



Legislation Text

File #: 16-0479, **Version:** 1

Recommendation to adopt Specifications No. RFP EP16-003 for the purchase and development opportunity at Broadway and The Promenade North (127-135 East Broadway), Assessor Parcel Numbers 7280-020-902, -903, -908, -909, -910, -911, -912, -913 (Subject Property);

Declare the City-owned Subject Property as surplus;

Authorize City Manager, or designee, to execute any and all necessary documents, including a Purchase and Sale Agreement with Raintree-Evergreen LLC, a Delaware limited liability company, for the sale of the Subject Property in the amount of \$8,200,000; and

Accept Categorical Exemption CE 16-128. (District 2)

The City of Long Beach (City) currently owns the Subject Property located at 127-135 East Broadway, prominently positioned at the northwest corner of the intersection of Broadway and The Promenade North (Exhibit A). The Subject Property is approximately 45,280 square feet and is developed with a surface parking lot for public parking and a smaller, fenced, secured parking lot for the Insurance Exchange building at 207 East Broadway. Formerly owned by the Redevelopment Agency of the City of Long Beach (Agency), the Subject Property was included in the Successor Agency's Long Range Property Management Plan (LRPMP), which was approved by the State of California Department of Finance (DOF) on March 10, 2015 and amended on June 24, 2015. The Subject Property has been categorized with a permissible use of "Future Development," allowing for the disposition of the Subject Property through a Request for Proposals (RFP) process for development consistent with the vision and intent of the Downtown Long Beach Redevelopment Project Area and its guiding documents. As further required in the LRPMP, the Subject Property has been conveyed to the City and is now a City-owned asset.

The RFP was advertised in the Long Beach Press-Telegram on October 8, 2015, and 6,775 potential proposers specializing in purchase and development opportunities were notified of the RFP opportunity. Of those proposers, 85 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at: www.longbeach.gov/purchasing <<http://www.longbeach.gov/purchasing>>. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority and women-owned business groups. Four proposals were received on January 11, 2016. Of those four proposals, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), Small Business Enterprises (SBEs), or Long

Beach businesses (Locals).

Local Business Outreach

In an effort to align with our outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the Bids Online database to download the RFP specifications. Through outreach, 720 Long Beach vendors were notified to submit proposals, of which 14 downloaded and none submitted a proposal. The Purchasing Division is committed to perform outreach to local businesses to expand the vendor pool.

A panel consisting of representatives from the Departments of Development Services and Economic and Property Development and an outside real estate economic consultant, reviewed the four submittals. The panel unanimously selected the proposal submitted by the Buyer/Developer, and is recommending that City Council select the Buyer/Developer as the City's preferred proposer and authorize execution of a PSA for sale and development of the Subject Property. The project proposed by the Buyer/Developer provides an architecturally superior design, modern/luxury studio, one- and two-bedroom apartments, work/co-work flexible space, electric vehicle charging stations, and bicycle storage with workspace (Project). Additionally, the Buyer/Developer will continue to provide 20 parking spaces for the benefit of the adjacent historic Insurance Exchange Lofts condominium project. The Project offers an integrated use of physical space, needed density in the Downtown and critical contribution to the Downtown urban fabric.

The Buyer/Developer is a privately-held, real estate investment and development company established in 2007 and based in Laguna Niguel, CA. The Buyer/Developer and their team members have extensive experience in development, redevelopment, operation and management of residential multi-family projects throughout California. This would be the first Long Beach project undertaken by the Buyer/Developer, who is anxious to invest in the City. The Buyer/Developer estimates total development costs of \$53 million and the creation of an estimated 783 temporary jobs and between 45 and 55 permanent jobs.

The Purchase Price proposed for the property is \$8.2 million, or \$181 per square foot. This price is the highest price offered for the property by the respondents and the proposal presented by the Buyer/Developer provides the best value for the City.

The Buyer/Developer shall provide an Initial Deposit of \$200,000 at opening of escrow. The Initial Deposit will be used by the City to pay for its outside attorney and third-party consultant reasonable fees, if any, and such other costs as the City and Buyer/Developer agree will be paid from the Initial Deposit. If the PSA is terminated, any remaining amounts of the Initial Deposit shall be returned to the Buyer/Developer. At the Close of Escrow, any remaining amounts of the Initial Deposit shall be applied to the Purchase Price.

Other general terms and conditions are as follows:

- Seller: City of Long Beach, a municipal corporation.
- Buyer/Developer: Raintree-Evergreen, LLC, a Delaware limited liability company.
- Purchase Price: \$2,500,000.
- Initial Deposit \$200,000 due at opening of escrow, which will be used to fund outside attorney and consultant costs, if any, during the Entitlement Period.
- Due Diligence Period: 90 days (3 months) from opening of escrow. Buyer/Developer will accept the property in an as-is condition and release the City from all liability.
- Entitlement Period: 365 days (12 months) from opening of escrow to complete the entitlement process, including Site Plan Review, and CEQA analysis
- Close of Escrow/Start Date: 30 days after completion of Entitlements, but no later than 18 months from opening of escrow.

The Buyer/Developer anticipates 24 months to complete Project construction. With this schedule, anticipated occupancy would occur in the Fall of 2019.

In compliance with Government Code Section 54220 (Chapter 621, Statutes of 1968), on June 1 and December 8, 2015, staff notified the State of California (State) that the Successor Agency was declaring all Future Development and Sale of Property parcels 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 any parcel surplus. To date, neither the State nor any City Department has expressed an interest in, or objection to, the sale of the Subject Property. A Categorical Exemption, CE 16-114 (Exhibit B), was completed related to the proposed transaction on May 5, 2016.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 3, 2016 and by Revenue Management Officer Julissa Jose-Murray on May 6, 2016.

City Council consideration of this Project is requested on May 24, 2016, to ensure that development on the Subject Property can occur in a timely manner.

The costs associated with the City's outside attorney and consultant fees, if any, through

termination of the PSA or the close of escrow, whichever first occurs, will be reimbursed from the Initial Deposit.

Sale proceeds of \$8,200,000, less escrow and closing fees and recovery of administrative costs, will be remitted to the Los Angeles County Auditor-Controller for distribution to the affected taxing agencies. The net proceeds available for remittance is estimated to be \$6,888,000. The County will distribute the net proceeds to the affected taxing agencies based on their share of the 1 percent tax rate. The City's share is approximately 21 percent of the net sale proceeds. Consistent with City Council policy direction, 75 percent of the City's proceeds shall be retained for non-recurring economic programs in the former Downtown Project Area, and 25 percent shall be retained for non-recurring economic programs with a Citywide impact.

Approve recommendation.

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AMY J. BODEK, AICP
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APPROVED:

PATRICK H. WEST
CITY MANAGER