

CITY OF LONG BEACH

R-14

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

333 West Ocean Boulevard 3rd Floor • Long Beach, CA 90802 • (562) 570-6099 • Fax (562) 570-6380

May 17, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. RFP CM15-162 for the purchase and development opportunity at 3rd Street and Pacific Avenue, Assessor Parcel Numbers 7280-016-900, 901, 902, 903, 904 and 905 (Subject Property);

Declare the City-owned Subject Property as surplus;

Authorize the City Manager, or designee, to execute any and all necessary documents, including a Purchase and Sale Agreement (PSA) with Ensemble Investments, LLC, an Arizona limited liability company (Buyer/Developer), for the sale of the Subject Property in the amount of \$6,000,000; and,

Accept Categorical Exemption CE 16-109. (District 2)

DISCUSSION

The City of Long Beach (City) currently owns the Subject Property located at 328-348 Pacific Avenue/125-145 West 3rd Street/124 and 128 4th Street, collectively known as 3rd Street and Pacific Avenue, prominently positioned at the northeast corner of the intersection (Exhibit A). The Subject Property is approximately 52,500 square feet and is developed as a surface parking lot currently utilized for public parking and an employee-only lot for Code Enforcement staff. 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. A portion of the property was acquired through funds from the sale of tax-exempt bonds. A portion of these bonds may need to be redeemed upon conveyance of the property.

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A Request for Proposals (RFP) was advertised in the Long Beach Press-Telegram on July 8, 2015, and 6,622 potential proposers specializing in purchase and development opportunities were notified of the RFP opportunity. Of those proposers, 106 downloaded the RFP documents 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. 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. Five proposals were received on November 10, 2015. Of those five proposals, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), or Small Business Enterprises (SBEs), and three were Long Beach businesses (Locals).

Local Business Outreach

In an effort to align with our outreach goal, Long Beach-based 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, 708 Long Beach vendors were notified to submit proposals, of which 22 downloaded and three submitted proposals. The Purchasing Division is committed to continuing 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 five proposals. The panel unanimously selected the proposal submitted by Ensemble Investments, LLC (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 is a mixed-use development consisting of a 229-unit, for-rent, 18-story, residential tower, a 96-unit, for-rent, seven-story residential tower, and 25,000 square feet of commercial retail. The Project provides an architecturally superior, world class, high rise development of for-rent, studio, one-bedroom and two-bedroom apartments within an 18-story tower and a seven-story tower. The Project also incorporates dynamic use of physical space, needed density in the Downtown and critical contribution to the Downtown urban fabric. A project rendering is attached as Exhibit B.

The Buyer/Developer is a privately-held, Arizona-based, company established in 2006, with offices in downtown Long Beach. The Buyer/Developer has extensive experience in development, operation and management of significant projects in Downtown Long Beach, including both hotel and residential projects. The Buyer/Developer intends to partner with AECOM Capital as their joint venture partner on this Project. The Buyer/Developer estimates total development costs of \$128 million, creating an estimated 1,502 direct and indirect, permanent and temporary jobs.

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The Purchase Price proposed for the property is \$6 million, or \$114.30 per square-foot. This price is not the highest price offered for the property; however, the proposal presented by Ensemble Investments, Inc., provides the best project for the City.

The Buyer/Developer shall provide an Initial Deposit of \$100,000 at opening of escrow. The Initial Deposit will be used by the City to pay for outside attorney and third-party consultant reasonable fees, if any, and such other costs as 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: Ensemble Investments, LLC, an Arizona limited liability company.
- Purchase Price: \$6,000,000.
- Initial Deposit will \$100,000 due at opening of escrow, which amount 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 necessary California Environmental Quality Act (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 22 months to complete Project construction. With this schedule, anticipated occupancy would occur in Spring 2019.

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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 16-109, was completed related to the proposed transaction on May 3, 2016 (Exhibit C).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 5, 2016 and by Budget Management Officer Victoria Bell on May 4, 2016.

TIMING CONSIDERATIONS

City Council consideration of this Project is requested on May 17, 2016, to ensure that development on the Subject Property can occur in a timely manner.

FISCAL IMPACT

The costs associated with 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.

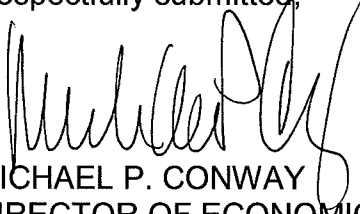
Sale proceeds of \$6,000,000, less escrow and closing fees and recovery of administrative costs, will be remitted to the Los Angeles County Auditor-Controller for distribution to the affected taxing agencies. If required under the terms of tax-exempt bonds issued for acquisition of a portion of the Subject Property, proceeds will first be used to redeem the bonds. If not required, the net proceeds available for remittance is estimated to be \$5,040,000. 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, resulting in roughly \$1,058,400, which is anticipated in Fiscal Year 2018. 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.

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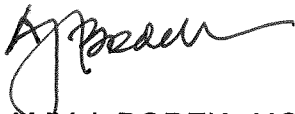
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC AND PROPERTY DEVELOPMENT



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

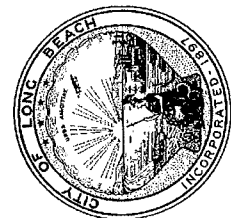
MPC:

Attachments: Exhibit A – Subject Property Map
Exhibit B – Project Rendering
Exhibit C – Categorical Exemption CE 16-109

APPROVED:

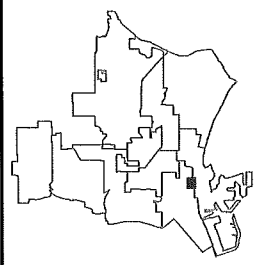
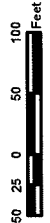


PATRICK H. WEST
CITY MANAGER



Subject Property:
 W 3rd St & Pacific Ave
 AIN: 7280-016-900 through 905
 Council District : 1

Exhibit A



AERIAL ABOVE WEST 3RD ST. LOOKING NORTHEAST



EXHIBIT B



EXHIBIT C
NOTICE of EXEMPTION from CEQA

DEPARTMENT OF DEVELOPMENT SERVICES
333 W. OCEAN BLVD., 5TH FLOOR, LONG BEACH, CA 90802
(562) 570-6194 FAX: (562) 570-6068
lbsds.longbeach.gov

TO: [] Office of Planning & Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: Department of Development Services
333 W. Ocean Blvd, 5th Floor
Long Beach, CA 90802

[] L.A. County Clerk
Environmental Fillings
12400 E. Imperial Hwy., Room 1201
Norwalk, CA 90650

Project Title: CE-16-109

Project Location/Address: 328-348 Pacific Ave/125-145 W. 3rd St./124 & 128 4th Street (Assessor Parcel Numbers 7280-016-900, -901, -902, -903, -904, -905)

Project Activity/Description: Transfer of ownership of approximately 52,500 square feet of property owned by the City of Long Beach, located at 328-348 Pacific Ave/125-145 W. 3rd St./124 & 128 4th Street (Assessor Parcel Numbers 7280-016-900, -901, -902, -903, -904, -905)

Public Agency Approving Project: City of Long Beach, Los Angeles County, California

Applicant Name: City of Long Beach, as Successor Agency to the Redevelopment Agency of Long Beach

Mailing Address: 333 West Ocean Blvd., 3rd Floor, Long Beach, CA 90802

Phone Number: 562-570-6846

Applicant Signature: [Handwritten Signature]

BELOW THIS LINE FOR STAFF USE ONLY

Application Number: _____ Planner's Initials: _____

Required Permits: _____

THE ABOVE PROJECT HAS BEEN FOUND TO BE EXEMPT FROM CEQA IN ACCORDANCE WITH STATE GUIDELINES SECTION 15301 and 15308

Statement of support for this finding: This activity qualifies for a Categorical Exemption with Class 1 and Class 8 as the appropriate exemptions.

Contact Person: Craig Chalfant
Signature: [Handwritten Signature]

Contact Phone: 562-570-6368
Date: 5/3/16