014, in order to proceed with the acquisition and remediation of the property.

FISCAL IMPACT

The combined acquisition and remediation cost of \$2,581,390 will be paid to Alere as controlled under a Purchase and Sale Agreement through an escrow account. The relocation and restoration of the former railroad station building, at an estimated cost of \$418,610, will be accomplished as a City capital improvement project. The total cost of the recommended actions is estimated at \$3,000,000. Sufficient funding to support this expense was previously reserved for this purpose in the Capital Projects Fund (CP) in the Public Works Department (PW), and an appropriation increase is included in the recommended action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL CONWAY

DIRECTOR OF BUSINESS & PROPERTY DEVELOPMENT