



Legislation Text

File #: 16-0478, **Version:** 1

Recommendation to adopt Specifications No. RFP CM15-158 for the purchase and development opportunity at 120 East 3rd Street, Assessor Parcel Number 7280-020-907 (Subject Property);

Declare the City-owned Subject Property as surplus;

Authorize City Manager, or designee, to execute any and all necessary documents including a Purchase and Sale Agreement with William Morris Commercial, Inc., a California corporation, for the sale of the Subject Property in the amount of \$480,000; and

Accept Categorical Exemption CE 16-126. (District 2)

The City of Long Beach (City) currently owns the Subject Property located at 120 East 3rd Street, prominently located along the frontage of 3rd Street between Pine Avenue and The Promenade. The Subject Property is a 1,250-square-foot lot improved with a vacant two-story, 2,400-square-foot building including a lower level commercial space and an upper level residential unit (Exhibit A). 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.

The RFP was advertised in the Long Beach Press-Telegram on July 8, 2015, and 6,380 potential proposers specializing in purchase and development opportunities were notified of the RFP opportunity. Of those proposers, 96 downloaded the RFP 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 <<http://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. Four proposals were received on August 31, 2015. Of those four proposals, none were Minority-owned Business Enterprises (MBEs), none were Women-owned Business Enterprises (WBEs), one was a Small Business Enterprise (SBE), 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, 682 Long Beach vendors were notified to submit proposals, of which 32 downloaded and three submitted proposals. The Purchasing Division is committed 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 four submittals. The panel unanimously selected the proposal submitted by the 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 submitted by the Buyer/Developer proposes an exciting mix of frontline business incubator and co-working space that aspires to attract emerging small and creative companies (Project). The Buyer/Developer agrees to retain some of the unique elements of the building while converting the second level to collaborative networking space. A floor plan is attached as Exhibit B. This redevelopment proposal provides needed and affordable office space for start-ups and emerging companies that are in their critical, early life-cycle stage of evolution, offers a fiscal foothold in the business community and fosters their financial growth.

The Buyer/Developer is a Long Beach-based commercial real estate firm specializing in marketing, sales, redevelopment and leasing of commercial property in Downtown Long Beach. Their extensive commercial real estate experience has focused exclusively on Downtown Long Beach for the past nine years, demonstrating the broad and relevant experience necessary to undertake the Project. The Buyer/Developer intends to redevelop the Subject Property consistent with their proposed Project, and hold the property as a long-term investment. The Buyer/Developer is partnering with Kamus + Keller Architects and Kelty Co. Construction.

The Purchase Price proposed for the property is \$480,000, or \$200 per square foot of building. This price is the highest price offered for the property by the respondents and the proposal presented by the Buyer/Developer provides the best value for the City. Additionally, the Buyer/Developer estimates total Project costs of \$665,000. Their financial proforma anticipates sufficient net operating income in the first stabilized year to provide a debt service coverage ratio of 1.45, which reflects strong Project economics.

The Buyer/Developer shall provide an Initial Deposit of \$25,000 at opening of escrow. The Initial Deposit will be used by the City to pay for its 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: William Morris Commercial, Inc., a California corporation.
- Purchase Price: \$480,000.
- Initial Deposit: \$25,000 due at opening of escrow, which will be used to fund outside attorney and consultant costs, if any, during the Entitlement Period.
- Due Diligence Period: 60 days (2 months) from opening of escrow. Buyer/Developer will accept the property in an as-is condition and release the City from all liability.
- Close of Escrow/Start Date: 30 days after completion of the Due Diligence Period.

The Buyer/Developer anticipates four months to complete Project construction. With this schedule, anticipated occupancy would occur in Fall of 2016.

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 16-107 (Exhibit C), was completed related to the proposed transaction on May 3, 2016.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 5, 2016 and by Revenue Management Officer Julissa Jose-Murray on May 10, 2016.

City Council consideration of this Project is requested on May 24, 2016, to ensure that development on the Subject Property can occur in a timely manner.

The cost associated with City's consultants' costs through termination of the Purchase and Sale Agreement or the close of escrow, whichever ever first occurs, will be reimbursed from the Initial Deposit.

Sale proceeds of \$480,000, 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. The net proceeds available for remittance is estimated to be \$403,200. 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. Consistent with City Council policy direction, 75 percent of the City's proceeds shall be retained for non-recurring economic programs in the former North Long Beach Project Area, and 25 percent shall be retained for non-recurring economic programs with a Citywide impact.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC AND PROPERTY DEVELOPMENT

AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER