



Legislation Text

File #: 21-1028, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all necessary documents with City Ventures, LLC, a Delaware limited liability company, or affiliate (Buyer), to amend the Purchase and Sale Agreement to allow for a reduction in sales price, in an amount up to \$289,000, for a revised total purchase in an amount no less than \$820,056, for remediation costs for the property at 4800 Long Beach Boulevard, Assessor Parcel Numbers 7133-010-900, -901, -902, -903, -904. (District 8)

On June 21, 2016, the City Council authorized the sale of property at 4800 Long Beach Boulevard (Subject Property) (Attachment). On June 1, 2021, the City Council authorized a price reduction based on the proportionate reduction of developable square footage available due to dedications required for future street widening. The Subject Property has received entitlements and is currently in the permitting process. Construction is anticipated to commence in summer 2022.

As part of the Buyer's due diligence, elevated levels of lead were found in the soil and were anticipated to be remediated prior to construction. As preparation for construction activities continue, the amount of soil identified for excavation increased significantly and approximately 3,500 tons must be removed and disposed of prior to the residential development. The cost for soil removal is approximately \$452,000 and presents a substantial challenge to the feasibility of the project, jeopardizing the likelihood of completion. The City and the Buyer have agreed to share in the costs associated with excavation to ensure the residential units can be built and home ownership opportunities are provided in the Virginia Village area. The City, as seller, will be responsible for 64 percent of the soil removal costs, in a total amount not to exceed \$289,000, with the Buyer responsible for the remaining cost, and oversight of all remediation activities and fronting all associated costs. Upon receipt and verification of all costs, the Buyer will be eligible to receive a credit at the close of escrow in an amount up to \$289,000. Should the maximum credit be realized, the purchase price will be reduced from \$1,109,056 to no less than \$820,056. Even with a reduction in sales price, the recommended action provides the best outcome of activating a dormant property, returning the property to the tax rolls, and providing new home ownership opportunities to the Virginia Village area. Additionally, the sale of the Subject Property remains consistent with the Successor Agency's revised Long-Range Property Management Plan and dissolution law.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 2, 2021 and by Budget Management Officer Rhutu Amin Gharib on September 13, 2021.

City Council action is requested on October 5, 2021, to facilitate remediation and allow development to commence in a timely manner.

The requested action provides a credit at the close of escrow of up to \$289,000, resulting in a reduction in the purchase price from \$1,109,056 to no less than \$820,056. Sale proceeds of \$820,056, less escrow and closing fees, commission, and recovery of administrative costs, will be remitted to the Los Angeles County Auditor-Controller (County) for distribution to the affected taxing agencies. The net proceeds available for remittance is estimated to be \$697,048. 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, which is estimated to be \$146,380.

Consistent with City Council policy direction, 75 percent of the City's proceeds will be retained for non-recurring economic programs in the former North Long Beach Project Area, and 25 percent will be retained for non-recurring economic programs with a Citywide impact. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER