



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

~~NB-35~~

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UB-11

November 18, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute two Purchase and Sale Agreements and Escrow Instructions and all necessary documents for the acquisition of 8.0 acres of land from Amerigas Propane, L.P., a Delaware limited partnership, and subsequent conveyance of the same property on identical terms to Wilmington-Lomita Blvd., LLC, a California limited liability company. (District 7)

DISCUSSION

For over 10 years the City has pursued construction of the Sports Park project, located between California and Orange Avenues, south of Spring Street. The estimated cost is approximately \$50 million and there is little likelihood of identifying the needed funding in the foreseeable future. Eight acres at the northeast corner of the Sports Park project (Site) are owned by Amerigas Propane, L.P. (Amerigas). Please see the attached exhibit. Earlier, the City had negotiated a purchase and sale agreement to acquire the Site for inclusion into the Sports Park project; however, this acquisition is also unfunded. Without identified funding, the Sports Park project is not achievable, and there is no need for the City to acquire the Site.

Staff has also been working with Wilmington-Lomita Blvd., LLC (WLB), to permanently relocate a crane sale business to the City of Long Beach. The company currently has 100 employees, with gross revenues around \$25 million, \$15 million of which would be taxable crane and equipment sales. The company is growing about 20 percent per year. Additionally, the company averages two company acquisitions per year, which generate "asset sales" that are also taxable. No sites were identified that were sufficiently large and appropriately zoned to accommodate this use. However, with the demise of the Sports Park project, the Site is a potential location for a crane sale business. However, before any business could be established, appropriate permitting and environmental review would need to occur.

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The Site and the rest of the Hilltop Property was acquired by the Long Beach Land and Water Company in 1911. This company was eventually acquired by the City of Long Beach. The City leased the subsurface interest in the Site in 1922 to A.T. Jergins Trust, who subleased to Lomita Petrolane, Inc., predecessor in interest to Amerigas, for oil exploration, extraction and processing, with the City as a beneficiary of royalty interests. In 1953, the City sold the property to Lomita Petrolane, Inc., but continued to hold a royalty interest in all oil production. Since 1993, Signal Hill Petroleum, Inc. (SHPI) has occupied the Site. As a result of the City's extensive involvement in the oil operations occurring on the Site since the early 1900's, the City bears a level of responsibility regarding the environmental effects of the oil operations. It is in the City's best interest to control demolition, grading and remediation activities and reuse alternatives to minimize risk and reduce liability. In that regard, staff proposes that the purchase and sale agreement include language that serves to restrict the redevelopment of the property, until such time as the Site can be developed in concert with the adjoining Hilltop Property. This will ensure that Site-wide grading operations will serve to complement any required soil remediation. The City, SHPI and WLB intend to cooperate in site planning, demolition, design and grading efforts to protect human health and manage environmental costs. All improvements are proposed to be demolished at WLB's expense.

The Site is also subject to a lease with SHPI, which is currently in holdover status. There remain items of contention between SHPI and Amerigas in their interpretation of lease provisions, which prevent the lease from being terminated. To resolve these items of contention, it is also proposed that the lease be assigned to the City in escrow, amended to the satisfaction of the parties, and terminated at the close of escrow.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on October 9, 2008 and Budget Management Officer Victoria Bell on October 9, 2008.

TIMING CONSIDERATIONS

City Council action is requested on November 18, 2008 in order to facilitate the relocation of the crane sale business in a timely fashion.

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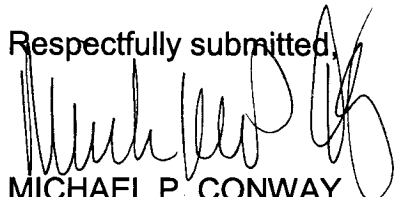
FISCAL IMPACT

There is no fiscal impact.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF PUBLIC WORKS



PHIL T. HESTER
DIRECTOR OF PARKS,
RECREATION AND MARINE

MPC:bs
C:\Sports Park\Acquisition\10-22-08 CC Ltr Amerigas.doc

Attachment

APPROVED:



PATRICK H. WEST
CITY MANAGER

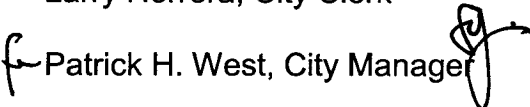
Amerigas Property





City of Long Beach Memorandum
Working Together to Serve

REQUEST TO ADD AGENDA ITEM

Date: 11/10/08
To: Larry Herrera, City Clerk
From: Patrick H. West, City Manager 
Subject: Request to Add Agenda Item to Council Agenda of November 18, 2008

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Authorize the City Manager to execute two Purchase and Sale Agreements and Escrow Instructions and all necessary documents for the acquisition of 8.0 acres of land from Amerigas Propane, L.P., a Delaware limited partnership, and subsequent conveyance of the same property on identical terms to Wilmington-Lomita Blvd., LLC, a California limited liability company. (District 7)

Council District	Authorizing Councilmember	Signed by
3	Gary DeLong	AC
4	Paul O'Donnell	PO
2	Dip Suvathat	DS

Attachment: Staff Report dated November 18, 2008

CC: Office of the Mayor



WEST LONG BEACH ASSOCIATION

#35

P.O. Box 9422, Long Beach,

November 17, 2008

To: Honorable Mayor Bob Foster
And City of Long Beach Council Members

Over the years, the West Long Beach Community has received many promises for neighborhood improvements. Often these commitments from city hall are slowed to come, and frequently never arrive. The Sports Center Project was to alleviate the over crowded conditions on the limited Sports fields in West Long Beach, by moving adult play to the Center in order to give West Long Beach Youths opportunity for field use. This is a commitment from City Hall that will not be realized.

The West Long Beach Community, request and in so doing, demand that we receive equal and fair distribution of dollars for improvements in our parks and like areas, as those of other areas in the City. Based on the current soccer field placement plan recommended, West long Beach does not receive any additional new park space. Therefore we request the following park improvements for consideration.

- Accelerate Completion of Green Monster Park Project.
- Admiral Kidd Park- Overall Improvements- Parking, Lighting, Sports Grounds, etc
- Silverado – Overall Improvements- Parking Lot, Tennis Courts, Sports Grounds, etc.
- Hudson Park- Sports Grounds Improvements, etc.

- Community Input on Wrigley Heights Property Use.
- Community input on use of City Property West of 710/405 parcel.
- Soccer Fields in West Long Beach designated for Youth use priority.

Honorable Mayor and Council Members, our quality of life conditions' in West Long Beach is the most challenging in the entire city. We are impacted in our daily lives with issues of the 710 Fwy, the Railyards, the diesel pollution of Trucks, the pollutants of the refineries, the Ports of LA & Long Beach Our streets are constantly being reworked for various tasks. Congestion is our daily travel condition.

With all these negative factors, we ask for your support in our request for fair consideration regarding our submission. Thank you.

Respectfully,

John Taeleifi
President
West Long Beach Association

John Cross
Vice President

Bilal Chaka
Treasurer

Gloria Jones
Secretary

Theral Golden
WLBA-Rep Cpac

Joseph Vaivao
WLB-Jaguars



Date: November 18, 2008
To: Tonia Reyes Uranga, Councilmember, District 7
From: Patrick H. West, City Manager *P West*
Subject: Agenda Item NB-35 - Amerigas

At 12:50 p.m. today, we received the attached memorandum containing 25 questions regarding the Amerigas land purchase. At this late time, I am unable to respond to these questions in writing prior to this evening's Council session. I will be more than pleased to respond to each of these items orally later when Item #35 comes before us.

I would like to point out that one of the key reasons we are attempting to purchase the Amerigas site is to protect the City from potential liability. If this property is purchased and developed by an outside party, the City loses all control over grading and related environmental liability. While we have attempted to put together a funding package to purchase this property for the past decade, we have been unsuccessful. Tonight's item allows us to acquire this property and restrict its development, which will allow us to direct the development of this site in the context of the larger Hilltop Property. Without such restrictions, the City could be exposed to significant unknown liability relative to both remediation and grading. While this acquisition is not time sensitive to the City, if the City fails to take action, Amerigas will promptly market the property to third-party buyers, eliminating the City's ability to control the development and minimize its liability.

PW/kmb


Att.

cc: Mayor and Members of the City Council



Date: November 18, 2008

To: Patrick H. West, City Manager

From: Council Member Tonia Reyes Uranga, Seventh District 

Subject: **Purchase and Sale Agreements for Acquisition of Amerigas Propane Property.**

I am requesting responses to the following questions prior to the City Council's consideration of New Business Item #35. The requested information is necessary to assist in making a decision on the viability and benefits of the purchase and sale agreements and escrow Instructions and all necessary documents for the acquisition of 8.0 acres of land from Amerigas Propane ("Amerigas") and subsequent conveyance of the same property on identical terms to Wilmington-Lomita Blvd, LLC ("WLB").

I would like responses to the following questions to be prepared as a memorandum to the City Council.

1. What is the purchase price of the Amerigas property and when was the appraised price established?
2. When is the proposed close of escrow?
3. Can WLB negotiate directly with Amerigas, and why is the city involved in the negotiations of the property in light of the following statement in the Council letter? *"Without identified funding, the Sports Park project is not achievable, and there is no need for the City to acquire the Site."*
4. How much has the City invested in the Sports Park project and surrounding properties? Please detail costs i.e. staff time, federal, state, county and local dollars.
5. Is the City's purchase from Amerigas and sale to WLB contingent upon the sale and development of the adjacent Hilltop parcel? If so, why?
6. Why can't WLB negotiate directly with Los Cerritos Wetlands Authority ("LCWA") to buy the wetlands property that is proposed to be "exchanged" for the Hilltop property?

7. Given the Hilltop site is virtually in the geographic center of the city and the 6th and 7th Council districts are in desperate need of parks and open space, why is it necessary to trade this project for the wetlands project?
8. The second paragraph of the Council Memo staff indicates this site is a "potential" location for a crane sale business. What is the likelihood of the relocation and when would it occur? What would be the impact to traffic, noise and air quality in the California Heights neighborhood? Especially in light of the City Council's rejection of a Negative Declaration for light industrial use adjacent to the hilltop property.
9. What is the total proposed sales tax the city would receive from WLB?
10. Has the City reviewed audited financials and tax returns to verify the projections of sales and sales tax are accurate?
11. What is the annual revenue generated by the City's royalty interest in oil production?
12. Explain in detail why the City is placing a restriction on the development of the property until the adjoining Hilltop property is developed. Given the second paragraph of the report extols the virtues of the WLB relocation to the site why would the City restrict the relocation. What happens if the Hilltop property is not developed?
13. Is the City retaining the royalty interest in the property following the "exchange" of the Hilltop property to WLB?
14. What is the "level of responsibility regarding the environmental effects of the oil operations" the City will incur and the potential cost associated with this responsibility?
15. The report indicates the demolition and presumably the environmental cleanup, is "proposed" to be at the expense of WLB. Does the City intend to require WLB be solely responsible for the cost or is this issue unresolved?
16. Explain in detail why the City needs to be involved in the "demolition, grading and remediation activities and reuse alternatives to minimize risk and reduce liability." To what extent is the city remaining financial liability

for the environmental cleanup of the property and why? What are the potential costs?

17. Given no development will be allowed on the site until the adjacent Hilltop property is developed and given that there is not a Council approved development project for the Hilltop property, what is the urgency of approving these Purchase and Sale Agreements?
18. Explain in detail the issues and potential cost involved with the "holdover status" of the lease between Signal Hill Petroleum, Inc. ("SHPI") and Amerigas. Could the City be named in legal actions on the matter?
19. Why is the City accepting responsibility for resolving the lease issues between SHPI and Amerigas? Could WLB not negotiate this to their satisfaction? Should not WLB assume the cost of negotiations and settlement of the issues?
20. Has SHPI ever expressed an interest in acquiring the Amerigas property prior to the City's acquisition and conveyance to WLB?
21. Will the approval of this purchase and sale create some potential legal liability for the City if the Hilltop project does not go forward?
22. What have been the discussions with the City of Signal Hill and SHPI?
23. What level of community notice have you given to the California Heights neighborhood, West Long Beach neighborhoods, Planning Commission, Parks and Recreation Commission, The Commission on Youth and Children, and the Redevelopment Agency?
24. Are we required to repay any dollars received from governmental entities under the auspices of developing a Sports Park which now appear to be corporate subsidies as opposed to for the good of the public interest?
25. Why is this item time sensitive for the City?

Cc: Mayor and City Council

rrp