



Legislation Text

File #: 08-1200, **Version:** 1

Recommendation to authorize 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)

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.

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.

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

There is no fiscal impact.

Approve recommendation.

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APPROVED:

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