

MEMORANDUM

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DATE: NOVEMBER 12, 2015

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER
DANIEL KAHN, SR. REAL ESTATE DEVELOPMENT AGENT

SUBJECT: SALE OF REAL PROPERTY. Approval of Purchase and Sale Agreements with various individuals/entities for the disposition of Real Property Assets identified as Asset ID Nos. 5, 6, 30, 41, 153, 194, 322, 323, and 383 in the Long Range Property Management Plan for a total of \$8,574,888.

RECOMMENDATION

That the Governing Board, subject to Oversight Board approval, approve Purchase and Sale Agreements for the disposition of the real property assets identified below, and authorize the Chief Executive Officer (CEO) to execute all documents necessary to take the following actions:

1. Sell the property identified as Asset ID No. 5, located at 5203 Lankershim Boulevard, to NoHo Arts Park, LLC or assignee for \$1,375,000;
2. Sell the property identified as Asset ID No. 6, located at 11115 McCormick Street, to Action Investment Group, LLC or assignee for \$1,310,000;
3. Sell the property identified as Asset ID No. 30, located at 1316 S. Union Avenue, to Jong H. Kwak or assignee for \$529,000;
4. Sell the property identified as Asset ID No. 41, located at 7253 N. Remmet Avenue to the Child Development Institute or assignee for \$150,000;
5. Sell the property identified as Asset ID No. 153, located at 600 S. San Pedro Street, to Weingart Center Association or assignee for \$4,025,000;
6. Sell the property identified as Asset ID No. 194, located at Lomitas & Avenue 59, to Gary Gene Bolton or assignee for \$12,000;
7. Sell the property identified as Asset ID No. 322, located at 613 Pioneer Avenue, to Royal White Real Estate, Inc. or assignee for \$588,888;
8. Sell the property identified as Asset ID No. 323, located at 508 Sanford Avenue, to Bruce Biesman-Simons and Hale Field, Trustee of the Biesman-Simons Revocable Trust or assignee for \$470,000; and
9. Sell the property identified as Asset ID No. 383 located at 1221 E. 40th Place, to CS Adventures, LLC or assignee for \$115,000.

SUMMARY

Cushman & Wakefield (Cushman) implemented a web-based marketing program and solicited bids for 50 of the real property assets in the For Sale category of its approved LRPMP. Cushman's initial marketing efforts resulted in the receipt of bids for 47 assets, with most assets receiving multiple bids, by the September 29, 2015 deadline. For the assets in which competitive, multiple bids were received, CRA/LA staff asked Cushman to contact the bidders and seek Best & Final offers, providing a response deadline of October 14, 2015. The Best & Final offer process resulted in higher bid amounts for several assets. Following the September 29th deadline, three (3) bids on lower-valued assets were withdrawn.

In consultation with Cushman, staff concluded that several bids resulted in relatively straight forward transactions. Staff is presenting nine (9) of those bids for consideration. Eight (8) of the recommended buyers were the highest bidders, have few or no contingencies, and have accepted the Purchase & Sale Agreement without major modifications. Escrow is expected to close within 30 days of approval by the Oversight Board.

Asset ID No. 41 received two (2) identical bids: one from an investor and one from the current lessee, Child Development Institute. Staff is recommending that the asset be sold to the Child Development Institute, which currently has a long-term lease (through September 2039) for use of the site to provide early intervention and therapeutic services to children and their families.

Staff recommends that the Governing Board approve each Purchase and Sale Agreements and authorize the CEO to execute all documents necessary to sell the aforementioned real property assets to the individuals/entities listed above for the amounts listed above. A summary of the transactions is Attachment A to this Board Memo and shows the assets, recommended bidders, and bid amounts. Staff's recommendation anticipates that several of the selected bidders will desire to assign their PSA to specific entities for business or tax purposes.

On November 2, 2015, CRA/LA posted a 10-Day Notice of the proposed sales, in compliance with Health & Safety Code Section 34181(f).

PREVIOUS ACTIONS

October 1, 2015 – CRA/LA Governing Board approved the sale of Asset ID No. 244 to the Museum of Contemporary Art for \$100,000.

February 5, 2015 – CRA/LA Governing Board approved the sale of Asset ID No. 211 to Rescore Hollywood, LLC for \$880,000 and Asset ID No. 239 to KR Academy, LLC for \$1,644,500.

DISCUSSION & BACKGROUND

DOF approved the LRPMP, including disposition of real property assets in the For Sale category on October 7, 2014.

CRA/LA hired Cushman to serve as its exclusive brokers for the marketing of the For Sale assets, and authorized the marketing of 50 real property assets.

MARKETING PROGRAM

The CRA/LA retained Cushman to market the for-sale property assets. These assets include fee interests (unencumbered), fee interests subject to leases with an assignment of leasehold interests, air rights, and covenants/easements. Some of the real property assets are irregularly-sized or remnant parcels that staff knew in advance would require active marketing efforts. As previously discussed and noted in the approved LRPMP, assets to be sold are not appraised as part of the disposition process. Instead, each asset's fair market value is determined by the marketplace via a competitive bid process.

To accomplish this, Cushman developed a multi-pronged marketing program that comprised time-tested strategies (e.g., posting a conspicuous "for sale" sign on each property, sending fliers and specialized brochures to known real estate investors and brokers, etc.). To prepare the property-specific fliers, Cushman photographed each asset so it could be featured in property-specific fliers. The fliers were then emailed to investors and interested parties and, in many cases, hand-delivered to property owners adjacent to the for sale asset.

In addition, Cushman recommended the use of a customized bid website as an additional marketing device. Staff concurred that a website would provide additional transparency to the disposition process and further exposes the assets to interested buyers and other parties. The website was more than an electronic billboard. It was designed to provide important disclosures to buyers (e.g., environmental conditions reports, preliminary title reports, etc.) as well as a form of purchase and sale agreement. CRA/LA staff spent a fair amount of time with its legal counsel and Oversight Board legal counsel to craft a sales agreement that seeks to eliminate or reduce the need to negotiate custom agreements for each transaction.

In this manner, buyers and their representatives were afforded the opportunity to conduct pre-bid due diligence, which was expected to lead to a higher number of strong offers and shortened closing periods. The website also was designed to accept confidential information from buyers, including financial documents to substantiate a buyer's ability to deliver funds to close escrow.

Some noteworthy metrics:

- Cushman sent mailers to over 7,000 individuals/entities throughout the world
- Cushman's website received 5,000 unique hits
- Cushman issued email blasts to over 11,000 individuals/entities;
- Cushman conducted over 1,800 telephone calls with interested parties. Cushman leafleted 10 properties that it knew required aggressive marketing efforts

BID RESULTS

On September 29, 2015, Cushman received bids on 47 of the 50 assets. To maximize the sales prices on assets, Staff instructed Cushman to solicit best and final offers on all assets for which multiple bids were received. The best and final offers were due on October 14, 2015. Following September 29th, three (3) bidders dropped out. There are now six (6) low-value assets with no bids. Staff will work with Cushman and report back on cost effective efforts to dispose of these remaining assets.

Cushman's customized bid procedures required bidders to enter their bid on a secure website, together with confidential bidder financial information (i.e., bank statements and/or financials), evidencing the bidder's financial capacity to (a) make the required 10% good faith deposit within 48 hours of full execution of a purchase and sale agreement and (b) deposit the balance of the

sales price into escrow by the closing date. Cushman reviewed each bidder's financial information and any conditions of sale, including any contingencies which could delay the sale (e.g., request for due diligence, purchase subject to appraisal or financing, etc.). Cushman considered this information and, in its professional judgment, made determinations about whether bidders were qualified buyers; ready and able to purchase the relevant asset. All qualified bidders were then ranked in order of bid price and reviewed with CRA/LA management.

SOURCE OF FUNDS

No funding is being requested for this item.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

There is no ROPS impact anticipated with this action.

Net Sales Proceeds: There will be certain costs deducted from the gross sales prices, including broker commissions and closing costs. All net sales proceeds received from escrow will be deposited in the Successor Agency's Community Redevelopment Property Trust Fund, and both the approved LRPMP and state law provide that the net sales proceeds are available to pay enforceable obligations. The Successor Agency will call on these net sales proceeds and Other Funds, as available, prior to requesting RPTTF through the ROPS process to pay enforceable obligations.

Broker Commissions: The listing agreement with Cushman provides for a rate schedule, based on transaction value. Cushman's rate schedule is below. The aforementioned transactions will result in Cushman earning commissions (as shown in Attachment A), that will be paid to them through escrow from the respective asset's gross sales proceeds.

<u>Asset Sales Price</u>	<u>Commission</u>
\$2.0 million and above	1.0% of Sales Price
\$1.0 million to \$1.999 million	1.5% of Sales Price
\$250,000 to \$999,999	3.5% of Sales Price
\$10,000 to \$249,000	5.0% of Sales Price
Under \$10,000	\$1,500
Air Rights	\$50,000

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project according to the California Environmental Quality Act (CEQA).

By:



Steve Valenzuela
Chief Executive Officer

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 - Transaction Summary

Attachment B - Term Sheets & Purchase and Sale Agreements

[Asset ID #5](#)

[Asset ID #6](#)

[Asset ID #30](#)

[Asset ID #41](#)

[Asset ID #153](#)

[Asset ID #194](#)

[Asset ID #322](#)

[Asset ID #323](#)

[Asset ID #383](#)

Attachment A
Transaction Summary

<u>Asset ID No.</u>	<u>Location</u>	<u>No. of Bids Received</u>	<u>Project Area</u>	<u>Bid Amount</u>	<u>Broker Commission</u>	<u>Highest Bid</u>	<u>Buyer</u>
1. #5	5203 Lankershim Boulevard	6	North Hollywood	\$ 1,375,000	\$ 20,625	Yes	NoHo Arts Park, LLC
2. #6	1115 McCormick Street	9	North Hollywood	\$ 1,310,000	\$ 19,650	Yes	Action Investment Group, Inc.
3. #30	1316 S. Union Avenue	8	Pico-Union 1	\$ 529,000	\$ 18,515	Yes	Jong H. Kwak
4. #41	7253 N. Remmet Avenue	3	Reseda/Canoga Park	\$ 150,000	\$ 7,500	Tied, Not Rebid	Child Development Institute
5. #153	600 S. San Pedro Street	9	Central Industrial	\$ 4,025,000	\$ 40,250	Yes	Weingart Center Association
6. #194	Lomitas & Avenue 59	1	Monterey Hills	\$ 12,000	\$ 600	Yes	Gary Gene Bolton
7. #322	613 Pioneer Avenue	7	Los Angeles Harbor	\$ 588,888	\$ 20,611	Yes	Royal White Real Estate Inc
8. #323	508 Sanford Avenue	5	Los Angeles Harbor	\$ 470,000	\$ 16,450	Yes	Bruce Biesman-Simons and Hale Field, Trustee of the Biesman-Simons Revocable Trust, dated August 9, 2002
9. #383	1221 E. 40th Place	4	CD9 Corridors	\$ 115,000	\$ 5,750	Yes	CS Adventures, LLC
TOTAL:				\$ 8,574,888	\$ 149,951		