



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# R-22

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

July 19, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute a Purchase and Sale Agreement and Lease, by and between the City of Long Beach and The Ninger Revocable Living Trust dated October 14, 1999, or assignee, and all related documents necessary for the sale and lease of the City-owned land and improvements at 1439 Cota Avenue and 1412-1440 Seabright Avenue. (District 1)

## DISCUSSION

The City owns 41,175 square feet of land at 1439 Cota Avenue and 1412-1440 Seabright Avenue (Site) that includes three concrete and corrugated metal warehouse buildings totaling 12,000 square feet (see attachment). Technology Services (TS) currently manages this property and uses one warehouse to store retired City assets, such as desks, cabinets, chairs, and other equipment. The Long Beach Police Department (PD) uses the other two warehouses for storage. PD also utilizes containers on the Site for additional storage.

TS conducts public auctions on the property approximately three times per year. These auctions include unclaimed items that are released for sale as well as retired City assets described above. TS has concluded that live auctions are an inefficient use of City resources and is in the process of preparing a Request For Proposals (RFP) to outsource this function and/or conduct online auctions. The RFP should be released within the next 60 days. As a result, TS will be vacating the building it currently occupies.

PD has ongoing requirements for storing evidence, which are estimated to increase over time. PD has considered vacating the Site and leasing larger warehouse and storage facilities nearby to accommodate increasing storage requirements.

In researching the local marketplace, monthly rental rates average around \$0.30 per square foot for vacant land and \$0.65 per square foot for warehouse buildings. For a similarly sized and improved property, this equates to approximately \$120,000 to \$150,000 per year in lease expense, depending upon the proportions of land and building.

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To accommodate the interests of all the parties, staff pursued the concept of a sale/leaseback wherein the City would sell the Site, then lease the Site back from the buyer. This process significantly enhances the value of the property since the City is a highly-rated credit tenant. It is also expected that, at the end of the term of the lease, PD will have outgrown the capacity of this site as a storage facility and alternate accommodations will be necessary.

The Site currently has an appraised value of \$815,000. Under the sale/leaseback structure, the City would enter into a long-term lease of the Site, at below market rates, and the income stream of that lease would create a value appreciably higher than if the Site was sold without a lease. The proposed sale price of the Site, as leased, is \$1,235,250. The proposed sale price is \$420,250, or 52 percent above the \$815,000 appraised value.

The benefits of the proposed sale/leaseback are as follows:

- Immediate realization of one-time revenue for a City-owned asset;
- A sale price over 50 percent above appraised value;
- Securing a long-term lease for PD's immediate storage requirements at a rate below market value;
- Avoidance of relocation costs to a new leased facility; and,
- Returning the Site to the property tax rolls.

A proposed Purchase and Sale Agreement would contain the following terms:

- Seller: The City of Long Beach.
- Buyer: The Nininger Revocable Living Trust dated October 14, 1999, or assignee.
- Sale Price: The sale price is \$1,235,250, which is \$420,250 greater than the appraised value of \$815,000.

A proposed Lease would contain the following terms:

- Lessor: The Nininger Revocable Living Trust dated October 14, 1999, or assignee.
- Lessee: The City of Long Beach.
- Lease Term: Ten years.
- Rent: The monthly rent shall be \$0.20 per square foot of land per month or (\$8,235), which is approximately 33 percent below the market rate. The rent shall increase annually by CPI adjustments at a minimum rate of two percent per year.

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- Property Taxes: The City shall be responsible for paying property taxes estimated at \$1,235 per month.
- Insurance: The City shall provide evidence of insurance. The City may also purchase fire insurance at an approximate cost of \$5,000 per year.
- Tenant Improvements: The City shall rent the property in its "as-is" condition.

This letter was reviewed by Deputy City Attorney Richard Anthony on June 28, 2005 and Budget Management Officer David Wodynski on July 8, 2005.

TIMING CONSIDERATIONS

City Council action is requested on July 19, 2005 to complete this transaction in a timely manner.

FISCAL IMPACT

Estimated one-time revenue of \$1,235,250 will be deposited in the General Fund (GP). The lease payment of \$98,820, and other lessee costs, will be included in the FY06 Proposed Budget for Long Beach Police Department (PD).

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



CRAIG BECK  
ACTING DIRECTOR  
OF COMMUNITY  
DEVELOPMENT




ANTHONY W. BATTS  
CHIEF OF POLICE



CURTIS TANI  
DIRECTOR OF  
TECHNOLOGY  
SERVICES

CB:AWB:CT:MPC:lel  
C:\My Documents\Cota\Council Letter 7-19-2005.doc  
Attachment

APPROVED:

  
for GERALD R. MILLER  
CITY MANAGER