

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: February 26, 2014

CAO File No. 0153-06057-0000

Council File No. 12-0396

Council District: 5

To: The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of General Services dated October 10, 2013

Subject: **PROPOSED DIRECT SALE OF SURPLUS PROPERTIES – LOCATED AT 3557, 3561, AND 3565 NORTH ALGINET DRIVE AND 16654 WEST CALNEVA DRIVE**

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### SUMMARY

The Department of General Services (GSD) requests authority for the direct sale of the City-owned surplus properties located at 3557, 3561, and 3565 North Alginet Drive and 16654 West Calneva Drive (collectively, Surplus Properties). At its meeting of March 20, 2012, the Council adopted a motion directing GSD to initiate the surplus property process and declare the lots as surplus properties (C.F. 12-0396). These actions are part of a settlement in the case entitled Terenik Koujakian, et al. v. City of Los Angeles, Los Angeles Superior Court Case No. BC 437571 (Case).

Also, as part of the settlement in the Case, the City and Terenik Koujakian (Buyer) have agreed to evaluate the possibility of selling the four lots directly to the Buyer, who is the contiguous neighboring property owner. As a result, GSD proposes a direct sale of the Surplus Properties to the Buyer in the amount of \$100,000.

In 1962, heavy rains and landslides caused serious damage to several homes on North Alginet Drive and West Calneva Drive. The homes on the Surplus Properties were red-tagged and demolished. The County of Los Angeles obtained ownership of the Surplus Properties due to non-payment of taxes, and the City then acquired the properties through Tax Deeds, with no record of funds exchanged. The City has made three attempts to sell the Surplus Properties in "as is" condition, but has not been able to sell the Surplus Properties.

In compliance with Government Code Section 54220, prior to the direct sale of City-owned surplus property, it must first be offered to various agencies for public use. In April 2012, the Asset Management Division of GSD released a correspondence to several agencies regarding the proposed sale of the Surplus Properties. This includes, but is not limited to, several City departments, the Chief Executive Office of the Los Angeles County, The Santa Monica Mountains Conservancy, the Los Angeles River Revitalization Corporation, the Los Angeles Unified School District, the California State Resources Agency, and the Los Angeles County Metropolitan

Transportation Authority. GSD reports that there were no objections from City departments or any other public agency on the proposed sale.

The Bureau of Engineering (BOE) reviewed City records and found that the City does not know or have reasonable cause to believe that any release of a hazardous substance has come to be located on or beneath the real properties. BOE further reviewed the request for a natural hazards disclosure and determined that the properties are not within an earthquake fault zone or area of potential flooding. However, they found that the Surplus Properties lie within a Seismic Hazard Zone and are prone to earthquake-induced landslides.

BOE responded to a request for environmental clearances and reported that the Sale of the Surplus Properties is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to City CEQA Guidelines, Article III, Section 1, Categorical Exemption Class 12, in that the proposed sale consists of surplus government property, and the property is not located in an area of statewide interest or potential area of critical concern. Further, BOE recommends that the Buyer repair the existing curb and gutter on Calneva Drive as necessary prior to the completion of the sale.

In a letter dated July 24, 2013, the Planning Department reported that the proposed sale is in accordance with Charter Section 556 and 558, in that the sale of the Surplus Properties is in substantial conformance with the purposes, intent and provisions of the General Plan and the Encino – Tarzana Community Plan. Therefore, under the authority granted by Charter Section 559, the Director of Planning confirms that the sale of the Surplus Properties to the Buyer for residential use is consistent with the intent of the General Plan.

It should be noted that the Surplus Properties were appraised for an estimated market value of \$200,000. However, in March 2013, the City met with the Buyer and negotiated an agreed upon sale price of \$100,000.

To the best of our knowledge, the proposed sale is in accordance with Charter Section 385 Sale of Property; LAAC Section 7.22 Recommendations Required of City Departments; LAAC 7.27 Private Sale; and California Government Code Section 54220 Surplus Land, which establish the basic guidelines for the sale of City-owned surplus property. Pursuant to LAAC Section 7.22(d), the City Administrative Officer reviewed the proposed direct sale and recommends approval of the sale and the attached ordinances prepared by GSD, which state the terms and conditions, legal description and recommendations for reservations and/or easements that should be retained by the City, approved by the City Attorney as to form and legality. Additional discussion is included in the Findings section of this report.

## RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Determine that the properties located at 3557, 3561, and 3565 North Alginet Drive and 16654 West Calneva Drive are no longer required for City use and that the public interest is best served by the direct sale of the properties;
2. Adopt the attached ordinances relative to the sale of the properties, without notice of sale or advertisement of bids, to Terenik Koujakian for the sale price of \$100,000;
3. Request the City Attorney to prepare the purchase and sale agreement based on the terms specified in the ordinance for the sale of the surplus properties; and,
4. Instruct the Department of General Services to complete the transactions outlined in the ordinance, and process the necessary documentation to execute the sale and deposit the proceeds into the appropriate accounts, as directed by the Los Angeles Administrative Code and as approved to form by the City Attorney.

## FISCAL IMPACT STATEMENT

The proposed sale of City-owned properties located at 3557, 3561, and 3565 North Alginet Drive and 16554 West Calneva Drive in Council District 5 is to the contiguous neighboring property owner at a sale price of \$100,000. In accordance with Los Angeles Administrative Code Section 7.33.1(b), 50 percent of the net proceeds from the sale of surplus real properties will be deposited into the Council District 5 Real Property Trust Fund 687, and 50 percent of the net proceeds of the sales shall be placed in the General Fund No. 100, Department 40, Revenue Source Code No. 5141. There is no additional impact to the General Fund.

## **FINDINGS**

### **1. Background**

The City acquired the four properties through Tax Deeds from the County of Los Angeles. In the winter of 1961-1962, heavy rains and winter storms caused landslides, damaging several homes on North Alginet Drive and West Calneva Drive. When owners walked away from their properties, the County of Los Angeles obtained ownership due to non-payment of taxes. Between 1968 and 1969, the City acquired the four properties from the County of Los Angeles with no record of funds exchanged.

The Surplus Properties are four contiguous undeveloped parcels totaling roughly 62,970 square feet within the Encino – Tarzana Community Plan Area. The General Plan land use designation of this property is Very Low II Residential, which allow low density single-family home use. However, the four vacant residential lots are geologically impaired and would require soil stabilization and retaining walls, including numerous deep caissons, to be allowed to be developed.

The City proposes to sell the Surplus Properties to Terenik Koujakian (Buyer), the contiguous neighboring property owner, in the amount of \$100,000. In 2010, the Buyer filed a lawsuit against the City for damages to his property on Calneva Drive based on causes of action for Abatement of Nuisance and Declaratory Relief in connection with an alleged unstable land mass on these Surplus Properties. As part of the Settlement Agreement, the City agreed to use its best efforts for a direct sale to the Buyer for a reasonable amount.

In a report dated January 20, 2012, the appraisal company, Hammad & Associates, Inc. appraised the four properties at an estimated price of \$200,000. However, in March 2013, the City met with the Buyer and negotiated an agreed upon sale price of \$100,000.

In accordance with the California Health and Safety Code, the Bureau of Engineering (BOE) reviewed City records and determined that there are no records pertaining to hazardous substances for the Surplus Properties. BOE also reviewed the State's Seismic Hazard Maps and Alquist Priolo Earthquake Fault Zones for any natural hazard disclosures. BOE found that the Surplus Properties are within a Seismic Hazard Zone and are prone to earthquake-induced landslides. Further, BOE found that, according to Navigate LA, the Surplus Properties are inside a proposed Very High Fire Hazard Severity Zone.

### **2. Public Interest**

In accordance with Los Angeles Administrative Code (LAAC) Division 7, Chapter 1, Article 4 Section 7.27, the Council, may determine that the sale of City-owned property is in the public interest or necessity. In this event, the Council may, by ordinance with two-thirds vote, authorize the sale of City-owned property, without notice of sale or advertisement for bids, upon review and recommendation by the City Administrative Officer. GSD reports that the sale of the property is in the best interest of the City because the City will avoid potential liability for these unstable lots

and eliminate maintenance costs for brush and trash clearance. Further, the Buyer is paying for the cost of a retaining wall engineered to current standards, and once the lots are developed, there will be taxable income for these currently vacant lots. Finally, the proposed sale satisfies the Settlement Agreement with the Buyer in their lawsuit against the City.

### **3. Terms of Sale**

The following are the terms of sale as described in the ordinance:

- The sale price is \$100,000, which is the agreed upon price between the City and the Buyer;
- The properties will be sold in "As Is and with all faults" condition and without any warranty as to fitness for use, fitness for a particular use or development, or condition of the properties, and that the City has no obligation to improve or correct any condition of the properties, whether known or unknown before or after the date of the sale, including without limitations the geological condition of the properties as their potential use or future development;
- In accordance with Section 3, the Buyer shall pay one-half escrow fees and all incidental costs associated with this property purchase transaction including, but not limited to, recording fees, documentary transfer taxes, title insurance fees, escrow fees, personal property taxes where applicable, and any other real estate transaction taxes. Buyer, at his own expense, may obtain any desired survey of the properties; and,
- Subject to covenants, conditions, restrictions, encroachments, reservations, easements, rights, and rights-of-way of record or which are apparent from a visual inspection of the real property and excepting and reserving to the City any interest in the fee to the adjacent streets which would otherwise pass with the conveyance.

### **4. Property Description / Legal Description**

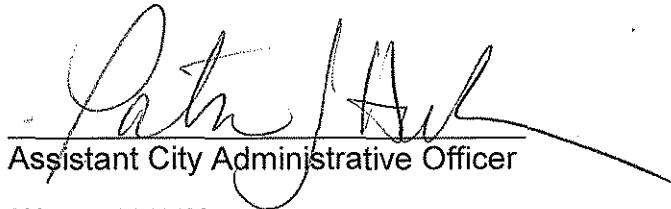
The City proposes to sell four vacant and undeveloped residential lots on North Alginet Drive and West Calneva Drive in Encino. The properties are described as follows:

1. Lot 30 of Tract 22764, APN: 2287-009-901 (3565 N. Alginet Dr.)
2. Lot 31 of Tract 22764, APN: 2287-009-902 (3561 N. Alginet Dr.)
3. Lot 32 of Tract 22764, APN: 2287-009-903 (3557 N. Alginet Dr.)
4. Lot 26 of Tract 22764, APN: 2287-009-904 (16654 W. Calneva Dr.)

The properties are four contiguous lots which total roughly 62,970 square feet. The properties are zoned RE15-1-H with a General Plan land use designation as Very Low II Residential, which allows low density single-family home use. The properties are located within the Encino - Tarzana Community Plan in Council District 5.

  
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Raoul Mendoza, Administrative Analyst I

APPROVED:

  
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Assistant City Administrative Officer

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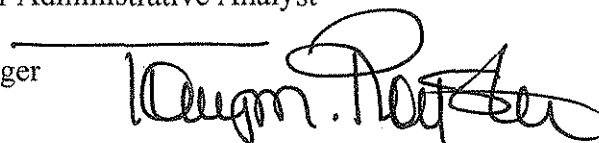
Attachments

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: October 10, 2013

TO: Miguel A. Santana  
City Administrative Officer  
City Hall East, Room 1500, MS 130  
Attention: Delilah Puche, Senior Administrative Analyst

FROM: Tony M. Royster, General Manager  
Department of General Services



SUBJECT: **REVIEW OF PROPOSED SALE OF THE PROPERTY LOCATED AT 3551, 3557, 3561 N. ALGINET DR. & 16654 W. CALNEVA DR., ENCINO, CA 91436 – APNS: 2287-009-901, 2287-009-902, 2287-009-903, 2287-009-904**

The General Services Department has undertaken a program to sell all surplus City-owned property in order to return it to the tax rolls as well as to generate revenue for the City. Most surplus property is sold at a public auction to the highest bidder. In some cases, as defined in Los Angeles Administrative Code (LAAC) Section 7.27, the “Council may determine that the public interest or necessity requires the sale, conveyance, or exchange of real property owned by the City or... of any City interest in the real property without notice of sale or advertisement for bids. In the event of such determination the Council may, by ordinance adopted by the vote of at least two-thirds of all of its members authorize the execution of such deed...or other instrument as may be necessary to effect such sale...”

Section 7.22 (d) of the LAAC also provides that “... the City Administrative Officer shall review the proposed direct sale and recommend to the Council upon its propriety.”

The Real Estate Services Division (RES) of this Department is currently processing a direct sale of the parcels located at 3551, 3557, 3561 N. Alginet Dr. & 16654 W. Calneva Dr., Encino, CA 91436 (APNS 2287-009-901, 2287-009-902, 2287-009-903, 2287-009-904) to Ternik Koujakian. The proposed sale to Mr. Koujakian is in compliance with Government Code Section 54220.

We have attached surplus documentation package, for your information, showing the necessary approvals obtained in processing the sale of this property in accordance with LAAC Sections 7.22 and 7.27. Should there be any question or additional information required, please contact Alecia Simona at extension **2-8558** or email [alecia.simona@lacity.org](mailto:alecia.simona@lacity.org).

Attachments