

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

EXEMPTION, BUDGET AND FINANCE COMMITTEE REPORT, and ORDINANCE relative to the proposed sale of surplus property to the Mountains Recreation and Conservation Authority of 77 parcels located within the Santa Monica Mountains Zone.

Recommendations for Council action, as initiated by Motion (Koretz - LaBonge), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. DETERMINE that the 77 parcels of City-owned properties located in various areas throughout Council District Five and situated along Beverly Glen Boulevard in an area known as Beverly Glen Canyon, are no longer required for City use and that the public interest is best served by the direct sale of the property to the Mountains Recreation and Conservation Authority.
2. FIND that the sale of real property to the Mountains Recreation and Conservation Authority is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, section 1, (Class 12 - Surplus Government Property Sales).
3. PRESENT and ADOPT the accompanying ORDINANCE authorizing and providing for the sale of certain City-owned real properties which are no longer required for use by the City, and the public interest or necessity requires the transfer thereof, without the necessity of calling for bids, to the Mountains Recreation and Conservation Authority, for the sum of one million five hundred thousand dollars (\$1,500,000).
4. INSTRUCT the Controller to appropriate \$750,000 to the Santa Monica Conservancy Trust Fund 858/88, to a new account entitled "Proceeds Sale of Beverly Glen Surplus Property, Fiscal Year 2010-11" and \$750,000 to the Reserve Fund.
5. INSTRUCT the Department of General Services to complete the transactions as outlined in the Ordinance, and process the necessary documentation to effectuate the sale.

Fiscal Impact Statement: The City Administrative Officer reports that the Proposed Sale is for the total purchase price of \$1.5 million. Of this amount \$750,000 will be deposited into the Reserve Fund and the remaining \$750,000 will be deposited into the Santa Monica Mountains Conservancy Trust Fund. The proposed transaction is in compliance with the Financial Policies of the City.

Community Impact Statement: None submitted.

(Information Technology and Government Affairs Committee waived consideration of the above matter)

(10 VOTES REQUIRED)

SUMMARY

At its meeting of October 4, 2010, the Budget and Finance Committee considered several reports from the Department of General Services (GSD), the City Administrative Officer (CAO), and an Ordinance relative to the proposed sale of surplus property to the Santa Monica Mountains Conservancy - Mountains Recreation and Conservation Authority (MRCA). Representatives of the CAO and GSD provided background information and an overview of this matter. During Committee consideration, the Chair requested that supplemental information provided by the CAO in response to various questions be incorporated into the Committee report. Following is a summary of the questions and responses.

Clarification of GSD's appraisal and overall cost of property (\$1.5 million v. \$10 million)

CAO reports that this is a negotiated sale and there is no appraisal. GSD provided an initial Class C estimate of \$5.2 million. This estimate included three properties withdrawn from the sale. The revised estimate is \$3.5 million. The estimate assumes that property can be developed. The Planning Department's review indicates that the property is not buildable for housing. The \$10 million is not the appraised value. It is a rough estimate by GSD of the maximum potential property administration costs incurred during the last 60 years. GSD has no records for the property and created a methodology for calculating potential costs incurred during 60 years of ownership. The California Public Resources Code 33207(b) does not specify a methodology for calculating the administrative and management costs. The CAO made a finding that the sale was in the public interest because State law gives the MRCA right of first refusal and the property will be kept as open space. Further, GSD would be relieved on any future responsibility related to the property.

Sole source requirement for a 2/3 vote

A City Attorney representative indicates that Section 7.27 of the LAAC provides that the ordinance for a private sale of real property will require a 2/3 vote for approval. Council will need to approve the proposed ordinance for the sale to proceed. In May 2008, Council approved the Motion (Weiss-Rosendahl), Council file no. 08-1123, authorizing GSD to proceed with the direct sale.

Actual size of 77 parcels

The CAO report describes the property size as 1,891,211 square feet or 43.42 acres. GSD has subsequently indicated that the original number was based on 80 parcels which included the three parcels removed from the sale. The size of the property is 1,263,000 square feet or 29 acres comprised of 77 parcels.

Gift of public funds

A City Attorney representative confirms that this is not a gift of public funds because State law gives the MRCA the right of first refusal if the property is offered for sale. The City contacted MRCA in September 2006 regarding the proposed sale. The MRCA exercised its right of first refusal to purchase up to 86 on November 28, 2006.

Future use of the three properties withdrawn from the sale

GSD advises that the title search determined that three of the properties belonged to the Department of Recreation and Parks and the Los Angeles Department of Water and Power (LADWP) and were subsequently removed from the proposed transaction. The properties are

currently open space and CAO/GSD is not aware of any plans to change the use. Additionally, the City Attorney was able to confirm that the proposed sale will have no impact on the LADWP parcel. The LADWP holds title to numerous properties in the hillside area of Beverly Glen Canyon as it is adjacent to the Stone Canyon Reservoir. The LADWP will maintain the properties as open space to allow for storm water infiltration and water shed protection.

Source of funds for initial purchase of each parcel or property

GSD indicates that the properties were acquired by tax deeds. These properties were transferred to the City as a result of unpaid property tax. GSD indicates that the average cost was \$10 per parcel based on information provided by the Bureau of Engineering (BOE). BOE acquisitions files do not contain detailed information concerning the purchase price of each individual parcel. GSD indicates that it is likely that General Funds were used to acquire the property.

After additional discussion and an opportunity for public comment, the Committee recommended that Council adopt the recommendations contained in the CAO report dated September 17, 2010 and the accompanying Ordinance as reflected in the Committee recommendations above. This matter is now forwarded to Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
SMITH:	ABSENT
ROSENDAHL:	YES
HUIZAR:	ABSENT
KORETZ:	YES

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