



Legislation Text

File #: 12-0969, **Version:** 1

Recommendation to declare the City-owned property located at 100 Long Beach Boulevard, City Hall East (CHE), as surplus; and authorize City Manager, or designee, to execute any and all documents, including the Purchase and Sale Agreement (PSA) with 100 LBB REAL ESTATE LLC, a California limited liability company (Buyer), for the sale of CHE in the amount of \$2,100,000. (District 2)

The City of Long Beach (City) acquired the office building at 100 Long Beach Boulevard, also known as City Hall East (CHE), from Southern California Edison in June 2000 as part of a negotiated franchise agreement extension. The site consists of a ten-story office building having approximately 149,160 square feet of office space and includes a 149-space parking structure (site map attached). The building was originally constructed in 1959. In 2002, the first three floors of the building were renovated and occupied by the Long Beach Police Department as a temporary replacement facility while the City's existing Public Safety Building was being renovated. Since completion of the Public Safety Building improvements in June 2005, CHE has been vacant.

On January 13, 2012, a Request for Proposals (RFP) was issued for the purchase and development of a project consisting of a minimum of 72 market rate residential units with ground floor retail that is designed to reinforce and complement the adjacent uses in the East Village Arts District of downtown Long Beach. In addition, the RFP stipulated that the purchase and sale of the building was on an "As Is" basis. The City received five proposals by the required March 30, 2012 due date.

Based upon the proposals submitted, Watt Investment Partners, LLC, was initially selected as having made the best and highest offer. Subsequent to their selection, Watt formally withdrew their offer, resulting in Cliff Ratkovich and Associates, Inc., an affiliate of the Buyer, having made the best and highest offer to purchase the building in accordance with the requirements of the RFP. The major terms and conditions of the proposed sale of CHE are as follows:

- **Property:** The property is located at 100 Long Beach Boulevard and consists of a land area measuring approximately 36,725 square feet, and a parking structure containing approximately 149 stalls.
- **Seller:** City of Long Beach.
- **Buyer:** 100 LBB REAL ESTATE, LLC, a California limited liability company.
- **Purchase Price:** \$2,100,000. A credit in the amount of \$40,000 will be made to the Buyer in escrow for damage to the building as a result of recent vandalism.
- **Use:** The Buyer is acquiring the property to rehabilitate the structure and operate the building primarily as a residential building, with approximately 134 units, and a minimum of 1,800

square feet of usable ground floor space to be devoted to retail uses.

- **Deposit:** As part of the RFP requirements, the Buyer has already provided a \$25,000 deposit. In connection with the opening of escrow, the Buyer will provide an additional deposit of \$225,000 for a total deposit of \$250,000. The deposit is refundable only under limited circumstances.
- **Default Costs:** In the event the City breaches the terms of the PSA, potential City liability to the Buyer is limited to \$1,000,000. In the event the Buyer breaches the terms of the PSA, City is entitled to retain the \$250,000 deposit.
- **Purchase of Due Diligence Reports.** In the event Closing does not occur within one (1) year of opening of escrow due to third-party litigation, the City will purchase from the Buyer all plans, drawings, test results, studies, reports and data prepared by Buyer with respect to the Property in exchange for \$100,000.
- **Closing:** Closing shall occur no later than forty-five (45) days after opening of escrow provided all conditions to Buyer's and Seller's obligations have been met.

Based upon the above terms and conditions, it is recommended that City Council authorize the City Manager to execute the PSA and any other documents necessary to open escrow and to effectuate completion of this transaction.

In compliance with Government Code 54220 (Chapter 621, Statutes of 1968), on April 4, 2013, staff notified the State of California (State) that the City was declaring its property located at 100 Long Beach Boulevard as surplus. Further, in accordance with past practice, a memorandum was circulated to all City Departments to determine their interest in or objection to declaring this parcel surplus. To date, neither the State nor any City Departments have expressed an interest or objection. A Categorical Exemption, CE-13-027 was completed related to the proposed transaction on April 4, 2013.

This matter was reviewed by Deputy City Attorney Richard F. Anthony, on April 9, 2013 and Budget Manager Dennis Strachota on April 11, 2013.

City Council action is requested on April 23, 2013 in order to execute the PSA and related documents to complete the transaction.

Of the \$2,100,000 purchase price, \$40,000 will be disbursed to the Buyer, through escrow, for damage to the building as a result of vandalism. In addition, the Public Works Department (PW) is likely to incur approximately \$100,000 to \$150,000 in unbudgeted costs for continued security, maintenance and repairs of the building until the close of escrow. After the actual costs have been verified, an appropriation increase may be requested to reimburse PW for the unbudgeted costs from the sale proceeds.

Consistent with the City Council's financial policy regarding the use of one-time resources, the net proceeds from the sale of CHE will be deposited to the General Fund (GP).

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF BUSINESS AND PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER