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CITY ATTORNEY

REPORT NO. R 1 4 - 0 3 6 7
SEP 2 9 2014

REPORT RE:

**DRAFT ORDINANCE AUTHORIZING SALE OF
CITY-OWNED REAL PROPERTIES LOCATED AT
2515 SOUTH SYCAMORE AVENUE AND 2528 SOUTH ORANGE DRIVE**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality, authorizing the sale of City-owned real properties located at 2515 South Sycamore Avenue to L.A. Properties, Inc., a California corporation and 2528 South Orange Drive to Shideh Nassirzadeh and Jupiter Trust.

Background

In February of 2007, the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) purchased four properties using federal Community Development Block Grant (CDBG) funds in an attempt to create a new urban village along Adams Boulevard (Properties). The CRA/LA was only able to acquire four non-adjacent, scattered lots on three separate residential blocks. The creation of the urban village required the acquisition of approximately 62 contiguous lots and thus, the urban village never materialized. Two of the four properties have been sold. This action will sell the remaining two properties located at 2515 South Sycamore Avenue and 2528 South Orange Drive.

HUD Findings

In July of 2012, the U.S. Department of Housing and Urban Development (HUD) released monitoring findings, which found that CRA/LA was not using the Properties in the manner required by CDBG regulations. CRA/LA was directed to either commence using the Properties to meet a CDBG national objective and eligible use in a timely manner or reimburse HUD, using non-federal funds, for the \$3.2 million used to acquire the Properties.

Transfer to HCIDLA

In or about May 2013, the Properties were transferred to the Los Angeles Housing and Community Investment Department (HCIDLA) as a part of the former CRA/LA's housing assets. Due to their isolated nature, HCIDLA has determined that the goal of using the Properties to meet a CDBG national objective and eligible use as required by HUD is not feasible.

Pursuant to 24 CFR 570.505, CDBG grantees may dispose of properties that do not meet a CDBG national objective and an eligible use so long as the CDBG program is reimbursed for the current fair market value of such properties. HCIDLA seeks to generate funds with which to reimburse HUD by selling the Properties at market-rate prices. HCIDLA has a contract with Altera Real Estate (Altera) to effectuate the marketing and sale of the Properties (C.F. 14-0421).

The public interest necessitates the sale of 2515 South Sycamore Avenue to L.A. Properties, Inc. and 2528 South Orange Drive to Shideh Nassirzadeh and Jupiter Trust because the proceeds (along with those from the prior sale of the first two properties) will be used to reimburse the CDBG program, thus protecting the City from liability to HUD, and will eliminate the City's expenditures associated with its continued ownership of the properties. The sales are also in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

Property Description and Sales Information

- 2515 South Sycamore Avenue

Located at the end of a cul-de-sac adjacent to the embankment of the Interstate 10 highway, 2515 South Sycamore Avenue consists of a 5,955 square foot vacant lot. Four years after first acquiring the property, the former CRA/LA demolished the existing eight unit, 4,200 square foot apartment building that was constructed in 1966. Since the demolition in 2011, the property has remained vacant and is currently enclosed by a chain link fence.

The property was originally listed for sale at its initial appraised value of \$320,000. Two offers were received. HCIDLA issued counteroffers to both, but only one potential buyer responded with its final all cash offer price of \$320,000, which was accepted. However, the property had to be placed back on the market when the potential buyer backed out of the sale due to lack of investor support. A subsequent offer fell through due to the belief that the appraised value was too high.

The property was then re-appraised to a value of \$200,000. The reduction in value was due to the fact the property is located near the freeway and is irregularly shaped such that with modern code requirements, the buildable portion of the lot will now only support a six, as opposed to an eight unit building. The last offer in the amount of \$205,000 fell through due to concern of insufficient return on investment. HCIDLA has since accepted an all cash offer from L.A. Properties, Inc., in the amount of \$205,000. A purchase and sales agreement has been executed.

- 2528 South Orange Drive

Located one block east of Sycamore Avenue, 2528 South Orange Drive is a 4,499 square foot lot with a duplex constructed in 1920. The 1,363 square foot structure features a pair of two-bedroom, one-bathroom units that were converted from a single family house in 1968. The duplex has remained vacant since 2012.

The property was originally listed for sale at its initial appraised value of \$350,000. Four offers were received. HCIDLA issued counter-offers to the two cash offers and selected the potential buyer which offered the highest overall bid of \$365,000. However, the property had to be placed back on the market when the potential buyer backed out of the sale due to lack of investor support. Subsequent offers fell through due to lack of investor support and due to the belief the appraised value was too high.

The property was then re-appraised to a value of \$320,000. The reduction in value was due to the fact that, although the Los Angeles Department of Building and Safety (LADBS) has permitted the property as a duplex, it is configured as a single-family dwelling. Substantial work will be needed to revert the property back to a duplex state. While several additional offers were received following the reappraisal, for various reasons, each potential deal fell through. HCIDLA has since accepted an all cash offer from Shideh Nassirzadeh and Jupiter Trust in the amount of \$326,000. A purchase and sales agreement has been executed.

Council Rule 38

The draft ordinance was sent, pursuant to Council Rule 38, to HCIDLA with a request that any comments, if any be transmitted directly to Council or its committees when this matter is considered.

California Environmental Quality Act (CEQA)

The sales do not constitute a "project" under CEQA in that it is not reasonably foreseeable that the sales will result in either a direct or indirect physical impact to the environment (14 CCR 15378(a)). Moreover, the sales merely represent the creation of a government funding mechanism without commitment to any specific projects, and are thus not projects pursuant to 14 CCR 15378(b)(4).

National Environmental Policy Act (NEPA)


The recommended actions are also categorically excluded from provisions of NEPA pursuant to Sec. 58.35 (a) (5) of 24 Code of Federal Regulations Part 58 - Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities.

If you have any questions regarding this matter, please contact the undersigned at (213) 978-0055. A member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By


MEI-MEI CHENG
Deputy City Attorney

MMC:pj
Transmittal

ORDINANCE NO. _____

An ordinance authorizing and providing for the sale of certain City-owned real property located at 2515 South Sycamore Avenue to L.A. Properties, Inc., a California corporation and 2528 South Orange Drive to Shideh Nassirzadeh and Jupiter Trust.

WHEREAS, in February of 2007, the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) purchased four properties using federal Community Development Block Grant (CDBG) funds in an attempt to create a new urban village along Adams Boulevard (Properties);

WHEREAS, the CRA/LA was only able to acquire four non-adjacent, scattered lots on three separate residential blocks;

WHEREAS, the creation of the urban village required the acquisition of approximately 62 contiguous lots and thus, the urban village never materialized;

WHEREAS, two of the four properties have been sold;

WHEREAS, this action will sell the remaining two properties located at 2515 South Sycamore Avenue and 2528 South Orange Drive;

WHEREAS, in July of 2012, the U.S. Department of Housing and Urban Development (HUD) released monitoring findings, which found that the CRA/LA was not using the Properties in a manner as required by CDBG regulations;

WHEREAS, the CRA/LA was directed to either commence using the Properties to meet a CDBG national objective and eligible use in a timely manner or reimburse HUD, using non-federal funds, for the \$3.2 million originally used to acquire the Properties;

WHEREAS, in or about May of 2013, the Properties were transferred to the Los Angeles Housing and Community Investment Department (HCIDLA) as a part of the former CRA/LA's housing assets;

WHEREAS, due to their isolated nature, HCIDLA has determined that the goal of using the Properties to meet a CDBG national objective and eligible use as required by HUD is not feasible;

WHEREAS, pursuant to 24 CFR 570.505, CDBG grantees may dispose of properties that do not meet a national objective and an eligible use so long as the CDBG program is reimbursed for the current fair market value of such properties;

WHEREAS, HCIDLA seeks to generate funds with which to reimburse HUD by selling the Properties at market-rate prices;

WHEREAS, the property located at 2515 South Sycamore Avenue, Los Angeles, California was listed for sale at its appraised value of \$200,000;

WHEREAS, the property located at 2515 South Sycamore Avenue, Los Angeles, California will be sold to the highest bidder, L.A. Properties, Inc., for \$205,000;

WHEREAS, the property located at 2528 South Orange Drive, Los Angeles, California was listed for sale at its appraised value of \$320,000;

WHEREAS, the property located at 2528 South Orange Drive, Los Angeles, California will be sold to the highest bidder, Shideh Nassirzadeh and Jupiter Trust for \$326,000; and

WHEREAS, purchase and sales agreement for both properties have been executed.

NOW, THEREFORE,

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. The Council of the City of Los Angeles hereby confirms that the properties located at 2515 South Sycamore Avenue and 2528 South Orange Drive cannot be used to meet a CDBG national objective or eligible use in a timely manner. It further confirms that the public interest and necessity requires the sales as indicated herein because the proceeds (along with those from the prior sale of the first two properties) will be used to reimburse the CDBG program, thus protecting the City from liability to HUD, and will eliminate the City's expenditures associated with its continued ownership of the two properties.

It is hereby ordered that 2515 South Sycamore Avenue be sold to L.A. Properties, Inc., and 2528 South Orange Drive be sold to Shideh Nassirzadeh and Jupiter Trust, which were selected through a competitive process, for the respective purchase prices of \$205,000 and \$326,000.

The sales are in conformance with the provisions of Section 385 of the Los Angeles City Charter and Division 7, Chapter 1, Article 4, Section 7.27 of the Los Angeles Administrative Code.

The properties consist of:

Location: 2515 South Sycamore Avenue, Los Angeles, California
APN: 5049-016-908

Legal Description:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF LOTS 191 AND 192 OF TRACT NO. 1566, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP RECORDED IN BOOK 20 PAGES 106 AND 107 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEASTERLY CORNER OF SAID LOT 191 THENCE NORTH 71 DEGREES 46 MINUTES 42 SECONDS WEST ALONG THE SOUTHERLY LINE OF SAID LOT 191 TO THE SOUTHWESTERLY CORNER THEREOF, THENCE NORTHEASTERLY FROM A TANGENT BEARING NORTH 18 DEGREES 13 MINUTES 18 SECONDS EAST, ALONG A CURVE CONCAVE SOUTHEASTERLY AND HAVING A RADIUS OF 20.00 FEET, THROUGH AN ANGLE OF 72 DEGREES 26 MINUTES 18 SECONDS AN ARC DISTANCE OF 25.29 FEET; THENCE SOUTH 89 DEGREES 20 MINUTES 24 SECONDS EAST A DISTANCE OF 5.46 FEET, THENCE NORTH 0 DEGREES 39 MINUTES 36 SECONDS EAST A DISTANCE OF 19.11 FEET, THENCE, NORTH 83 DEGREES 13 MINUTES 43 SECONDS EAST A DISTANCE OF 104.25 FEET, THENCE SOUTH 26 DEGREES 46 MINUTES 36 SECONDS EAST 4.00 FEET TO A NON-TANGENT CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 40.00 FEET THENCE SOUTHERLY ALONG SAID NON-TANGENT CURVE FROM A TANGENT BEARING SOUTH 63 DEGREES 13 MINUTES 24 SECONDS WEST THROUGH AN ANGLE OF 95 DEGREES 33 MINUTES 11 SECONDS AN ARC DISTANCE OF 66.71 FEET TO A REVERSE CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 45.00 FEET; THENCE SOUTHERLY ALONG SAID REVERSE CURVE THROUGH AN ANGLE OF 11 DEGREES 36 MINUTES 26 SECONDS AN ARC DISTANCE OF 9.12 FEET TO THE EASTERLY LINE OF SAID LOT 191; THENCE SOUTHERLY ALONG SAID EASTERLY LINE TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL OILS, MINERALS, NATURAL GAS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, THAT MAY BE WITHIN OR UNDER THE HEREIN CONVEYED PARCEL OF LAND, AND THE RIGHTS THERETO, TOGETHER WITH CERTAIN OTHER CONDITIONS, AS EXCEPTED AND RESERVED IN DEEDS TO THE STATE OF CALIFORNIA RECORDED IN BOOK D872 PAGE 569 AND IN BOOK 752 PAGE 385 BOTH OF OFFICIAL RECORDS IN SAID OFFICE.

Location: 2528 South Orange Drive, Los Angeles, California
APN: 5049-009-900

Legal Description:

THE LAND REFERRED HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOT 124 OF TRACT NO. 1566, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 20, PAGES 106 AND 107 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING AND RESERVING unto the City of Los Angeles, all oil, gas, water and mineral rights now vested in the City of Los Angeles without, however, the right to use the surface of said land 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 covenants, conditions and restrictions, reservations, easements, rights and rights of way of record or which are apparent from visual inspection of the real property and excepting and reserving to the City of Los Angeles any interest in the fee to the adjacent streets which would otherwise pass with the conveyance of the above described parcels of land.

ALSO SUBJECT TO the properties being sold in “**AS IS**” condition and without any warranty as to fitness for use, fitness for a particular use, or condition of the properties, and the City has no obligation to correct any condition of the properties, whether known before or after the close of escrow.

Sec. 2. The General Manager of HCIDLA is hereby authorized and directed to execute deeds, contracts or other instruments necessary to effect the sale of the City's interest in 2515 South Sycamore Avenue, as described in Section 1 of this ordinance, to L.A. Properties, Inc., and 2528 South Orange Drive as described in Section 1 of this ordinance, to Shideh Nassirzadeh and Jupiter Trust; and the City Clerk of Los Angeles is hereby authorized and directed to attest thereto and to affix the City Seal.

Sec. 3. HCIDLA is authorized to open escrows, issue title transfer instructions and deliver deeds.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

HOLLY L. WOLCOTT, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____

MEI MEI CHENG
Deputy City Attorney

Date 9-29-14

File No. _____