

JAN PERRY
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

June 17, 2015

Council File No.: 11-0054-S3
Council Districts: 8
Contact Persons and Extension:
Jenny Scanlin, (213) 744-9723

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

REVISED COUNCIL TRANSMITTAL: REQUEST AUTHORITY TO TRANSFER CITY-OWNED PROPERTY LOCATED AT 9402-9422 SOUTH BROADWAY FOR REUSE VALUE TO 94TH AND BROADWAY, LLC FOR CONSTRUCTION AND OPERATIONS OF A FULL-SERVICE SUPERMARKET IN SOUTHEAST LOS ANGELES

The General Manager of the Economic and Workforce Development Department (EWDD), respectfully requests that your office review and approve this transmittal and forward to the City Council for further consideration.

RECOMMENDATIONS

The General Manager of the EWDD respectfully requests that the Mayor and City Council:

1. HOLD a public hearing as required by Government Code Section 53083 and 53343 regarding the proposed below market sale of an approximately 89,824 square foot City-owned property located at 9402-9422 South Broadway ("Site");
2. FIND under the California Public Resources Code, Section 21166 and the California Environmental Quality Act (CEQA), on the basis of substantial evidence contained in the whole record, that since the adoption of the Mitigated Negative Declaration (ENV-2011-1451-MND) by the City Planning Commission on September 22, 2011, for a mixed housing and supermarket project ("Mixed Use Project") which included the Project currently being proposed, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified effects in the MND and

- therefore no subsequent negative declaration, addendum or further environmental documentation is necessary;
3. ADOPT the Resolution (Attachment A) authorizing the sale of Site and making certain findings pursuant to Section 7.27.2 of the City Administrative Code that the conveyance of the Site at reuse value: (i) serves a public purpose and is for the economic benefit of the City; and (ii) the consideration to be received by the City is not less than the fair reuse value of the Site with the terms and conditions imposed;
 4. ADOPT an Ordinance (Attachment B) providing for the sale of the Site to 94TH and Broadway, LLC or an assignee as described herein, without notice of sale or advertisement of bids, as justified by the economic benefits the proposed Project will generate in the public interest;
 5. AUTHORIZE the General Manager of EWDD to negotiate and execute a purchase and sale agreement, grant deed, covenant and related documents with 94TH and Broadway, LLC ("Buyer") or an assignee acceptable to EWDD for development and operations of the Site on terms consistent with this transmittal and to take such other actions as may be necessary to carry out the transaction, subject to the approval of City Attorney as to form and legality;
 6. AUTHORIZE the General Manager of EWDD to negotiate, execute and amend documents necessary to address security and intercreditor arrangements between the City and the Buyer's future tax credit investors and lenders that may be required for Buyer to reasonably finance development of the Project and are consistent with these actions subject to the approval of the City Attorney as to form and legality; and
 7. AUTHORIZE the General Manager of EWDD to prepare Controller Instructions and any necessary technical adjustments consistent with the Mayor and Council actions, subject to the approval of the City Administrative Officer ("CAO"), and authorize the Controller to implement these instructions.
 8. AUTHORIZE, subject to an appropriation of funds, future budget allocations over the next ten years to the Low and Moderate Income Housing Asset Fund up to a total of \$3.54 million plus interest to be credited as reimbursement to the Fund for the fair market value of the property.

FISCAL IMPACT STATEMENT / REIMBURSEMENT OF THE HOUSING TRUST FUND

Although the Site is being disposed of at a Fair Reuse Value of \$1.00, the estimated \$9.5 million investment in the Site will generate new property, sales, utility user and business taxes for the City of Los Angeles. Development of the Site will provide a net benefit to the City's General Fund through the improvement of a long vacant property which currently provides no tax benefit to the City. Conservative estimates of public

revenue projections developed by outside consultant, Keyser Marston and Associates, estimate the City will collect approximately \$3.8 million in the first twenty-five years.

The subject Site is a former asset of the City of Los Angeles' redevelopment agency ("CRALA") and was transferred from CRALA's successor organization to the City in 2013 as a "Housing Asset." In accordance with State law, assets acquired with housing funds must be used for housing and housing related support, or can be sold for other purposes if the sale proceeds are deposited into the City's Low and Moderate Income Housing Asset Fund ("Fund") to further the City's affordable housing goals. Because this property is being developed for a full service grocery store, the City Attorney's Office advises that the Fund be reimbursed the Fair Market Value of the property. Therefore, over the next ten years, future budget allocations to the Fund up to a total of \$3.54 million plus interest will be credited as reimbursement to the Fund for the Fair Market Value of the property.

SUMMARY

The recommended actions will allow for the execution of a purchase and sale agreement between EWDD and 94th and Broadway, LLC, a California Limited Liability Company ("the Buyer"), for the development and management of a 25,000 square foot full-service supermarket with 108 surface parking spaces on the Site. The Site is currently an 89,824 square foot vacant property located at 9402-9422 South Broadway (See Attachment C). This Project will further the City's goals of attracting private investment and cultivating goods and services as well as living wage jobs in Southeast Los Angeles as well as completing a fundamental component of the affordable housing mixed use development envisioned for this Site. The Buyer will engage in a \$9.5 million new construction project on the Site and anticipates starting operations with at least 70 full-time equivalent living wage positions on site by 2016.

BACKGROUND

The Site

The Site, zoned C-2 and RD1.5-1, is approximately 89,824 gross square feet in size and has been vacant since 1993. In 2013, the Site was acquired by the City through its Housing and Community Investment Department as part of a State-sanctioned Housing Asset transfer from the CRALA. The Site, along with adjacent parcels, was home to the Broadway Hospital, serving South Los Angeles residents until the hospital shuttered in 1988. This larger portfolio of properties, consisting of approximately 4.2 acres, was acquired by the CRALA in the early 1990's with the intent to develop affordable housing. Over the past two decades, approximately two of the original 4.20-acres acquired has been developed with three affordable housing projects, including AMCAL Housing's recently completed 49-unit Broadway Villas Senior Project, which is currently leasing. In 2010, the Site, coupled with the Broadway Villas Senior Project, was re-envisioned to incorporate a full-service grocery store on the commercial corner, creating an active mixed-use concept serving the immediate affordable housing developments and the community at-large. The Site is tied to the adjoining Broadway Villas Senior Project through approved entitlements (CPC-2011-1450-DB) and its acreage was used to

calculate the density bonus allowing AMCAL Housing to develop 49-units of affordable housing in this mixed use project. Council approval of the above Recommendations will realize this mixed use vision and complete the development of the old Broadway Hospital properties, which has spanned two decades.

Direct Sale of Site

In 2007, the CRALA initiated a public solicitation of proposals for development of remaining vacant property at the Broadway Hospital site and entered into a Disposition and Development Agreement with AMCAL. Various development scenarios were considered as the market changed between 2007 and 2011, significantly modifying AMCAL's original concept of constructing 50 affordable townhomes on the Site to a final proposal for a mixed-use development with senior housing and a 25,000 square foot neighborhood-serving grocery store (the "Mixed Use Project"). AMCAL received full entitlements for the Mixed Use Project from the Department of City Planning in 2011. On September 13, 2013, the City Council approved the Mixed-Use concept and took actions to issue \$7.5 million in tax-exempt multi-family housing revenue bonds and provide \$4.5 million in HOME funds to AMCAL for the construction of Broadway Villas, the 49-units affordable senior housing development envisioned as a part of the Mixed-Use Project (CF11-0054-S2). At the time these actions were taken, the transaction was structured to ground lease the remaining vacant property to AMCAL, who would construct and manage the affordable housing project and lease the balance of the property to a commercial developer for construction and operation of the grocery store. However, the financing and development of the commercial component of this Mixed-Use Project has proven more complex and lagged behind the schedule for the affordable housing. Without a firm commitment from a grocery store and full financing available for its development, AMCAL and the City's Housing and Community Investment Department ("HCID") negotiated a limited ground lease only incorporating the housing portion of the property.

Buyer Selection

Southeast Los Angeles is an economically disadvantaged community, historically riddled with higher rates of poverty, unemployment, chronic disease and lacking fresh food access. Development of a neighborhood market would bring healthy food and a full-service supermarket in an area defined by the United States Department of Agriculture as a "Food Desert." In one of many efforts to reverse the social and health impacts associated with these Food Deserts, the California Endowment provided a grant to the Los Angeles Economic Development Corporation to work with the City of Los Angeles to identify sites for new markets in South Los Angeles and solicit potential market operators. In 2012, the Site at 9402-9422 S. Broadway was identified as a high priority and a marketing effort was engaged, reaching out through Unified Grocers and directly to over fifteen different grocery operators and parent companies to gauge their interest. All larger brand markets and their affiliates, such as Von's and Kroger, were approached in addition to regionally run markets, ethnic markets and specialty markets. The Site was seriously considered by Smart and Final, Northgate Gonzalez and SK Market, inc. but was ultimately passed on by all for various reasons.

In June 2014, Numero Uno Markets, through its owner Nogales Investors, issued a Letter of Interest for the Site, and is in the process of securing New Market Tax Credit financing through the California Freshworks Fund to construct the improvements. The size and location of the market are a good fit for Numero Uno Market's portfolio of existing stores and trade area. Numero Uno Markets tailors its merchandise to the community with an emphasis on fresh produce and meats, and a wide variety of packaged products targeted to the demographics of the specific community. Numero Uno Markets emphasizes fresh produce in its store layout with the fruit and vegetable section prominently displayed at the entrance of the store. Each Numero Uno Market offers a full service meat counter, accepts all forms of federal and state assistance including WIC and CalFresh, has banned the sale of cigarettes in its stores and discontinued any public promotion of hard liquor. Additionally, fresh produce accounts for over 25% of their sales and one "junk-food-free" checkout aisle will be located in the store. Numero Uno Market intends to offer a free van service at the Site for customers requiring assistance returning home with their groceries. Additionally, as part of its community investment, Numero Uno Market will host quarterly health fairs in collaboration with health providers at the store, offering free medical services and information.

In September 2014, EWDD was brought in to assist HCID with structuring the disposition of the Site to Nogales Investors in order to fulfill the original project concept conceived in 2010 and develop the supermarket component of the mixed use affordable housing project.

Buyer and Operator Entity

Nogales Investors, the owner of Numero Uno Markets, has created a single-purpose entity, 94th and Broadway, LLC, a California limited liability company, to acquire the Site, construct the improvements, and operate the grocery store. The managing member of 94th and Broadway, LLC will be Numero Uno Acquisitions, LLC. Numero Uno Acquisitions, LLC is owned 100% by El Marchante Holdings, a Delaware Limited Liability Company. El Marchante Holdings is owned 54% by Nogales Investors, Fund II and 46% by El Mercado. Nogales Investors Fund II is the controlling member in interest and rights of operations. Nogales Investors Fund II is comprised 99% of institutional investors, such as LACERS and CalSTRS, and 1% General Partners. El Mercado is owned in equal parts by Breco Holdings and BEKS. Breco Holdings is 100% owned by Alfredo Brener, former owner and operator of Boys Markets in Los Angeles and Fiesta Markets in Texas. BEKS is owned 100% by Bernardo Garza, a high net worth investor.

Nogales Investors is a Los Angeles-based investment firm. Nogales Investors acquired the Numero Uno Markets brand and its eight existing stores in 2009 as part of its investment portfolio of middle market businesses. Since 2013, Numero Uno Markets has added two stores and has seen strong sales growth with their individual stores averaging annual sales over \$15 million.

The Project anticipates receiving New Market Tax Credits (NMTC) as well as a Community Development Block Grant loan from the City of Los Angeles. A separate entity, 94th and Broadway, Incorporated is being formed to receive and contribute funds

to the Project in order to limit any tax liability that may occur. The NMTC tax credit equity provider has not yet been identified.

Deal Terms

Pursuant to Los Angeles Administrative Code Sections 7.27.2 and 22.1008(c), the Site will be sold for the public purpose of providing economic development benefits to the City and more specifically to the adjoining affordable housing, rather than as a surplus asset. Prior to conveyance, the City will encumber the Site with a covenant requiring Buyer to develop a new full-service grocery store and landscaped surface parking. The covenant will require construction of a store of at least 25,000 square feet, and employment of at least 70 living wage workers on the Site for at least five years after completion. The covenant will require 94th and Broadway, LLC to develop and implement a plan to offer services to the adjoining affordable housing developments, and more specifically to the Broadway Villas Senior Housing Project, such as providing door-to-door delivery services for groceries, shared parking outside store operating hours for guests and residents of Broadway Villas Senior Housing Project, and twenty-four hour security of the Site.

The covenant will also require the Project meet appropriate design and land use standards. Construction of the grocery store must begin within six months of the close of escrow and be substantially completed within thirty-six (36) months from close of escrow. Start of construction will be defined by activities including but not limited to remediation work, grading or foundation work. The City will retain a right to repurchase the Site at the end of said thirty-six months if Buyer cannot show substantial progress toward Project completion. The repurchase price for the Site will equal the Fair Reuse Value for which the City originally sold the Site subject to all City-approved debt and financing liens. The City of Los Angeles will have reasonable approval rights associated with any investor or lender debt associated with construction of the improvements on Site.

The Site will be encumbered with a restrictive covenant requiring the Site to be used only as a grocery or specialty food store for a period of ten years after a Certificate of Occupancy is issued. The Site will continue to be encumbered with a covenant until twenty-five years after a Certificate of Occupancy is issued prohibiting certain uses on Site, including but not limited to liquor stores, gas stations, massage parlors, and other "sin businesses." Additionally, the Site cannot be sold or otherwise transferred to a third party during the first ten years after a Certificate of Occupancy is issued unless such transfer is directly related to an approved lender or investor interest in the real property and/or an assignee acceptable to EWDD.

The current Recommendations seek Mayor and Council authorization for EWDD to enter into a Purchase and Sale Agreement with 94th and Broadway, LLC, open escrow within sixty days of Council approval, and provide a forty-five day due diligence period with an allowance for a sixty day extension by mutual agreement if additional due diligence is warranted. During the due diligence period, the Buyer will be allowed to investigate the Site for environmental contamination and geological issues and to clear title. If no extensions are granted, escrow shall close within 60 days of opening. The deal terms for this sale are further described in Attachment D.

Reuse Value and Financial Analysis

The economics of the Project are analyzed in the Government Code Sections 33433 and 53083 Summary Report (Attachment E) and include: a reduced sale price from the recent fair market value appraisal; a remediation risk cost given the underground storage tank recently found on adjacent property; extensive on-site and off-site improvement requirements as mitigation due to the land sitting vacant for decades; and a Return on Cost threshold based on 5.5% which is lower than the typical rate for a commercial/retail project. The Fair Reuse Value is negatively valued, leading to a purchase price of \$1.00. The Fair Reuse Value is based on the difference between the Project's estimated development costs of approximately \$9.5 million (including an appropriate profit recognizing the risks anticipated for the Project) and its anticipated revenue, with net operating income estimated at \$474,000. In addition to the fact that the required investment necessary to make the Site leasable is much higher than the potential improved value of the Project once fully rehabilitated, the Purchase and Sale Agreement imposes extraordinary public benefit obligations on the Project. Specifically, the Buyer must pay prevailing wage to all contractors and subcontractors employed to rehabilitate and construct the Project, hold the Site for a minimum of ten years, use restrict the Site to grocery or specialty market use for a period of ten years, require the grocery store to pay living wages for their employees in accordance with the City's Living Wage Ordinance for the first five years of the store operation and thereafter be subject to the Citywide minimum wage, utilize a hiring practice that includes a method for ensuring local hire for permanent jobs, and provide for repurchase of the Site by the City at nominal value if Buyer fails to develop the Project in 36 months. The extraordinary public benefit provisions reduce the value of the Site from \$3,540,000 at the highest use allowed by the Site's zoning to the Fair Reuse Value of negative \$129,000.

Therefore it is concluded that the Project will not qualify for enough traditional commercial investment from the private market and the contribution of \$750,000 in CDBG assistance as well as reducing the value of the land to \$1.00 is necessary for the economic feasibility of the Project.

ECONOMIC IMPACT

The following table describes the economic impacts estimated to be created by Numero Uno Market.

Estimated Economic Impacts Created by this Project*	
Estimated Construction Jobs Created	25
Estimated Permanent Jobs Created	70
Estimated Gross Property Tax Increment (TI) Revenue (over a 25 year period)	666,000
Estimated Value of Regional Food System Purchasing Annually	\$2,000,000

Estimated Economic Impacts Created by this Project*	
(Approximately 25% of Numero Uno's purchases are from regional food providers)	
Estimated NPV of Utility User Tax Revenue (Revenue to City of Los Angeles)	427,000
Estimated NPV of Sales Tax Revenue (1% portion of taxable sales to City of Los Angeles)	774,000
Estimated NPV of Gross Receipts Tax Revenue (Revenue to City of Los Angeles)	284,000

*The figures provided in the table above 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, US Department of Housing and Urban Development, and the City and County of Los Angeles.

In addition to the living wage jobs provided on-site, 94th and Broadway, LLC is subject to all other applicable HUD and City-adopted policies and regulations and will be monitored by EWDD on an annual basis for compliance. Per State imposed requirements the economic impact and project analysis have been incorporated into the Section 33433 and 53083 Summary Report (Attachment E). The report was posted on EWDD's website as of May 20, 2015 and has been made available through the City Clerk's Office per all required noticing and public record provisions found in Health and Safety Code Section 33433 and 53083.

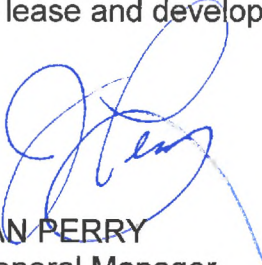
ENVIRONMENTAL REVIEW

The City of Los Angeles is the lead agency for the Proposed Project for purposes of the California Environmental Quality Act (CEQA). The City, acting through its Planning Department, approved a Mixed-Use Project contemplated on the Site and adjacent property (49-unit affordable senior housing with associated 49 parking spaces, approximate 25,000 square foot grocery store with 108 parking spaces), and its associated Mitigated Negative Declaration ("MND") and required findings on September 22, 2011 (ENV-2011-1451-MND). The proposed Project is consistent with the commercial development in the entitlements application (CPC-2011-1450-DB) and in the approved MND. Additionally, the Project will be subject to the described various mitigation measures contained in the Mixed-Use Project's conditions of approval, including Mitigation Monitoring.

Based on the Project record, no further environmental review is required for the recommended actions for the subject Project. There has been no change to the proposed Project or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code Section 21166 and State CEQA Guidelines Sections 15162, 15163 and 15164. Based on this, the City will file a Notice of Determination after the City Council has acted on this item. The mitigation measures and related conditions of approval applicable to the Proposed Project have been reviewed and will be monitored for compliance.

AUTHORITY GRANTED TO GENERAL MANAGER OR DESIGNEE

If the transfer for fair reuse value is approved and appropriate findings are made, the EWDD General Manager or designee would be authorized to take such actions as may be necessary to carry out the sale, including, but not limited to negotiating, executing, and approving certain non-material revisions to the terms of all associated documents and escrow instructions and executing any ancillary documents reasonably necessary to lease and develop the Site.



JAN PERRY
General Manager

JP:js

- Attachment A. 33433 Resolution Authorizing Sale and Findings
- Attachment B. Ordinance Authorizing Sale
- Attachment C. Site Map – 94th and Broadway Property
- Attachment D. Deal Terms
- Attachment E. Section 33433 and 53083 Summary Report

ATTACHMENT A

California Health and Safety Code Section 33433 and
City of Los Angeles Administrative Code Section 7.27.2
Resolution

THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO. _____

**RESOLUTION OF THE LOS ANGELES CITY COUNCIL MAKING FINDINGS
PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433 AND CITY
ADMINISTRATIVE CODE SECTION 7.27.2 AUTHORIZING THE
DISPOSITION OF APPROXIMATELY 89,824 SQUARE FEET OF VACANT
CITY-OWNED PROPERTY LOCATED ON THE SOUTHEAST CORNER OF
94th STREET AND SOUTH BROADWAY (THE “PROPERTY”) IN SOUTHEAST
LOS ANGELES**

WHEREAS, on January 25, 2012 the City of Los Angeles, pursuant to Section 34176(a) of the California Health and Safety Code, adopted a resolution electing to retain the housing assets of its former redevelopment agency and to perform the housing functions under California Redevelopment Law relating to the housing assets and functions (CF12-0049); and

WHEREAS, the City of Los Angeles received the Property as part of a transfer of Housing Assets approved by the California Department of Finance, which approval was based on documents demonstrating the Property would be used for a mixed use project that included affordable senior housing and a full-service grocery store; and

WHEREAS, the City of Los Angeles has completed the development of the adjoining senior housing through construction of the 49-unit Broadway Villas Senior Housing Project and proposes to sell the remaining approximately 89,824 square feet of Property located at the southeast corner of 94th Street and South Broadway in Southeast Los Angeles to 94th and Broadway, LLC for the development of the full-service grocery store; and

WHEREAS, the sale of this property for the purpose of developing a grocery store conforms to all relevant provisions of California Health and Safety Code Section 34176; and

WHEREAS, the Economic and Workforce Development Department (EWDD) is responsible for the acquisition and disposition of property for economic development purposes to support the redevelopment and revitalization of the City and has been assisting the Housing and Community Investment Department in the disposition of this Housing Asset to fulfill the redevelopment plan goals of the Broadway Manchester Recovery Redevelopment Project Area; and

ATTACHMENT A

WHEREAS, the Property has been vacant for over two decades and the development of the 25,000 square foot full-service grocery store will provide fresh food and amenities in an area considered a “Food Desert,” complete the housing project as originally envisioned by the former redevelopment agency in 2010, revitalize a blighted property, improve the overall economic vitality of the area and create new jobs; and

WHEREAS, the EWDD, acting as an agent to fulfill the goals and responsibilities of the City of Los Angeles as the Housing Successor, would enter into a Purchase and Sale Agreement with 94th and Broadway, LLC and a covenant requiring conformance to all applied City and Federal policies and regulations as well as all community and economic public benefits enumerated in the Council Transmittal; and

WHEREAS, the EWDD has placed on file with the City Clerk a copy of the summary of economic subsidy and community benefit called for in Health and Safety Code Section 33433 and 53083 as well as published the summary on its website where it is available for public inspection and copying. The Section 33433 and 53083 Summary Report is incorporated in this Resolution by reference; and

WHEREAS, the City Council has conducted a duly noticed public hearing to consider the proposed disposition of the property for the purpose of receiving the input and comments of the public on the sale;

WHEREAS, by transmittal accompanying this Resolution and incorporated into this Resolution by reference, the Los Angeles City Council has been provided the terms of the sale and additional information upon which the findings and actions set forth in this Resolution are based.

NOW THEREFORE, BE IT RESOLVED by the Los Angeles City Council pursuant to Health and Safety Code Section 33433 and Administrative Code Section 7.27.2 as follows:

1. The consideration to be paid by the 94th and Broadway, LLC is not less than its fair reuse value for the Site determined with the covenants and conditions imposed by and development costs authorized by the Purchase and Sale Agreement. This finding is based on the facts and analysis set forth in the EWDD Transmittal and the Sections 33433 and 53083 Summary accompanying this Resolution.
2. The disposition of the Site to 94th and Broadway, LLC pursuant to the Purchase and Sale Agreement is consistent with and fulfills a fundamental component of the affordable housing project envisioned and prioritized in the Broadway Manchester Recovery Redevelopment Project Area’s Implementation Plan; serves a public purpose and economic benefit as it will assist in the alleviation of blight through the development of a long-standing vacant property; provides needed goods and services to seniors and families in the adjoining affordable housing developments and surrounding underserved community; offers at least 70 new living wage jobs with local hire provisions; and provides free door-to-door

ATTACHMENT A

- delivery service through its van service and employees to neighboring residences to improve ease of access. This finding is based on the facts and analysis set forth in the EWDD Transmittal and the Sections 33433 and 53083 Summary accompanying this Resolution.
3. By adoption of this Resolution by majority vote, the Los Angeles City Council does hereby consent to the sale of the Property for the use set forth herein.

ADOPTED: _____

ATTACHMENT B

ORDINANCE NO. _____

An Ordinance authorizing the sale at its fair reuse value of an approximate 2.06 acre parcel of City-owned real property (City Property) to 94th and Broadway, LLC a California limited liability company (Buyer) with conditions assuring that City economic development purposes are carried out on this Property.

THE PEOPLE OF THE CITY OF LOS ANGELES DO

ORDAIN AS FOLLOWS:

Section 1. The Los Angeles Administrative Code at Section 7.27.2 provides that the Council of the City of Los Angeles may approve the sale (at below its fair market value) of City-owned real property to a private party by the Economic and Workforce Development Department for economic development purposes. Prior to approving such conveyances, however, Section 7.27.2 requires that the Council make five findings with respect to the subject City Property: (1) the fair market value of this Property at its highest and best use is \$ 3,540,000, (2) the Buyer's purchase price for the Property is \$1 dollar, (3) the City sales agreement for the Property has conditions requiring economic and public benefit be provided which will be recorded in a covenant on the land, (4) the fair reuse value of the Property with such conditions imposed has a negative value (\$-129,000) and (5) the sale of the Property will assist in the City's economic development and affordable housing goals. Accordingly, the Council hereby approves that the City Property be sold to Buyer at the stated fair reuse value with the conditions set forth in the City sales agreement because the Section 7.27.2 requirements are met.

Location and Legal Description of City Property

9402 – 9422 South Broadway, Los Angeles CA 90003. Refer to Exhibit A attached hereto and incorporated herein by this reference.

EXCEPTING AND RESERVING unto the City of Los Angeles all oil, gas, water and mineral rights in the City Property now vested in the City of Los Angeles without, however, the right to use the surface of said Property or any portion thereof to a depth of 500 feet below the surface, for the extraction of such oil, gas, water and minerals.

SUBJECT TO all covenants, conditions, restrictions, reservations, easements, encroachments, rights and rights-of-way of record or which are apparent from a visual inspection of the City Property, and excepting and reserving to the City of Los Angeles any rights to the fee interest in the streets adjacent to said Property.

AND ALSO SUBJECT TO an "As Is" condition set forth in the above-described City sales agreement under which Buyer has expressly agreed to take the City Property in an "As Is" condition and without any warranty as to fitness for use (general or specific) or condition, and

ATTACHMENT B

that City has no obligation to correct any condition on the City Property whether known or unknown before or after the date of the exchange.

Section 2. The General Manager of the Economic and Workforce Development Department in the name of and on behalf of the City is hereby authorized and directed to execute a Grant Deed to the City Property described in Section 1 of this Ordinance to Buyer (or its nominees or lawful successors in interest), and the City Clerk of the City is hereby authorized and directed to attest thereto and affix the City Seal.

Section 3. The Economic and Workforce Development Department is hereby authorized to open escrow, execute and deliver deeds and ancillary documents, and complete all necessary processes to effect this sale of the City Property to Buyer. As the City sales agreement will require Buyer to pay all escrow, title insurance, and other closing related costs, there is no need to designate a City Fund or Activity Code to pay such expenses.

Section 4. The City Clerk shall certify to the adoption of this Ordinance and cause same to be published in a daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing Ordinance was passed by the City Council of the City of Los Angeles by a majority vote of its members attending its meeting of _____.

APPROVED AS TO FORM AND LEGALITY:

MICHAEL N. FEUER, City Attorney

ATTEST:

HOLLY WOLCOTT, City Clerk

By: _____

Deputy City Attorney

By: _____

Deputy

Date: _____

Date: _____

ERIC GARCETTI, Mayor

ATTACHMENT B

EXHIBIT "A"

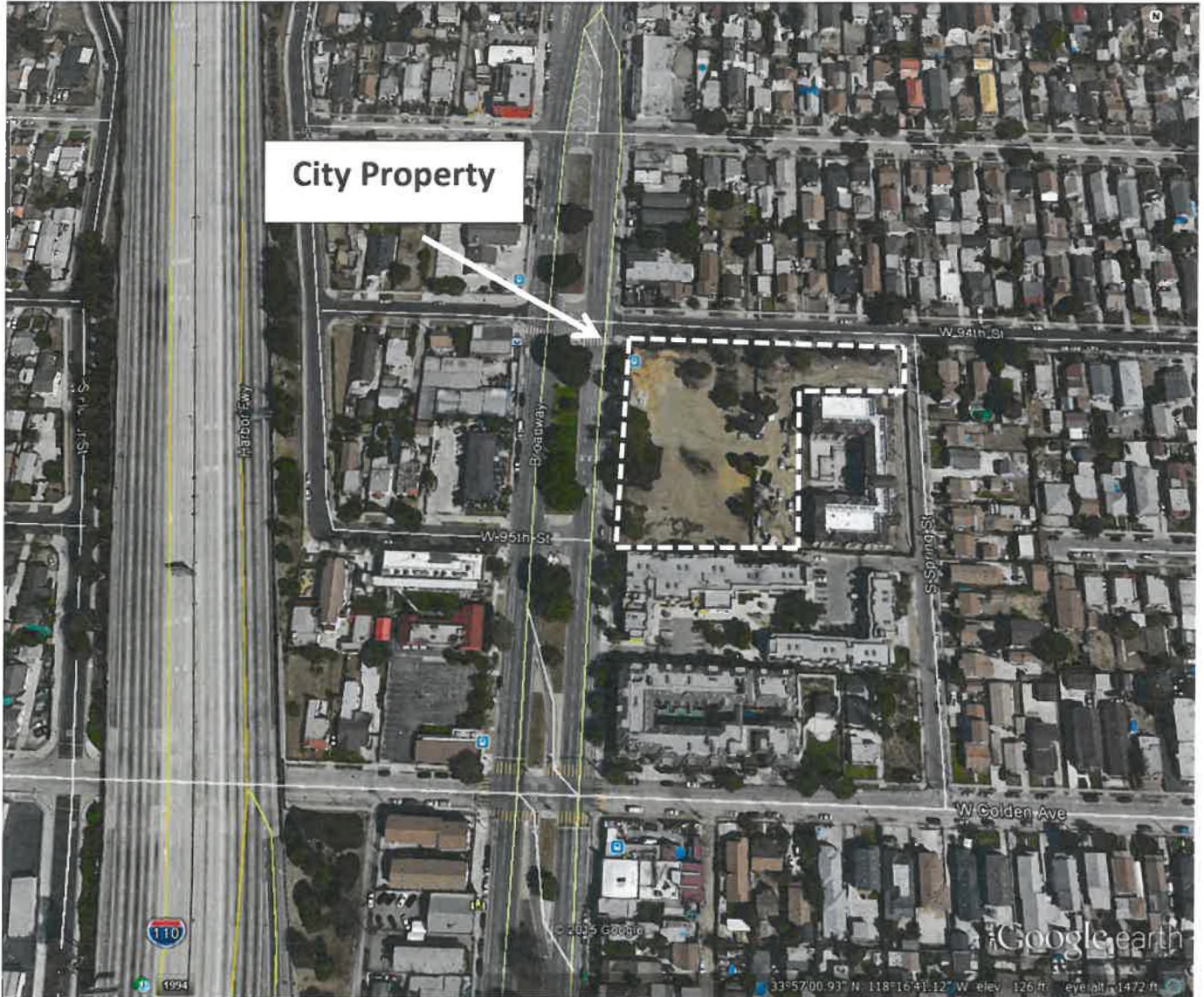
LOTS 1 TO 6, INCLUSIVE, LOTS 11, 12, 13, AND A PORTION OF LOT 7, ALL OF TRACT NO. 5515, AS PER MAP RECORDED IN BOOK 86, PAGES 93 AND 94 OF MAPS, TOGETHER WITH THOSE PORTIONS OF LOTS 15, 16 AND 17 OF TRACT NO. 4540, AS PER MAP RECORDED IN BOOK 45, PAGE 75 OF MAPS, ALL IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID LOT 1; THENCE NORTH 89°46'00" EAST, ALONG THE NORTHERLY LINES OF SAID LOTS 1, 11, 12 AND 13, A DISTANCE OF 255.44 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 13 BEING ALSO THE NORTHWESTERLY CORNER OF SAID LOT 15; THENCE NORTH 89°43'00" EAST, ALONG THE NORTHERLY LINES OF SAID LOTS 15, 16 AND 17, A DISTANCE OF 146.00 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 17; THENCE SOUTH 00°05'00" WEST, ALONG THE EASTERLY LINE OF SAID LOT 17, A DISTANCE OF 71.99 FEET TO THE NORTHERLY LINE OF THE SOUTHERLY 48.08 FEET OF SAID LOTS 15, 16 AND 17; THENCE SOUTH 89°45'00" WEST, ALONG SAID NORTHERLY LINE, 146.00 FEET TO THE EASTERLY LINE OF SAID TRACT NO. 5515, SAID LINE ALSO BEING THE WESTERLY LINE OF SAID TRACT NO. 4540; THENCE SOUTH 00°05'00" WEST, ALONG SAID EASTERLY LINE, 238.34 FEET TO THE NORTHERLY LINE OF THE SOUTHERLY 155.00 FEET OF SAID LOT 7; THENCE SOUTH 89°46'00" WEST, ALONG SAID NORTHERLY LINE, 255.88 FEET TO THE WESTERLY LINE OF SAID TRACT NO. 5515; THENCE NORTH 00°09'53" EAST, ALONG SAID WESTERLY LINE, 310.26 FEET **TO THE POINT OF BEGINNING.**

THE ABOVE DESCRIBED LAND CONTAINS 89,824 SQUARE FEET MORE OR LESS.

ATTACHMENT C

94th AND BROADWAY PROPERTY



ATTACHMENT D

Deal Points for 9402-9422 S. Broadway

- Property:** 9402-9422 S. Broadway, Los Angeles, CA 90003
- Buyer:** 94th and Broadway, LLC or an assignee approvable by EWDD
- Seller:** City of Los Angeles (City)
- Purchase Price:** The Property will be sold for the Fair Reuse Value. The June 2015 Reuse Analysis indicates that the reuse value is negative \$129,000, which equates to a purchase price of \$1.00.
- City Funds:** The City will contribute \$750,000 of Community Development Block Grant (CDBG) funds.
- Purpose:** Buyer will develop the Property as an approximate 25,000 square foot grocery store with 108 surface parking spaces (Project) for a term of at least ten years.
- Escrow Period:** Commencing on full execution of a Purchase and Sale Agreement (Agreement) drafted by the City, which shall be executed no later than sixty days after Council and Mayoral approval of the transaction. Escrow shall allow for a 45 day due diligence period. Due diligence period may be waived or reduced in length only at the request of the Buyer and may be extended up sixty days by mutual agreement of the Buyer and Seller for purposes of clearing title issues or addressing items that could impact value or cost that are discovered during the due diligence period. If no extensions are granted, escrow shall close within 60 days of opening.
- Other Terms:** The City is selling the property "As Is." Any costs associated with correcting any environmental or geologic issues discovered during Due Diligence or after close of escrow will be borne solely by the Buyer and Buyer will indemnify and hold the City harmless. If Buyer finds during their Due Diligence that the cost of remediation is prohibitive to the Project, or otherwise determine not to proceed, the Buyer may cancel escrow, automatically terminating the Purchase and Sale Agreement without any cost or penalty. Developer will comply with all requirements of City permits and entitlements, including completing any required CEQA mitigation and required off-sites. City will sell land by metes and bounds description. If Buyer desires to have a Parcel Map created, all costs associated will be borne by Buyer.
- Development:** The Project will include an approximate 25,000 square foot grocery store and approximately 108 parking spaces.
- Development shall commence within six months of the Close of Escrow. Commencement of construction shall be defined as but not limited to remediation work, grading or foundation work. The development shall be completed, as evidenced by the City's issuance of a Preliminary Certificate of Occupancy (COO), within thirty-six (36) months from close of escrow. Within thirty-six (36) months from close of escrow, if Buyer cannot show evidence of substantial progress toward completion of the grocery store, the City shall have the Right to Repurchase the Property. All time periods are subject to force majeure. The City can repurchase the property from the Buyer for \$1.00 subject to the outstanding City-approved debt and liens on the Property. The City must approve all debt encumbering the property during the construction term, not to be unreasonably withheld.

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Transfer Provisions: With the exception of allowable transfers, the property cannot be sold or otherwise transferred to a third party for a term of 10 years without the City's consent, not to be unreasonably withheld.

Covenant: In addition to other provisions listed within the terms above, a Covenant, which will be in full force and effect for a period of not less than twenty-five years after Certificate of Occupancy only for the restrictive use and for a lesser period as set forth in the following paragraphs:

The Project will require payment of prevailing wage for construction of the building shell, on-site and off-site improvements of the initial Project.

It will also stipulate that the grocery store operator will compensate supermarket employees located at the Project site, based on the City's Living Wage Ordinance for five (5) calendar years starting from the issuance of a Certificate of Occupancy.

During the first ten years of the term of the covenant, use of the property shall be limited to a grocery or specialty food service. During Years 10 through 25, the restrictive use will be lifted, however, prohibited uses such as but not limited to liquor stores, gas stations, massage parlors and "sin businesses" will not be allowed on Site. The covenant will also require initiation of an agreement with the local Work Source Center to post all positions for job openings through the center for a period of two weeks prior to any general circulation or in-house posting.

The grocery store will provide at least 70 FTE jobs on site annually for a period of at least five years. The Covenant will require self-reporting from the Buyer on an annual basis regarding employment numbers.

Indemnification: Buyer agrees to indemnify the City and its officials and employees, in order to hold the City harmless from third-party claims and legal actions related to the City's approval of the transaction, including environmental review, the City's terms of the agreement, City loan to Buyer, development and use of the Project and Property unless it is found that the City acted grossly negligent or contrary to applicable laws, rules and regulations.

**SUMMARY REPORT PURSUANT TO
HEALTH AND SAFETY CODE 33433
CALIFORNIA GOVERNMENT CODE SECTIONS 52201 AND 53083
AND CITY OF LOS ANGELES ADMINISTRATIVE CODE SECTION 7.27.2
ON A
PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
94TH & BROADWAY, LLC**

The following Summary Report has been prepared pursuant to Health and Safety Code Section 33433, California Government Code Sections 52201 and 53083 and City of Los Angeles Administrative Code Section 7.27.2. The report sets forth certain details of the proposed Purchase and Sale Agreement (Agreement) and Operating Covenant (Covenant) between the following parties:

1. The City of Los Angeles (City);
2. 94th & Broadway, LLC, a California limited liability company (Developer)

The Agreement requires the City to sell a 2.06-acre piece of property to facilitate development of a project located at the southeast corner of 94th Street and South Broadway (Site) for the construction and operation of a Numero Uno supermarket. Numero Uno Markets are located in predominantly urban communities in the greater Los Angeles area.

The development will consist of a 25,000 square foot full service supermarket with 108 parking spaces (Project). The purpose of this Agreement is to effectuate economic development in the City and fulfill the original mixed use affordable housing and supermarket project conceived of by the City's former redevelopment agency in 2010.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. **Identity of the Developer:** This section provides the name and address of the Developer.
- II. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. **Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided, and the costs incurred by the City to implement the Agreement.

- IV. Estimated Value of the Interests to be Conveyed Determined at the Highest and Best Use:** This section estimates the value of the interests to be conveyed at their highest and best use.
- V. Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development and the other conditions and covenants required by the Agreement.
- VI. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- VII. Elimination of Blight and Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in elimination of blight and creating economic opportunities in the City.
- VIII. Job Creation:** This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. IDENTITY OF DEVELOPER

Information on the Developer is provided below:

Developer

94th & Broadway, LLC
6701 Wilson Avenue
Los Angeles, California 90001

Numero Uno Markets expects to create a single purpose entity tentatively known as 94th & Broadway LLC (LLC), a California limited liability company, to ultimately acquire the use of the site, construct the improvements and operate the grocery store Project. Numero Uno Acquisitions, LLC is expected to be the managing member of 94th & Broadway LLC.

II. SALIENT POINTS OF THE AGREEMENT

A. Project Description

Under the Agreement, the Site will be conveyed to the Developer to construct the following Project:

The proposed Scope of Development includes the following:

1. 25,000 square foot, full-service supermarket

2. 108 parking spaces in a landscaped parking lot

B. Developer Responsibilities

The Agreement requires Developer to accept the following responsibilities:

1. Create a new Parcel Map for the Site
2. Undertake any required remediation of the Site
3. Acquire the Site from the City under the terms of the Purchase and Sale Agreement and the Covenant including a Repurchase Option for \$1.00
4. Comply with all requirements of city permits and entitlements including completing any required CEQA mitigation and required off-site improvements
5. Seek approval of all debt encumbering the property during the construction term
6. Commence construction within six months of the close of escrow
7. Pay prevailing wages for construction activities
8. Operate the store as a Numero Uno Market or another branded full-service grocery store for a lease term of at least ten years
9. Seek City approval for any transfer of the property during the term of the Covenant
10. During the first ten years of the Covenant, the property shall be in use as a grocery store or specialty food service store and for the entire twenty-five years of the covenant certain uses are prohibited including gas stations, massage parlors, and “sin businesses” as further described in Internal Revenue Code Section 45(D)
11. Maintain the Site in an attractive condition, and keep the Site free of trash and debris
12. Adhere to the City’s Living Wage Ordinance for a period of five years
13. Provide at least 70 full-time equivalent (FTE) jobs on-site, annually for a period of five years
14. Provide operational amenities targeted to the adjoining affordable housing development, including but not limited to, shared parking, door-to-door delivery of groceries and quarterly health fairs.

C. City Responsibilities

The Agreement imposes the following responsibilities on the City:

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1. Prepare the Purchase and Sale Agreement and the Covenant
2. Sell the Site to the Developer at Fair Reuse Value
3. Provide \$750,000 of Community Development Block Grant (CDBG) funding to the Project

III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT

The City is making an economic incentive payment to Developer to facilitate the development of the Project. The cost to be incurred by the City is to provide \$750,000 of Community Development Block Grant Funding to the Project.

The Site was conveyed to the City at no cost as a Housing Asset under the transfer of assets from the City's former redevelopment agency.

IV. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE

An appraisal of the Site was undertaken for the City by Keith Settle & Company, Inc. in December 2014. Keith Settle & Company, Inc. valued the Site at \$40 per square foot of land or approximately \$3,540,000.

V. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. prepared a reuse valuation based upon the covenants, conditions and restrictions associated with the Purchase and Sale Agreement and the Covenant. In a report dated June 11, 2015, Keyser Marston Associates, Inc. determined that the fair reuse value was a negative \$129,000 to a negative \$402,000.

VI. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED

The City expects to receive a portion of the property tax revenues generated by the Project, sales tax revenues from sales that occur within the store, gross receipts taxes from store sales and utility user taxes. As shown in Table 1, in the first operating year (assumed to be 2017), the City is projected to receive nearly \$20,000 in property tax revenues, \$37,000 in sales tax revenues, \$14,000 in gross receipts taxes and \$20,000 in utility user taxes for a total of \$91,000. Over a 25-year operating period plus a one-year construction period, the City is projected to receive a combined total of nearly \$3,780,000 of public tax revenues. This flow of revenues, discounted at 6.0%, has a net present value of nearly \$1,817,000.

The revenue benefit is \$1,067,000 greater than the \$750,000 economic incentive provided.

VII. ELIMINATION OF BLIGHT AND CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Site is currently vacant at a major intersection in an area lacking fresh food access and defined by the United States Department of Agriculture as a Food Desert. The construction of the Project by the Developer will energize this location and begin to reverse the social and health impacts associated with these Food Deserts. The Project will further the City's goals of attracting private investment and cultivating goods and services, as well as living wage jobs in Southeast Los Angeles. The City, therefore, is entering into the Agreement to achieve more than just the direct impact financial revenues identified above.

Other important goals and objectives that are satisfied by the Project are:

1. Provide access to fresh food for the adjoining senior housing projects.
2. Increased employment through additional jobs created as a result of private sector investment.
3. Potential increase in private investment as a result of the public investment in this catalytic Project.
4. Numero Uno Markets tailors its merchandise to the community with an emphasis on fresh produce and meats, and a wide variety of packaged products targeted to the demographics of the specific community.
5. Numero Uno Markets has banned the sale of cigarettes in its stores and discontinued any public promotion of hard liquor.
6. Numero Uno Markets will host quarterly health fairs at the store in collaboration with health providers, offering free medical services and information.
7. Numero Uno Markets will pay Living Wage to its employees for a period of five years.

In addition to these benefits, the City, the County of Los Angeles, the Los Angeles Unified School District and other taxing agencies will receive increased property tax revenues from the development of the Project. Since the property currently generates no property tax revenues, the increased property taxes exceed the 15% increase threshold required in Government Code 52200.2 (b). Moreover, the Project will create more than 22 full-time equivalent permanent jobs, which exceeds the threshold requirement on Government Code 52200.2 (a).

VIII. JOB CREATION

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation. It is estimated that 25 temporary construction

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jobs will be created during the six-month construction period. Once the Project is complete, the Numero Uno Markets estimates that 70 full-time permanent jobs will be provided at the Project.

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TABLE 1

**PUBLIC REVENUES PROJECTIONS
NUMERO UNO SUPERMARKET**

LOS ANGELES, CALIFORNIA

Project Year	City Share of Property Tax	On-Site Sales Tax	Gross Receipts Tax	Utility User Tax	Gross Public Revenues
Const. 2016 -17	20,000	9,000	\$7,000	-	36,000
1 2017 -18	20,000	37,000	\$14,000	\$20,000	91,000
2 2018 -19	21,000	48,000	\$17,000	23,000	109,000
3 2019 -20	21,000	53,000	\$19,000	26,000	119,000
4 2020 -21	21,000	54,000	\$19,000	28,000	122,000
5 2021 -22	22,000	55,000	\$20,000	29,000	126,000
6 2022 -23	22,000	56,000	\$20,000	30,000	128,000
7 2023 -24	23,000	57,000	\$21,000	31,000	132,000
8 2024 -25	23,000	58,000	\$21,000	32,000	134,000
9 2025 -26	24,000	59,000	\$21,000	33,000	137,000
10 2026 -27	24,000	60,000	\$22,000	34,000	140,000
11 2027 -28	25,000	62,000	\$22,000	35,000	144,000
12 2028 -29	25,000	63,000	\$23,000	36,000	147,000
13 2029 -30	26,000	64,000	\$23,000	37,000	150,000
14 2030 -31	26,000	65,000	\$24,000	38,000	153,000
15 2031 -32	27,000	67,000	\$24,000	39,000	157,000
16 2032 -33	27,000	68,000	\$25,000	40,000	160,000
17 2033 -34	28,000	69,000	\$25,000	41,000	163,000
18 2034 -35	28,000	71,000	\$26,000	42,000	167,000
19 2035 -36	29,000	72,000	\$26,000	43,000	170,000
20 2036 -37	29,000	74,000	\$27,000	44,000	174,000
21 2037 -38	30,000	75,000	\$27,000	45,000	177,000
22 2038 -39	30,000	76,000	\$28,000	46,000	180,000
23 2039 -40	31,000	78,000	\$28,000	47,000	184,000
24 2040 -41	32,000	80,000	\$29,000	48,000	189,000
25 2041 -42	32,000	81,000	\$29,000	49,000	191,000
26 Year Term					
Nominal Total	\$666,000	\$1,611,000	\$587,000	\$916,000	\$3,780,000
NPV @ 6.0%	\$332,000	\$774,000	\$284,000	\$427,000	\$1,817,000