



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-18

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

September 21, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents including the Purchase and Sale Agreement (PSA) with Lyon Capital Ventures, LLC, a California limited liability company, for the sale of City-owned property at 100 Long Beach Boulevard (City Hall East) in an amount of \$4,000,000, and to authorize the close of escrow. (District 2)

DISCUSSION

The City of Long Beach acquired the office building at 100 Long Beach Boulevard, also known as City Hall East (CHE), from Southern California Edison in June 2000 as part of the negotiated franchise agreement extension. The site consists of a ten-story office building having approximately 149,160 square feet of office space and includes a 149-space parking structure (Site Map). The building was originally constructed in 1959. In 2002, the first three floors of the building were renovated and occupied by the Long Beach Police Department as a temporary replacement facility while the City's existing Public Safety Building was being renovated. Since completion of the Public Safety Building improvements in June 2005, the CHE building has been vacant.

In May 2005, a Request for Proposals (RFP) was issued for the development of several downtown properties, including CHE. In April 2006, City Council authorized City staff to enter into separate non-exclusive Memorandums of Understanding (MOUs) to negotiate with two development teams, however, for a variety of reasons the City was unable to successfully reach agreement with either team. In July 2007, the City received another unsolicited offer to purchase the building, but primarily due to uncertainties related to the economy, was unable to successfully conclude those negotiations.

Beginning in July 2009, the City received four unsolicited offers from firms offering to purchase CHE and renovate the building for various proposed uses including residential, commercial office and hotel. Based upon this renewed level of interest, the City Council authorized the issuance of a RFP clarifying the primary use of the building was for residential purposes with an optional affordable component, and ancillary ground floor retail. This use is in accord with the vision established for a project at this locale and will add to the urban fabric of the downtown and the East Village area. In addition, the RFP stipulated that the purchase and sale of the building was on an "As Is, Where Is" basis.

Based upon the revised submittals that were received, Lyon Capital Ventures (a highly qualified and experienced multi-family residential developer), who proposes to renovate the CHE building as a 99-unit residential rental and ground floor retail project, was determined to have made the best and highest offer to purchase the building in accordance with the requirements of the RFP. The major terms and conditions of the proposed sale of CHE are as follows:

- Property: The property is located at 100 Long Beach Boulevard and consists of a land area measuring approximately 36,725 square feet, and a parking structure containing approximately 149 stalls.
- Seller: City of Long Beach.
- Buyer: Lyon Capital Ventures, LLC, a California limited liability company.
- Purchase Price: \$4,000,000 comprised of \$2,650,000 in cash at closing, plus a note and deed of trust in the amount of \$1,350,000 (see Purchase Note below).
- Deposit: A \$25,000 good-faith deposit has been received and will be applied to the purchase price.
- Use: Residential rental and ground floor retail project. Up to 10 units may be made affordable subject to Buyer securing the necessary financing.
- Due Diligence: Buyer shall have thirty (30) days from the date of the executed Purchase and Sale Agreement to review title, conduct surveys, studies and inspections, and review other applicable due diligence materials relating to the property.
- Purchase Note: Seller will carry a note and deed of trust on the property in the amount of One Million Three Hundred Fifty Thousand Dollars (\$1,350,000). The term of the note will be ten (10) years at the rate of five percent (5%) interest compounded annually.

Based upon the above terms and conditions, it is recommended that City Council authorize the City Manager to execute the Purchase and Sale Agreement and any other documents necessary to effectuate the close of escrow and completion of this transaction.

In compliance with Government Code 54220 (Chapter 621, statues of 1968), on September 3, 2010, staff notified the State that the City was declaring its property located at 100 Long Beach Boulevard 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 this parcel surplus. To date, neither the State nor any City departments have expressed an interest or objection. A Categorical

Exemption CE-46-10 was completed related to the proposed transaction on September 8, 2010.

This letter was reviewed by Deputy City Attorney Richard Anthony on September 1, 2010 and by Budget Management Officer Victoria Bell on September 3, 2010.

TIMING CONSIDERATIONS

City Council action is requested on September 21, 2010 in order to execute the Purchase and Sale Agreement and related documents to complete the transaction.

FISCAL IMPACT

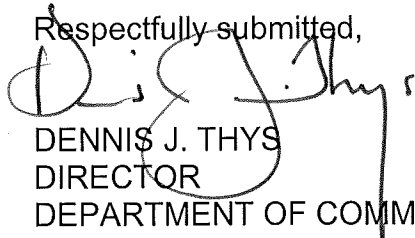
Of the \$2,650,000 expected at the close of escrow, \$2,055,000 will be recognized as net revenue to the General Fund. The difference of \$595,000 is due to an accounting requirement to deduct the current book value of the city-owned property from the sale proceeds.

One-time revenue from the sale of CHE is not currently budgeted and will accrue to the General Fund to help ensure the General Fund ends the current fiscal year in balance. Consistent with the City Council's financial policy on the use of one-time funds, staff recommends the funds be placed into a reserve account.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

DJT:VSG:SR:vsg
09.21.10 City Hall East v7

Attachment: Site Map

APPROVED:



PATRICK H. WEST
CITY MANAGER