



Legislation Text

File #: 17-0290, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary to amend the requirements of a Purchase and Sale Agreement, with The LAB, Inc., a California corporation, reducing the Initial Deposit from \$500,000 to \$50,000 on the purchase of For Sale and Future Development Properties; and

Authorize City Manager, or designee, to execute any and all documents necessary to reimburse up to \$350,000 in tenant and/or facade improvements to the For Sale Properties along Atlantic Avenue between 55th Street and South Street and 620 and 635 South Street from the 75 percent North Redevelopment Project Area allocation of one-time sale proceeds received from the sale of former redevelopment properties. (Districts 8,9)

In 2015, the Successor Agency and Oversight Board, respectively, approved the sale of 18 non-contiguous parcels (For Sale Properties) (Attachment), located along Atlantic Avenue between 55th and South Streets and at 620 and 635 South Street, to The LAB for the rehabilitation and development consistent with the North Village development concept, as contemplated in the North Redevelopment Project Area guiding documents. Subsequently, in August 2016, the City Council approved the sale of property identified as North Village Development Blocks C and D (Future Development Properties), as well as the lease of 5834 Atlantic Avenue, 5870 Atlantic Avenue, 5885 Lime Avenue and 5895 Lime Avenue (Government Use Properties) to The LAB for inclusion into the development concept providing an opportunity for The LAB to bring a transformative project to the North Long Beach area.

The LAB has determined that building renovation and tenant improvement work on the For Sale Properties will be funded internally, while outside financing will be utilized to fund the development of the Future Development Properties. Further, The LAB will initially activate occupancy of the For Sale Properties with internally-owned businesses. Due to the capital intensive nature of the renovation and development, it is vital for The LAB and the success of the development concept to preserve equity to satisfy the various financial requirements. Under the current terms of the Purchase and Sale Agreement, the total purchase price of the For Sale and Future Development Properties is \$6,943,200. The LAB is required to pay an Initial Deposit of \$500,000 and execute a Promissory Note and Deed of Trust for the balance of the Purchase Price, or \$6,443,200. To assist The LAB in preserving the cash assets necessary for investment into the development concept, staff recommends a reduction in the deposit from \$500,000 to \$50,000, with the balance of \$6,893,200 subject to the Promissory Note and Deed of Trust.

Consistent with City Council policy direction, 75 percent of the City's share shall be retained

for projects within the North Redevelopment Project Area and 25 percent shall be used for City-wide economic development priorities. To further contribute to the success of the North Village development concept, staff recommends a portion of the North Redevelopment Project Area share from this sale be designated to reimburse The LAB for tenant improvements and exterior building renovations in an amount not to exceed \$350,000.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Analysis Officer Julissa José-Murray on April 3, 2017.

City Council action is requested on April 18, 2017, to allow entitlement to occur in a timely manner.

Under the revised terms of the Purchase and Sale Agreement, The LAB will pay an initial deposit of \$50,000 to the City and make payments on a Promissory Note and Deed of Trust toward the remainder of the purchase price. Additionally, upon repayment of the Promissory Note, the purchase price, less recovery of escrow and closing fees and administrative costs, will be remitted to the Los Angeles County Auditor-Controller for distribution to the affected taxing entities based on their share of the 1 percent tax rate. The City's share is approximately 21 percent of the net sales proceeds. Consistent with City Council policy direction, 75 percent of the City's share shall be retained for projects within the North Redevelopment Project Area and 25 percent shall be used for Citywide economic development priorities. An amount not to exceed \$350,000 will be set aside from the North Project Area share, in the General Fund (GF) in the Economic and Property Development Department (EP) to reimburse The LAB for tenant improvements and exterior building renovations to the For Sale Properties. Based on City Council approved land transactions, there is anticipated sufficient proceeds to reimburse The LAB for tenant improvements and exterior building renovations; however, if the proceeds are not received by the City in a timely manner, the City will do internal borrowing until the proceeds are received. An appropriation increase to disburse the reimbursement will be requested at a later date, if necessary. Approval of this recommendation will provide continued support to the local economy.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER

