

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

M E M O R A N D U M

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DATE: JUNE 3, 2011
TO: CRA/LA BOARD OF COMMISSIONERS
FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER
STAFF: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR
DAVID CONRAD, SENIOR REAL ESTATE DEVELOPMENT AGENT
DAN RIOS, ASSISTANT PROJECT MANAGER
SUBJECT: **2760 E. Washington Boulevard.** Public hearing and actions related to sale of approximately 40,070 square feet of vacant, industrial land to the Ely Keenberg Revocable Trust for \$1,200,000 minus any escrow related fees, and amend CRA/LA Budget to accept sale proceeds in Budget Line Item Economic Development (EA2190)

EA2760
EA2190
100015
100338

EASTSIDE Region, CD 14

RECOMMENDATION(S)

That the CRA/LA Board of Commissioners hold a public hearing pursuant to Health and Safety Code Section 33431 to consider the following action(s):

1. Approve sale of approximately 40,070 square foot CRA/LA-owned land parcel at 2760 E. Washington Boulevard for \$1,200,000 minus any related escrow expenses;
2. Authorize the Chief Executive Officer or Designee to execute a Purchase and Sale Agreement and take such other actions necessary to carry out this transaction;

That the CRA/LA Board of Commissioners, subject to City Council Review and approval:

3. Amend the CRA/LA Budget and Work Program in the year that the sale occurs and to accept proceeds from the proposed sale in the approximate amount of \$1,200,000 and place such funds in Budget Line Item Economic Development (EA2190).

SUMMARY

The reduction in project area resources and private sector lending resulting from the recent economic recession has necessitated the development of new strategies in implementing the Adelante Eastside work program. As such, staff is proposing the sale of a CRA/LA owned property located at 2760 East Washington Boulevard (Washington Property - Attachment A-1 Location Map) to provide gap financing for a proposed mixed use project located at the southeast corner of East First Street and North Boyle Avenue (First and Boyle - Attachment A-2 Location Map). The Washington Property is approximately one acre of vacant land that is zoned M-3. The recommended buyer of the Washington Property is the Ely Keenberg Revocable Trust. Mr. Keenberg is President of EKCO METALS (Purchaser or ECKO) and has offered to purchase the Washington Property for its appraised value of \$1,200,000 for the purpose of expanding his industrial recycling operation located directly across Washington Boulevard.

The proceeds from the sale of the Washington Property would be earmarked for the proposed First and Boyle project. It is anticipated that a developer for the First and Boyle project will be recommended to the Board in a separate action by summer 2011. The First and Boyle Project will be consistent with Redevelopment standards as described in the Adelante Eastside Project Area Redevelopment Plan. A study performed by Strategic Economics in August 2010 established that traditional lending sources would not supply sufficient capital to complete this magnitude of development and that CRA/LA would need to supply gap financing or experience indefinite delays any in development at First and Boyle.

PREVIOUS ACTIONS

November 18, 2010 --- Report to CRA/LA Board on intent to issue Solicitation Letter for the sale of 40,070 square feet of CRA/LA owned, vacant, industrial land located at 2760 E. Washington Boulevard in Los Angeles

December 6, 2007 --- CRA/LA Board approved acquisition of Washington Property for an amount not to exceed the appraised, fair market value of \$1,350,000 plus other costs such as escrow closing costs and remediation costs. Source of acquisition funding was Adelante Eastside bond proceeds.

DISCUSSION & BACKGROUND

The Washington Property was acquired for \$1,350,000 by CRA/LA from the Alameda Corridor Transit Authority ("ACTA") as surplus land in March 2008. ACTA used the land as a staging yard for construction materials and vehicles during construction of the Alameda Corridor. It was originally intended that CRA/LA perform environmental remediation and assemble adjacent parcels into one large parcel more conducive to efficient development for an industrial user. CRA/LA was in the best position to formulate and execute a remediation plan to restore the land for development purposes.

Over the past three years numerous staff attempts to assemble additional land adjoining the Washington Property and create an industrial development of meaningful size have failed due to entrenched interests on the Washington Property's flanks and lack of financial resources in the Adelante Eastside Project Area. Neither of these constraints to development are expected to improve in the foreseeable future. In addition to its limited development potential, the Washington Property is contaminated with elevated levels of arsenic and other heavy metals. Remediation is estimated to cost up to \$200,000 and will be completed by CRA/LA before the Washington Property is conveyed.

Purchaser's operations occupy four acres directly across the street on the north side of Washington Boulevard. The principal activity of Purchaser is the collection and separation of scrap metal for recycling. Once collected and separated, the metals are compacted and baled for transportation to the Port of Los Angeles and eventual shipment to destinations all over the world. Purchaser maintains long term contracts with many municipalities in the Los Angeles area to act as their exclusive scrap vendor. This provides the municipalities with a ready collection point for scrap that might otherwise find its way into area landfills.

Purchaser will be required to completely pave the Washington Property, comply with all applicable storm water treatment standards and fence the Property such that operations are not visible from the street. A landscaped setback will also be required along its Washington

Boulevard frontage. If approved, the sale is expected to close in summer 2011 after remediation is complete, successfully returning a contaminated and fallow property to productive use. Absent this investment in remediation, the Washington Property would sit vacant as no lending institution or user entity would likely undertake such a risky acquisition investment.

Funds generated from this sale will provide gap financing critical to the First and Boyle Project which is a priority of CRA/LA staff and Council District 14 to help develop an emerging transit oriented district surrounding the First and Boyle Gold Line Station. A study conducted by Strategic Economics in August 2010, confirmed a financing gap of approximately \$1.5 million in the proposed First and Boyle Project. The study elaborated that capital for such developments is extremely scarce and that no other avenues of finance, including mezzanine debt, were available in the current lending market to fill such a gap. The First and Boyle Project is intended to become a creative hub and activity center in Boyle Heights. Its ease of access via the Metro Gold Line, together with anticipated retail and live-work elements is intended to provide the burgeoning Eastside arts community a place to gather and display their work. In conjunction with other new developments such as Boyle Hotel and Mariachi Plaza (Metro Gold Line Portal) also located at the intersection of East First Street and North Boyle Avenue, the First and Boyle Project will help increase activity and arts related uses at a key intersection in Boyle Heights.

Selection Process

CRA/LA staff sent out a Solicitation Letter to all owners within a one quarter mile radius of the Washington Property and over 85 industrial real estate brokers active in the area to notify the public of the Washington Property's availability (See Attachment B: Solicitation Letter). The Solicitation Letter invited its recipients to propose general terms and conditions under which they might enter into negotiations with CRA/LA. Respondents were interviewed to further determine their qualifications, proposed tenants and uses and ability to perform in a timely manner. Purchaser was one of three responses submitted at the full appraised value and was determined to be the most desirable buyer as they were able to demonstrate availability of capital resources, provided a reasonable time frame to establish their business expansion, and had a proven track record for successfully operating their business in the Adelante Eastside Project Area. There were other verbal inquiries at lower prices but none submitted formal written responses.

One of the competing bids was withdrawn when it was determined that air borne concrete dust from the neighboring concrete batch plant might be detrimental to the operation of its refrigeration equipment mounted on the exterior roof of the facility it planned to build. The other bid was a company converting organics to energy by the process of anaerobic digestion. Purchaser's proposed sale terms were more favorable than this particular prospective buyer.

Description and Context

The Washington Property consists of 40,070 square feet of vacant, industrial land zoned M3-1 at 2760 East Washington Boulevard in the Adelante Eastside Redevelopment Project Area. It is a vacant, one acre site with limited development potential that is surrounded on three sides by heavy industrial uses. It is bordered on the east by a concrete batch plant, on the south by a rail right-of-way which supports a rail trestle, and on the north across Washington Boulevard by Purchaser's current/primary place of business.

Community Benefits

The proceeds of this sale will be used to provide gap financing for the construction of the First and Boyle Project.

Additionally, the sale of the Washington Property will restore vacant, contaminated, and under-utilized land to productive use. ECKO will create five new living wage jobs to staff the operation on the Washington Property with another five jobs projected within 12 months of commencement of business on the Washington Property. The expansion of ECKO's business will also boost the volume of materials that ECKO ships through the Port of Los Angeles. Expansion of ECKO's operation will provide greater collection capacity for local businesses and municipalities thereby lessening the chance that scrap makes its way into local landfills.

Financial Analysis

An appraisal establishing the current value of the Washington Property at \$1,200,000 after remediation was completed by Cummings Appraisal Group on September 30, 2010. Area values have remained steady in the past six months.

ECONOMIC IMPACT

Proceeds from the sale of the Washington Property will be used to provide gap financing for the anticipated First and Boyle Project. Construction costs for this type of development are estimated to be in the area of \$9.5 million.

The following table* describes the possible economic impacts estimated to be created by the First and Boyle Project made possible by the sale of the surplus Washington Property.

Estimated Economic Impacts Created by this Project*	
Estimated Construction Jobs Created	61
Estimated Permanent Jobs Created	10
Estimated Gross Property Tax Increment (TI) Revenue (Year 1 of Tax Increment Generated)	\$100,000
Estimated Net Present Value (NPV) of Net Property TI Generated (Revenue to the CRA/LA Project Area through the last Tax Increment Receipt Date)	N/A
Estimated NPV of Property TI for Affordable Housing (25% set-aside towards the CRA/LA Low and Moderate Income Housing Fund through the last Tax Increment Receipt Date)	N/A
Estimated NPV of Utility User Tax Revenue (Revenue to City of Los Angeles)	N/A
Estimated NPV of Sales Tax Revenue (1% portion of taxable sales to City of Los Angeles)	N/A
Estimated NPV of Business Tax Revenue (Revenue to City of Los Angeles)	N/A

*The figures provided in the table about are for estimation purposes only; actual fiscal impact or job creation may be higher or lower than these estimates. Standardized formulas were used to generate these figures and are based on accepted econometric practices and basic tax calculations taken from research performed by a variety of sources, including the Los Angeles Economic Roundtable, California Redevelopment Association, US Department of Housing and Urban Development, CRA/LA, and the City and County of Los Angeles.

SOURCE OF FUNDS

No CRA/LA funds are required for this action.

PROGRAM AND BUDGET IMPACT

This action will amend the Adelante Eastside Budget and Work Program in the year that the sale occurs and to accept the approximate amount of \$1,200,000 in Budget Line Item Economic Development (EA2190) from the sale of 2760 E. Washington Boulevard. As a practice, land proceeds are initially deposited into the project area's general revenue account and subsequently transferred to the CRA/LA Special Revenue account at the close of the fiscal year. In this instance, and given the Region's previously discussed funding constraints, the CRA/LA Special Revenue will remain as a Regional resource for eligible redevelopment activities.

There is no impact on the City's General Fund as a result of this action.

ENVIRONMENTAL REVIEW

The recommended action is categorically exempt from the California Environmental Quality Act (CEQA), pursuant to Sections 15304 and 15330 of the State and CRA/LA CEQA Guidelines.

The use of the sale proceeds and any future economic development will be brought back to the Board once appropriate environmental review has been performed for such development.

AUTHORITY GRANTED TO CEO OR DESIGNEE

If the requested action is approved, the CRA/LA Chief Executive Officer or his/her designee would be authorized to take such actions as may be necessary to carry out the sale of the Washington Property including, but not limited to, executing the Purchase and Sale Agreement, and approving certain non-material revisions to its terms as reasonably requested by Purchaser.

Christine Essel
Chief Executive Officer

By:

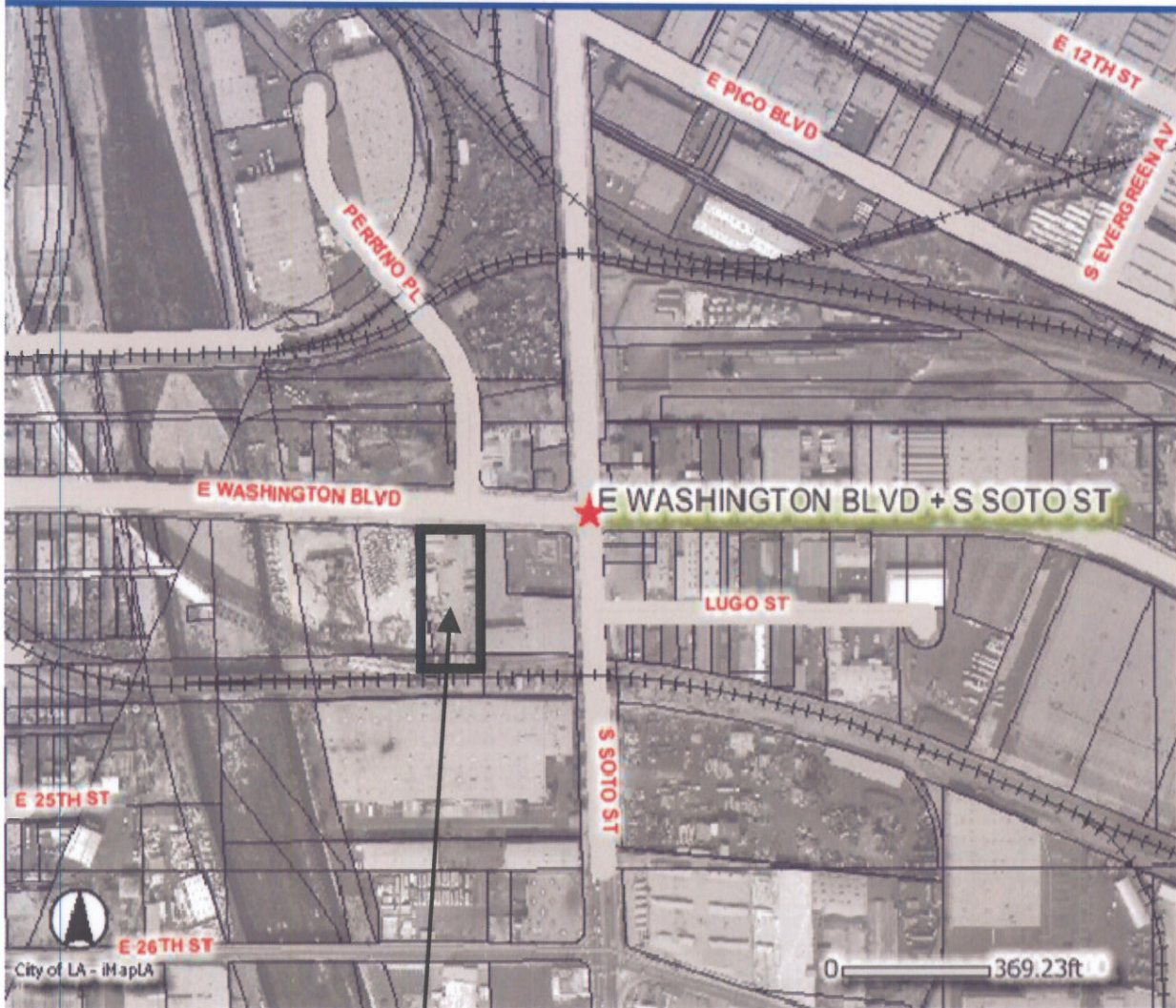
Dalila Sotelo
Deputy Chief Executive Officer, Housing and Development Services

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

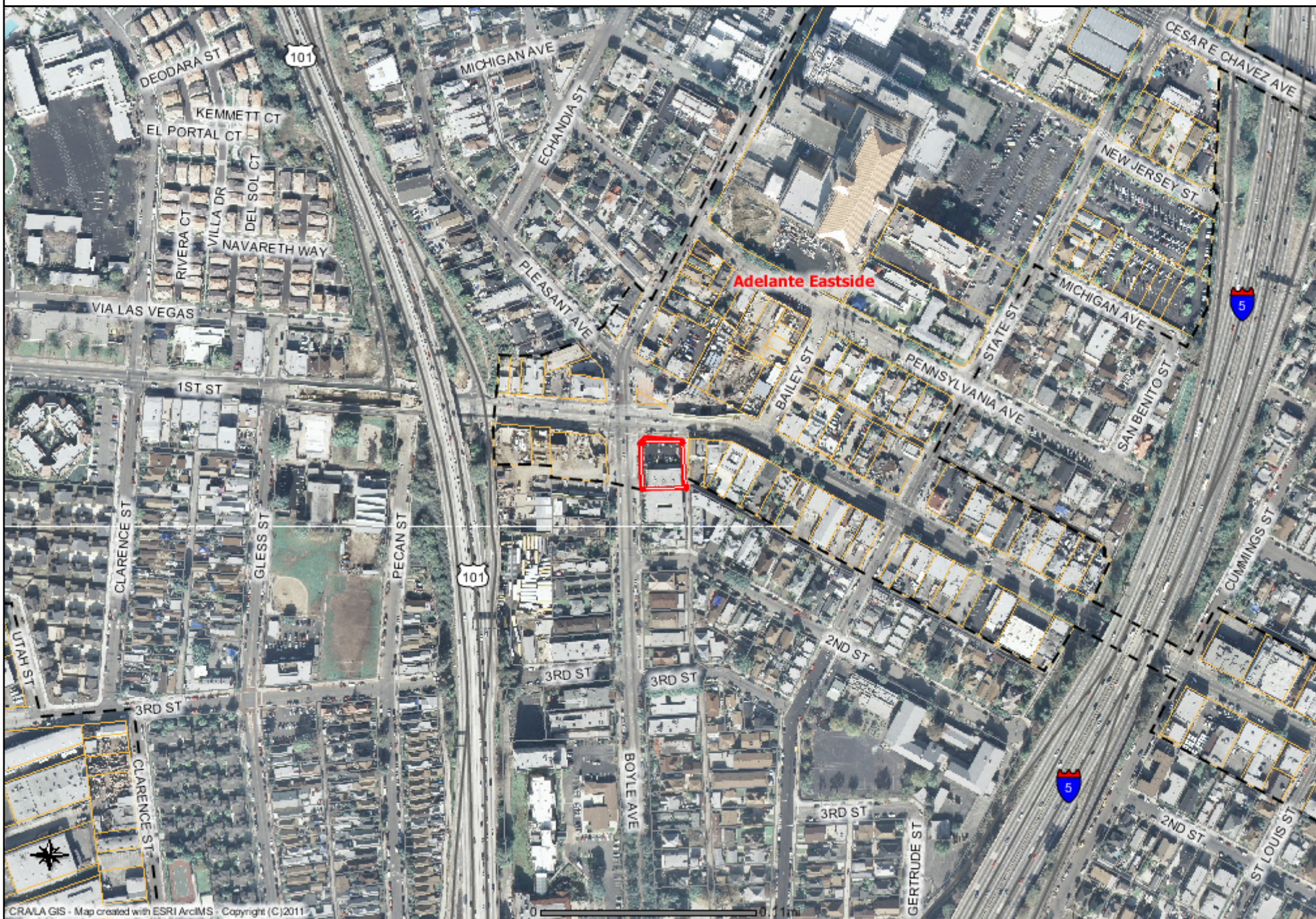
ATTACHMENTS

- Attachment A-1: Location/Site Map Washington Property
- Attachment A-2: Location/Site Map First and Boyle
- Attachment B: Solicitation Letter

ATTACHMENT A-1
Adelante Eastside Redevelopment Project Area
2760 E. Washington Blvd



ACTA Property



ATTACHMENT B

ADDRESS

Dear _____,

RE: Solicitation Letter for Sale of Property located at 2760 E. Washington Blvd., Los Angeles, CA

The Community Redevelopment Agency of the City of Los Angeles (CRA/LA) is seeking qualified buyers to purchase approximately 40,070 square feet of vacant land located at 2760 E. Washington Blvd. in Los Angeles, CA 90033 (Property). This Solicitation Letter (Letter) is intended to solicit from prospective purchasers the general terms and conditions under which such purchaser would enter into negotiations with CRA/LA for the purchase of the Property. The Letter is being sent to multiple prospective purchasers with the goal of selecting one qualified purchaser with which to negotiate a sale agreement.

The Letter is divided into three sections. Section I describes the location and physical condition and the Property. Section II describes land use restrictions for the Property. Section III describes preferred terms and conditions upon which CRA/LA would consider entering into a purchase agreement.

CRA/LA and prospective purchaser (Parties) agree that the terms set forth herein are intended merely as a guideline for negotiation of a potential sale transaction. The Parties further agree that in no event will the Letter or the prospective purchaser's reply constitute a binding agreement and that neither Party will be bound until a purchase agreement has been fully executed and delivered. Parties each acknowledge that they are proceeding at their sole cost and expense and that either may terminate negotiations for any reason, at any time, without liability or obligation.

SECTION I ---- PROPERTY DESCRIPTION

- Property is rectangular in configuration; consists of unimproved land, flat in its general topography and is designated as M3-1 zone. (See Attachment 1: Location Map)
- Property is approximately 40,070 square feet and is further described as Assessor's Parcel Number 5169-028-901.
- A Preliminary Title Report will be furnished through escrow holder to selected prospective purchaser.

SECTION II--- LAND USES

- (See Attachment 2: Land Use Restrictions)
- Sale of the Property shall be subject to covenants contained in the Adelante Eastside Redevelopment Plan (Plan) forbidding discrimination in the sale, lease, or occupancy of the Property on the basis of race, sex, religion, sexual orientation, marital status, nationality, familiar status, source of income, or disability and requiring use and development of the Property in accordance with the Plan.

SECTION III---PREFERRED TERMS AND CONDITIONS

- Minimum Purchase Price—Appraised Value is \$1,200,000 or \$29.95 per square foot. Appraisal completed 10/01/10.
- Escrow Close---- As agreed by Parties. See Remediation and Confirmation sections below for conditions that must be satisfied prior to close of escrow.
- Deposit---\$50,000 into escrow account at opening of escrow. Funds are nonrefundable after expiration of Contingency Period
- Financing--- Cash at close of escrow
- Contingency Period—60 days to satisfy all purchaser contingencies
- Copies of the forms of the Purchase and Sale Agreement and Grant Deed available on request
- Remediation---- CRA/LA to deliver Property in condition that satisfies existing standards for industrial property as enforced by The County of Los Angeles Fire Department, the governing regulatory agency. CRA/LA plans to complete the remediation and obtain the required regulatory approvals and documentation by the first quarter of 2011.
- Confirmation---This purchase agreement entered into by CRA/LA and prospective purchaser is subject to confirmation and approval by CRA/LA Board of Commissioners and Los Angeles City Council

CRA/LA thanks you for participating in this SL process and would appreciate your email written responses no later than 4 pm on _____, 2010. Responses shall be submitted in hard copy to David L. Conrad, Community Redevelopment Agency of the City of Los Angeles, 448 S. Hill Street, Suite 1200, Los Angeles, CA 90013. Late responses will not be accepted.

CRA/LA anticipates that it will choose a prospective purchaser within two weeks of this date and will contact all parties responding to the Letter as to its decision. Selection criteria will be based solely on price and respondents ability to close the transaction. If a purchase agreement cannot be negotiated with the party selected in the Letter process, CRA/LA reserves the right to negotiate with other Letter respondents or seek new respondents. The Standard CRA/LA Purchase and Sale Agreement template will be used to memorialize the agreement between the Parties. I am available at (213) 448-2115 or email to answer any questions.

Very truly yours,

David L. Conrad
Real Estate Development,
Community Redevelopment Agency