

# ITEM 22-A

## MOTION

On June 30, 2010, the Council authorized the Department of General Services (GSD) to enter into a Purchase and Sale Agreement with PPF MF 900 N. BROADWAY, L.P. for the property located at 900 N. Broadway, Los Angeles, California, otherwise known as "Blossom Plaza". Item No. 22 on today's Council agenda contains various additional actions that the CRA must take in order to finalize the purchase of the property.

Escrow is expected to close by the end of the month. However, in addition to the actions before the Council today, authorization is required for GSD to execute an Assignment of Service Contracts and Intangible Property prior to the close of escrow under the Purchase and Sale Agreement which assigns the City a Parking Agreement between Chinatown Gold Line Station, LP and PCAM, LLC dba "Parking Company of America Management"; to assume certain existing service contracts on the site. The Parking Agreement has a thirty-day term and requires the tenant to pay rent in the amount of \$6000 per month.

Furthermore, in order to clearly establish the legislative record for the transaction, the Council should recognize the following facts:

1. The purchase price is \$9.9 million. The most recent appraisal for the property, conducted in December of 2008, valued the property at \$9,520,000.
2. The appraisal did not take into account that the property is contaminated. The contamination remediation is estimated to cost between \$1 and \$3 million. The City will be taking the property "as-is" and indemnifying the Seller for all contamination.
3. The property is encumbered by a covenant which requires all future property owners to (a) name any project built on the site "Blossom Plaza"; (b) erect a bronze plaque naming the original property grantor, Kim Benjamin and the family of Kim Benjamin; and (c) allow the original property grant to lease 4,000 square feet of space on the property anytime prior to construction on the property.

It should be noted that the above issues have been known to the City and CRA working group that has been pursuing this project for many years. While issue two will have a financial impact, the following mitigating factors clearly make proceeding with the transaction in the City's interests:

1. The appraisal was conducted prior to the receipt of entitlements on the site and does not take into account that the project is fully entitled.
2. The sale price is substantially less than the outstanding debt that PPF, the seller, has recorded against the property.
3. Extensive testing has been done on the site, and the extent of the contamination and estimated mitigation costs are well known.

4. The seller only has possession of the property due to the bankruptcy of the prior owner, The Bond Companies, and the subsequent foreclosure on the site. The seller has only held title to the property for a short time and the contamination pre-dates the seller's ownership of the property. Accordingly, it is reasonable for the seller to want clarification that they will not be held liable for the contamination.
5. All costs associated with the purchase are from non-General Fund sources and are, for the most part, project specific and not available for other uses. Proceeding with the project will protect \$6 million in Federal transit funding and \$16 million in State Proposition 1C funding which would otherwise be forfeited. After the purchase of the property, there will be approximately \$30 million in non-General Fund funding sources available for contamination mitigation and parking garage construction.
6. The CRA and City team will proceed to release an RFP to find a developer for the property above the parking garage, which may provide the opportunity to recoup some of the funding allocated to the project.
7. Nearly 25 years ago, as a result of lawsuits against the Metropolitan Transit Authority (MTA) in relation to the Chinatown Gold Line Station, the community was promised parking and a plaza to connect the elevated station to Broadway, the heart of Chinatown. Various owners and potential developers have pursued the project over the last 10 years but have not been successful due to a variety of factors, including the collapse of the financial markets just at the point at which the project was ready to proceed, have delayed the project. It is clear that the best opportunity to realize the project is for the City to control the property.

In light of the above, the purchase price is reasonable and there is ample public benefit to proceed with the transaction.

I THEREFORE MOVE, that the Council reconfirm its approval to purchase the property located at 900 N. Broadway, Los Angeles, California, otherwise known as "Blossom Plaza," based on the above facts.

I FURTHER MOVE, that the General Manager of the Department of General Services be authorized to execute the Assignment of Service Contracts and Intangible Property described above and that the General Manager of the Department of General Services, or designee, be authorized to execute and submit all documents which may be necessary to close escrow under the Purchase and Sale Agreement for Blossom Plaza.

PRESENTED BY:



ED P. REYES

Councilmember, 1<sup>st</sup> District

SECONDED BY:



August 13, 2010

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