



# CITY OF LONG BEACH

# R-20

DEPARTMENT OF DEVELOPMENT SERVICES

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September 23, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Request City Attorney to prepare and authorize the City Manager to execute all documents necessary for the sale of 100 Long Beach Boulevard (City Hall East) in an amount of \$5,100,000 as specified. (District 2)

## DISCUSSION

The City of Long Beach acquired property at 100 Long Beach Boulevard, also known as City Hall East (CHE), from Southern California Edison in June 2000 as part of the negotiated franchise agreement extension (Exhibit A - Site Map). The property consists of a ten-story building built in 1959, which includes a 149-space parking structure. During the reconstruction of the Public Safety Building, significant work was done to update three floors for occupancy by the Police Department as a temporary replacement facility. It has been vacant since they moved out in June 2005.

With the completion of the Public Safety Building, staff prepared a Request for Proposals (RFP) in May 2005 for the development of several properties in the downtown including CHE. The RFP had several goals and objectives including:

- Maximizing the sale proceeds of a City asset.
- Providing innovative restoration, reuse and historic preservation of the building as appropriate.
- Providing the highest quality architectural design within the existing downtown environment.

In April 2006, City Council authorized the City to enter into separate non-exclusive Memorandums of Understanding (MOUs) with two development teams, The Lee Group/Kensington Holding and Grand Prix Place, LLC. During the MOU negotiation period, The Lee Group/Kensington Holding team concluded their project was financially infeasible and withdrew from the process, therefore terminating their MOU with the City.

In November 2006, at the conclusion of the MOU negotiation period, Grand Prix Place, LLC and the City were unable to reach an agreeable sale and purchase price for the building. The MOU between the City and Grand Prix Place expired.

In July 2007, staff received four unsolicited offers to purchase CHE and convert the use to office. Howard CDM proposed to purchase the building "as is," convert to office and retain the historically significant architectural style. During the past twelve months, the Developer

has conducted an extensive review of the building structure, systems and cost related to build out for commercial office tenants. Staff believes that this is the highest and best use for this property and that this project will add to the urban fabric of the downtown. Subsequent to the Developer's review, the following terms were negotiated relative to the purchase of CHE:

Property: 100 Long Beach Boulevard: land = 36,725 square feet; office tower = 149,160 square feet; plus parking structure.

Seller: City of Long Beach

Buyer: Howard CDM

Purchase Price: \$5,100,000 = \$3,750,000 cash at closing + \$1,350,000 note (see terms).

Deposit: \$100,000 will be placed into escrow within two business days of execution of the Purchase and Sale Agreement (initial deposit), which is refundable during due diligence period. Additional \$100,000 deposited at conclusion of due diligence. Deposit to be applied to the purchase.

Due Diligence: Buyer shall have 30 days after opening of escrow for due diligence to review additional information related to the property and zoning requirements for planned project.

Purchase Note: As part of the Purchase and Sale Agreement, the City will carry a second trust deed on the property. The note will be in the amount of One Million Three Hundred Fifty Thousand Dollars (\$1,350,000). The term of the note will be ten (10) years at the rate and payment schedule set forth below:

Rate:

Years 1-6 = 6.5 percent fixed rate

Years 7-10 = 3-month LIBOR rate plus 3.5 percent

Payments:

Years 1-6 = Buyer may prepay any amount or defer payments without penalty

Years 7-10 = Buyer will make fully amortized payments of interest and principal semi-annually

Closing: Escrow will close within 150 days after opening.

In compliance with Government Code 54220 (Chapter 621, statues of 1968), on June 7, 2007, staff notified the State that the City was declaring its property located at 100 Long Beach Boulevard surplus. Staff requested notification within 30 days of any interest the State might have in the property. No response was received.

A Categorical Exemption was completed related to the proposed site on August 19, 2008.

This letter was reviewed by Chief Assistant City Attorney Heather Mahood on August 18, 2008 and by Budget Management Officer Victoria Bell on August 20, 2008.

TIMING CONSIDERATIONS

Staff requests Council action on September 23, 2008 to allow for the Purchase and Sale Agreement and escrow process to begin.

FISCAL IMPACT

One-time revenue from the sale of CHE is not currently budgeted and will accrue to the General Fund. Consistent with the City Council's financial policy on the use of one-time funds, staff recommends the funds be placed into a reserve account. The City is facing a number of unfunded liabilities such as the Insurance Fund, remediation penalties for underground storage tanks, and uncertainties related to State budget take-backs. This one-time money will be reserved to offset the impact of these unknown liabilities.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CRAIG BECK  
DIRECTOR OF DEVELOPMENT SERVICES

CB:AB:SR  
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Attachments: Exhibit A - Site Map

APPROVED:



PATRICK H. WEST  
CITY MANAGER

# Exhibit A

## SITE MAP – CITY HALL EAST



100 LONG BEACH BOULEVARD