



CITY OF LONG BEACH

R-39

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

April 18, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to enter into Memoranda of Understanding with The Lee Group, LLC/Kensington Holdings and Grand Prix Place, LLC, to negotiate the sale of the City Hall East Building. (District 2)

DISCUSSION

In May 2005, the City of Long Beach (City) released a Request for Proposal (RFP) for the sale of the City Hall East Building (CHEB), located at 100 Long Beach Boulevard. In July 2005, the City received seven development team proposals that expressed specific interest in developing the CHEB block.

A Selection Committee was established in September 2005 to represent the interests of the City and to review all the proposals and ultimately to make selection recommendations. After careful review of each of the seven proposals the Selection Committee unanimously elected to remove two of the development teams from further consideration due to a lack of direct applicable experience.

In October 2005, the remaining five development teams were given a list of questions specific to their proposal. The questions requested clarification of financial information, challenged development assumptions, and asked for specific information on issues ranging from the re-use of historic resources to specific project components, including building height, density, unit count, retail square footage, types of uses, and parking.

The Selection Committee held developer interviews in late 2005, where each team made a presentation on their specific proposal. The interviews provided the Selection Committee with the opportunity to further clarify financial information, and to ask additional questions on architectural and urban design issues. Staff hosted a community meeting in January 2006. The meeting included a brief staff presentation, and then encouraged the public to review the project on a one-on-one basis with each of the remaining development teams.

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Based on the extensive review of all proposals, City staff recommends entering into separate non-exclusive Memoranda of Understanding (MOUs) with two development teams, The Lee Group/Kensington Holdings and Grand Prix Place, LLC. The MOUs will allow for preliminary negotiations and terms regarding the sale of the CHEB.

Each proposal includes the adaptive reuse of CHEB, which adds to the urban fabric of the downtown area, and maintains a building that was designed by local architect Kenneth Wing (thus CHEB is considered to be a local historic landmark and a prime example of Mid-Century Modernism architecture). These two development teams also offered a higher purchase price for the building than the other development teams.

In order to document the cooperative efforts of all of the parties involved, staff recommends entering into the MOUs. The MOUs will detail the following understandings:

- Term: The Term of the MOUs shall be for 120 days after the document is executed; and the Director of Community Development is authorized on behalf of the City to extend any of the MOUs' deadlines.
- Property Acquisition and Disposition: The parties shall diligently negotiate the sale and development of the CHEB.
- Development Process: The parties shall work cooperatively to determine a final offer to purchase the CHEB. Development teams shall each deposit \$50,000 with the City for expenses, including staff and consultant costs, of which \$10,000 (\$20,000 total) is non-refundable.
- Due Diligence: City will provide the developer with all due diligence documentation regarding the CHEB in its possession.

At the conclusion of the term of the MOUs, staff will make a recommendation on the final developer selection and will request subsequent authorization to enter into a Purchase and Sale Agreement with the selected developer.

Deputy City Attorney, Richard F. Anthony, reviewed this letter on April 4, 2006, and Budget Management Officer David Wodynski on April 06, 2006.

TIMING CONSIDERATIONS

This item is not time critical.

FISCAL IMPACT

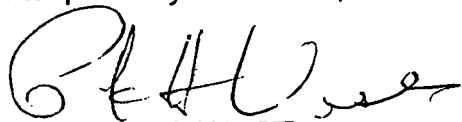
The MOU provides \$20,000 in (one-time) revenue to the City for reimbursement of City costs incurred using current appropriation in connection with the execution and administration of this Agreement. Costs in excess of the \$50,000 will be borne by the development team. All revenue will be deposited in the General Fund (GP) in the Department of Community Development (CD). The next phase of the negotiation will generate additional revenue and require a separate City Council action.

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SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

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APPROVED:



GERALD R. MILLER
CITY MANAGER