
CLIENT MEMORANDUM

TO: OVERSIGHT BOARD OF THE CRA/LA, A DESIGNATED LOCAL AUTHORITY AND SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

FROM: VARNER & BRANDT LLP

SUBJECT: TRANSMITTAL OF FEBRUARY 14, 2013 OVERSIGHT BOARD MEETING AGENDA ITEM #2

DATE: FEBRUARY 5, 2013

The following memorandum provides the seven (7) board members (“Board Members”) of the Oversight Board (“Oversight Board”) of the CRA/LA, a Designated Local Authority and Successor Agency to the Community Redevelopment Agency of the City of Los Angeles (“Successor Agency”) with pertinent information in order for each Board Member to make an informed decision on the matters before the Oversight Board.

Agenda Item No.: 2

Subject: **Auctioneering Services and Disposition of Property.** Authorize the Successor Agency to select, negotiate and contract with a third party to provide auctioneering services to dispose of surplus personal property of the Successor Agency.

Request by Successor Agency:

1. Successor Agency requests approval of the Oversight Board to authorize the Successor Agency to select, negotiate and contract with a third party to provide professional auctioneering services to assist the Successor Agency with the disposition of surplus personal property, including without limitation, office equipment, furniture, supplies and vehicles with an estimated per-item value of \$150 or greater.
2. Successor Agency also requests that the Oversight Board authorize the Successor Agency to donate Successor Agency’s surplus personal property having a value of less than \$150 per item to L.A. SHARES.

Legislative Authority of the Oversight Board:

1. California Health and Safety Code Section 34177(e): The Successor Agency must dispose of assets and properties of the former redevelopment agency as directed by the Oversight Board.

2. California Health and Safety Code Section 34177(h): The Successor Agency must expeditiously wind down the affairs of the former redevelopment agency in accordance with the direction of the Oversight Board.
3. California Health and Safety Code Section 34177.3(b): The Successor Agency has the authority to create enforceable obligations to conduct the work of winding down the affairs of the former redevelopment agency including acquiring necessary professional administrative services.
4. California Health and Safety Code Section 34181(a): The Oversight Board shall direct the Successor Agency to dispose of all assets and properties of the former redevelopment agency expeditiously and in a manner aimed at maximizing value.
5. California Health and Safety Code Section 34191.3: The requirement for the Successor Agency to dispose of assets and properties of the former redevelopment agency under Section 34177(e) and 34181(a) are suspended until the Department of Finance has approved a long-range property management plan for the Successor Agency.

Application and Analysis: The Successor Agency seeks approval from the Oversight Board to engage a professional auctioneer services, utilizing a request for proposals (“RFP”), to assist with the sale of surplus property of the former redevelopment agency. The use of an auctioneer will provide assistance to the Successor Agency to ensure the expeditious winding down and disposition of assets required by Sections 34177(e) and (h) of the Health and Safety Code.

The Successor Agency has the authority to create enforceable obligations (i.e., contracts) to conduct the work of winding down the former redevelopment agency, including hiring staff and acquiring necessary professional administrative services. (Health and Safety Code Section 34177.3(b)) Once selected through the RFP process, the Successor Agency will enter into a service contract with the professional auctioneer to provide services that will enable the Successor Agency to expeditiously dispose of surplus personal property. The surplus property consists of such things as office equipment, furniture, televisions, computers, copy machines, office supplies, and vehicles.

The Successor Agency intends to close or transfer locations where the Successor Agency currently stores the surplus property. If the Successor Agency does not immediately dispose of the surplus property, it must expend additional funds to insure, maintain and store the surplus property. The Successor Agency represents that the auction process will result in the most efficient and cost effect method of disposing the property. For surplus property that has a value of less than \$150, the Successor Agency will donate such property to L.A. SHARES, a non-profit tax exempt organization, which may utilize the surplus property for schools and other uses.

Section 34191.3 suspended the Successor Agency's right to transfer, dispose or otherwise donate any assets of the former redevelopment agency until the Successor Agency submits and receives DOF approval of the Successor Agency's long-range property management plan. Although the long-range property management plan only deals with real property of the former redevelopment agency, it is unclear whether the legislature intended Section 34191.3 to also suspend the disposition of all property, including personal property.

The Successor Agency sought and obtained guidance from DOF on this matter; specifically, whether surplus property could be sold, transferred or donated despite the suspension imposed by Section 34191.3. DOF indicated that the long-range property management plan does not address personal property and, therefore, the Successor Agency may dispose of such property as long as it maximizes value and remits the funds to the county auditor controller for distribution to the affected taxing entities. If the personal property has little or no value, such as damaged or obsolete office furniture, the DOF suggests that the Successor Agency donate the items due to the costs necessary to maintain and store the property.

RESOLUTION NO. OB _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE CRA/LA, A DESIGNATED LOCAL AUTHORITY AND SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, DIRECTS THE SUCCESSOR AGENCY TO SELECT, NEGOTIATE AND CONTRACT WITH A THIRD PARTY TO PROVIDE PROFESSIONAL AUCTIONEERING SERVICES IN CONNECTION WITH THE DISPOSITION OF SURPLUS PERSONAL PROPERTY OF THE FORMER REDEVELOPMENT AGENCY AND DONATE DE MINIMUS VALUE SURPLUS PERSONAL PROPERTY TO L.A. SHARES

WHEREAS, the CRA/LA, a Designated Local Authority, was formed in accordance with California Health and Safety Code Section 34173(d)(3) as the Successor Agency to the Community Redevelopment Agency of the City of Los Angeles (“Successor Agency”); and

WHEREAS, the Oversight Board (“Oversight Board”) of the Successor Agency was established pursuant to California Health and Safety Code Section 34179; and

WHEREAS, the Successor Agency must dispose of assets of the former redevelopment agency as directed by the Oversight Board, pursuant to California Health and Safety Code Section 34177(e); and

WHEREAS, the Successor Agency has the authority to create enforceable obligations to conduct the work of winding down the affairs of the former redevelopment agency, including acquiring necessary professional administrative services, pursuant to California Health and Safety Code Section 34177.3(b); and

WHEREAS, the Successor Agency desires to select, negotiate and secure the services of a professional auctioneer to assist with the sale of surplus personal property of the former redevelopment agency having a per-item value of \$150 or greater and to donate the surplus personal property having per-item value of less than \$150 to L.A. SHARES, a local non-profit organization, as part of the expeditious winding down process; and

WHEREAS, the Oversight Board has determined that the selection and retention of a professional auctioneer or auctioneers to assist the Successor Agency with the sale of surplus personal property of the former redevelopment agency and to donate obsolete or de minimus surplus personal property to L.A. SHARES, is consistent with the requirements of the Successor Agency to wind down the affairs of the former redevelopment agency in accordance with California Health and Safety Code Section 34177(h); and

WHEREAS, California Health and Safety Code Section 34179(e) requires the Oversight Board to adopt resolutions for any action taken by the Oversight Board.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

Section 1. Disposition of Surplus Personal Property. The Oversight Board hereby approves the Successor Agency’s desire to select, negotiate and contract with a professional

auctioneer to provide professional auctioneering services in connection with the disposition of surplus personal property of the former redevelopment agency having a per-item value of \$150 or greater and to donate the surplus personal property having a per-item value of less than \$150 to L.A. SHARES.

Section 2. **Authorization of Successor Agency.** Upon approval of this resolution (“Resolution”) by the California Department of Finance, the Oversight Board authorizes and directs the Chief Executive Officer of the Successor Agency to negotiate, execute, deliver and/or acknowledge such documents necessary to comply with the authority granted by this Resolution.

Section 3. **Delivery to the California Department of Finance.** The Oversight Board hereby authorizes and directs the Secretary of the Oversight Board to electronically deliver a copy of this Resolution to the California Department of Finance in accordance with California Health and Safety Code Section 34179(h).

Section 4. **Other Actions.** The Oversight Board hereby authorizes and directs the Chairman, Vice-Chairman and/or Secretary of the Oversight Board, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and such actions previously taken by such offices are hereby ratified and confirmed.

Section 5. **Effect.** This Resolution shall take effect upon approval of the California Department of Finance in accordance with California Health and Safety Code Section 34179(h).

PASSED, APPROVED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on February 14, 2013, by the following vote:

Ayes: _____
Noes: _____
Absent: _____
Abstain: _____

By: _____
Michael Lawson, Chairman
Oversight Board of the CRA/LA,
A Designated Local Authority and Successor Agency to the
Community Redevelopment Agency of the City of Los Angeles

ATTEST:

David M. Riccitiello, Secretary
Oversight Board of the CRA/LA,
A Designated Local Authority and Successor Agency to the
Community Redevelopment Agency of the City of Los Angeles

* * * * *

I hereby certify that the foregoing is a true and correct copy of the Resolution duly adopted by the Oversight Board of the CRA/LA, a Designated Local Authority and Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, at a Special Meeting of the Oversight Board duly called and held at _____ on the 14th day of February, 2013.

David M. Riccitiello, Secretary
Oversight Board of the CRA/LA,
A Designated Local Authority and Successor Agency to the
Community Redevelopment Agency of the City of Los Angeles

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

APPROVED

MEMORANDUM

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DATE: FEBRUARY 7, 2013

TO: GOVERNING BOARD

FROM: DAVID M. RICCIHELLO, CHIEF EXECUTIVE OFFICER

STAFF: DIANE WREN, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: **DISPOSITION OF SURPLUS PERSONAL PROPERTY:** Negotiation and Execution of a contract for auctioneering services to dispose of surplus personal property with a unit value of \$150 or greater, and donation to L.A. SHARES surplus personal property with a value of less than \$150 per item.

RECOMMENDATION

That the Governing Board, subject to Oversight Board approval, take the following actions:

1. Authorize the Chief Executive Officer or designee to negotiate and execute a contract with a firm to be determined and procured via a competitive selection process to provide for auctioneering services to dispose of CRA/LA surplus personal property (i.e. office equipment, furniture, supplies and vehicles) with an estimated per-item value of \$150 or greater; and
2. Authorize the Chief Executive Officer or designee to donate surplus consumable office supplies and other personal property with an estimated value of less than \$150 per item to L.A. SHARES for use by local schools and non-profit organizations.

SUMMARY

The passage of AB1X-26 resulted in the dissolution of redevelopment agencies statewide and prescribed the creation of successor agencies to wind down their activities. The wind down process requires that former redevelopment agencies liquidate their assets and use the proceeds to fulfill enforceable obligations or distribute the proceeds among the affected taxing entities. Assets not required for the successor agency's administration are to be disposed of in a manner that is both expeditious and aimed at maximizing value.

The staff of CRA/LA, a Designated Local Authority ("CRA/LA"), intends to issue a Request for Qualifications and to select a firm with whom to negotiate and execute a contract for auctioneering services for the disposition of personal property assets over \$150 per item. The personal property assets include vehicles, heavy operating equipment used for property maintenance, refrigerators, copy machines, modular workstation and office furniture, office

equipment and other miscellaneous items. Items that remain unsold following the auction process shall be deemed salvage and to have little or no value.

Reduced staffing, beginning with an early retirement incentive program in 2010 and continuing through a series of targeted reductions, has resulted in the accumulation of surplus office supplies and equipment, including staplers, tape dispensers, waste baskets, label makers, clipboards, and typewriters. Many of these items have an estimated unit value of less than \$150. However, these items are reusable and could be of benefit to the Los Angeles Unified School District ("LAUSD") schools or other non-profit organizations serving communities throughout Los Angeles County. Rather than discarding these items, staff is recommending that they be donated to L.A. SHARES, a local 501(c)(3) non-profit organization that manages a *Materials Reuse Program* and distributes donated items to local schools and other non-profit organizations in need.

The disposition process would not begin until the Department of Finance issues a Finding of Completion to CRA/LA in accordance with Health and Safety Code Section 34191.5. It is anticipated that CRA/LA will obtain its Finding of Completion later this spring.

DISCUSSION AND BACKGROUND

AB1x-26 ("Dissolution Act"), the California legislation eliminating redevelopment agencies statewide, directs the CRA/LA to expeditiously wind down the affairs of the former redevelopment agency. As part of the wind down process, CRA/LA is required to dispose of its assets, including personal property. The proceeds from the disposition of assets are to be used to fulfill enforceable obligations or be made available for distribution to the affected taxing entities.

Auctioning of Personal Property

CRA/LA staff proposes to secure the services of a professional auctioneer to dispose of the personal property assets valued at more than \$150 per item. Items in this category include vehicles, office furniture, heavy equipment, television monitors, telephone systems, translation recording equipment, other electronic equipment, video conferencing equipment, appliances, and copy machines. An inventory of the personal property assets acquired at a cost of \$150 or more is maintained on CRA/LA accounting records. These items are recorded as Capital Assets (at cost) in the annual financial statements and are depreciated over their useful lives. The recorded value of the CRA/LA's personal property is approximately \$1.6 million as of June 30, 2012. This figure represents the depreciated value of all personal property cumulatively acquired at a cost of \$14.9 million. The surplus personal property is housed in numerous locations. Once the surplus assets are sold, the sales proceeds and the list of auctioned items would be directed to the CRA/LA Accounting unit so that the monies can be recorded and the items be eliminated from the inventory.

Please note that all of the personal property will not be included in the auctioning process. The Allsteel furniture purchased between 2008 and 2011 for the Downtown, Eastside, Harbor and East Valley offices will not be auctioned off at this time. The office furniture, including file cabinets and conference tables, associated with the former East Valley and Eastside offices were part of the sublease negotiations and are being used by the replacement tenants until the leases expire. Those items will be sold, via auction, at a later date.

A Request for Qualifications ("RFQ") to identify qualified firms that could serve as the auctioneers and manage the liquidation process has been prepared and is in the process of being issued. The RFQ requires potential auctioneers to have a minimum of five (5) years experience and submission of a detailed description demonstrating their experience; evidence of insurance and compliance with the California Civil Code related to maintenance by an auctioneer of a surety bond; and a description of the team that would provide services to CRA/LA.

After review and evaluation of the responses by staff, qualified firms would be placed on a prequalified list. Staff would then invite a minimum of three qualified firms to participate in a mandatory walkthrough of the personal property assets to understand CRA/LA objectives and the inventory to be auctioned. One or more firms would be selected to provide auctioneering services to CRA/LA. It is anticipated that the selected firm(s) would be paid a percentage from the proceeds of the sale. However, the auction firms also charge for fees associated with marketing/advertising and labor. CRA/LA staff will attempt to negotiate so that all of the costs are derived from a percentage of the sales proceeds. It is anticipated that the personal property will be auctioned in several phases as the wind down process continues, in order to liquidate all CRA/LA's surplus inventory.

Please note that the items that remain unsold following the auction process will be designated as salvage and staff intends to donate them to L.A. SHARES.

Donation of Used Personal Property of De Minimus Value

It is CRA/LA staff's intent to donate surplus reusable items that have a per item value of less than \$150 to L.A. SHARES, a 501(c)(3) non-profit organization. L.A. SHARES manages a *Materials Reuse Program* which accepts donated reusable goods from local businesses and other organizations, and redistributes these items at no charge to other non-profit organizations and schools throughout Los Angeles County.

Created in 1991, L.A. SHARES was formerly a pilot program for the City of Los Angeles' Cultural Affairs Department known as the Materials for the Arts. In an effort to expand beyond the Los Angeles city limits, L.A. SHARES was formed in 1994. Since its inception, L.A. SHARES has worked with more than a 1,000 local companies to give away more than \$80 million worth of goods and materials throughout Los Angeles County. L.A. SHARES has partnered with the local business community to become the largest single donor of goods and materials to LAUSD, the arts community, after school enrichment programs, the recreation and parks community, the theater community, and the alcohol and drug recovery community.

L.A. SHARES has helped more than 2,500 organizations and schools throughout Los Angeles County including: Boys and Girls Clubs of America, Organization for the Needs of the Elderly, Habitat for the Humanity, Inner City Cultural Center, Union Rescue Mission, Angeles Girl Scouts Council, the San Fernando Valley Child Guidance Clinic, John Marshall High School, Canoga Park Elementary School, Los Angeles Family School, and hundreds more. Moreover, by utilizing L.A. SHARES, California businesses adhere to Assembly Bill 939, which requires them to reduce their landfill-bound waste. L.A. SHARES has helped companies divert more than 1,000 tons of useful goods and materials from needlessly entering local landfills. L.A. SHARES has been recognized by the U.S. Environmental Protection Agency, The White House Task Force on Recycling, the U.S. Department of Housing and Urban Development, and the City of Los Angeles for its outstanding environmental achievements. Consequently,

L.A. SHARES is now used as a model program for similar materials reuse efforts throughout the country.

In addition to benefitting schools and other non-profits, the benefits of the CRA/LA partnering with L.A. SHARES include cost savings associated with staff time otherwise required to administer the donation process; administrative costs associated with storing the surplus inventory; and reduction of environmental impacts associated with typical disposal methods of these types of materials.

SOURCE OF FUNDS

The costs associated with the auctioneering services are expected to be fully covered by the proceeds of the sales.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The recommended actions are consistent with AB1X-26 and AB1484.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a "Project" as defined by the California Environmental Quality Act "CEQA".



David M. Riccitiello
Chief Executive Officer