



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-6

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 12, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Purchase and Sale Agreement for Property Located at 200 Long Beach Boulevard – Downtown Redevelopment Project Area (District 2)

DISCUSSION

The vacant parcel at 200 Long Beach Boulevard was once the site of the Kennedy Hotel (Exhibit A). Due to the deplorable condition of the building, the City demolished the Kennedy Hotel in 1999. When the Kennedy Hotel was still in operation, its owners borrowed funds from a City program for earthquake retrofitting. The property owners did not pay their earthquake assessment or property taxes for several years. The City of Long Beach took legal action to collect the unpaid earthquake assessments amounting to \$464,946, which resulted in the scheduling of a sheriff's sale of the property. On July 15, 2003, the City Council authorized staff to place a bid for 200 Long Beach Boulevard and to pay the delinquent property taxes. The City of Long Beach was the only bidder and purchased the property for \$464,946, which equaled the amount of the delinquent assessment. After acquiring the Kennedy Hotel at the sheriff's sale, the City paid delinquent property taxes amounting to \$259,190.

The City's Earthquake Assessment Surplus Fund was used to pay the cost of the sheriff's sale bid and the delinquent property taxes and assessments. The proceeds of the sheriff's sale were returned to the Earthquake Assessment Surplus Fund to satisfy the unpaid earthquake assessments. However, Los Angeles County will transfer the delinquent property taxes, paid by the City, to the Redevelopment Agency in a supplemental tax increment payment amounting to \$259,190.

Staff proposes that the City sell 200 Long Beach Boulevard to the Redevelopment Agency for \$333,645. In addition to the purchase price, the Redevelopment Agency would pay earthquake assessments that would increase its cost of ownership to \$461,742. The Redevelopment Agency approved the purchase of 200 Long Beach Boulevard on September 27, 2004. The Property Services Bureau prepared a valuation study for the Kennedy Hotel Site in January 2002, which valued the site at \$450,000.

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As the new owner of the Kennedy Hotel Site, the Redevelopment Agency would be responsible for payment of the current year property taxes, the current year earthquake assessment and earthquake assessments due in future years. The earthquake assessment payments are calculated using an 11 percent interest rate. Since that interest rate is much higher than current interest rates, the Redevelopment Agency approved the payment of the entire balance of the earthquake assessments at a cost of \$128,097.

The vacant Kennedy Hotel Site is adjacent to a parking lot that the City received from the Edison Company (Exhibit A). This portion of the Downtown Redevelopment Project Area is likely to be redeveloped in the future and both sites would most likely be combined.

This letter was reviewed by Assistant City Attorney Heather Mahood on September 21, 2004, and Budget Management Officer David Wodynski on October 1, 2004.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

FISCAL IMPACT

The Fiscal Year 2005 Adopted Budget anticipated \$1.1 million in additional one-time revenue from the sale of City property. The sale of 200 Long Beach Boulevard to the Redevelopment Agency would result in a payment of \$333,645 to the General Fund, which represents the first step toward reaching this revenue goal. After acquisition of 200 Long Beach Boulevard, the Redevelopment Agency would repay the earthquake assessment at a cost of approximately \$128,097 to the City's Earthquake Assessment Surplus Fund. The entire cost of 200 Long Beach Boulevard to the Redevelopment Agency would be \$461,742.

Funding for this transaction was not included in the Fiscal Year 2005 (FY05) Budget; therefore, an appropriation increase is included in the recommendations below. The funding source will be the Downtown Redevelopment Project Area Fund Balance.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Approve and authorize the City Manager to execute a Purchase and Sale Agreement and all other related documents for the property at 200 Long Beach Boulevard for \$333,645; and
2. Increase appropriations in the Redevelopment Fund (RD) and the Department of Community Development (CD) by \$461,742.

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Respectfully submitted,

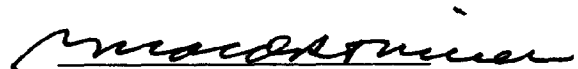


MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER

MSF:OWG:owg
Attachments: Exhibit A – Site Map