



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R 1 4 - 0 2 9 1

REPORT RE:

JUN 2 6 2014

**DRAFT ORDINANCE AUTHORIZING SALE OF
2535 SOUTH SYCAMORE AVENUE, LOS ANGELES, CALIFORNIA
AND 2520 ALSACE AVENUE, LOS ANGELES, CALIFORNIA**

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 2535 South Sycamore Avenue, Los Angeles, California to David Pourbaba and/or his assignee, and 2520 Alsace Avenue, Los Angeles, California to William O'Neil and/or his assignee.

Background

The properties located at 2535 South Sycamore Avenue, Los Angeles, California, 2520 Alsace Avenue, Los Angeles, California; 2515 South Sycamore Avenue, Los Angeles, California; and 2528 South Orange Drive, Los Angeles, California (Properties) were originally purchased by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in February of 2007 for \$3.2 million in an attempt to create a new urban village along Adams Boulevard that would include 250,000 square feet of retail space and create 250 living wage jobs¹. CRA/LA funded

¹ Buyers have not yet been found for the parcels located 2515 South Sycamore Avenue and 2528 South Orange Drive. A report and ordinance authorizing the sale of these properties will follow under separate cover.

the acquisition of the Properties with federal Community Development Block Grant (CDBG) funds under the national objective of low and moderate-income job creation.

The CRA/LA was only able to acquire four non-adjacent, scattered lots on three separate residential blocks. Because the creation of the urban village required the acquisition of approximately 62 contiguous lots, the urban village never materialized.

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 2535 South Sycamore Avenue, Los Angeles, California to David Pourbaba and/or his assignee, and 2520 Alsace Avenue, Los Angeles, California to William O'Neil and/or his assignee because the proceeds 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. 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.

Property Description and Sales Information

- 2535 South Sycamore Avenue

The property located at 2535 South Sycamore Avenue, Los Angeles, California consists of three parcels south of 2515 South Sycamore Avenue on 5,915 square-foot vacant lot. Upon its 2007 acquisition by CRA/LA, the property housed an eight unit, 8,000 square foot apartment building that was constructed in 1964. CRA/LA demolished the structure in 2008, and the land has remained vacant. This parcel is currently enclosed by a chain link fence and is located directly north of the commercial properties that line Adams Boulevard.

The property was listed for sale at its appraised value of \$320,000. Three offers were received. HCIDLA issued counter offers to all three and selected CIM/La Brea-Adams Acquisitions, a Delaware limited liability company (CIM/La Brea), which offered the highest bid of \$365,000. However, the property had to be placed back on the market when CIM/La Brea backed out of the sale due to lack of investor support. HCIDLA has since accepted an all cash back-up offer from Mr. Pourbaba in the amount of \$320,000. A purchase and sales agreement has been executed.

- 2520 Alsace Avenue

The property located at 2520 Alsace Avenue, Los Angeles, California lies one block west of Sycamore Avenue and consists of a 5,159 square foot lot with a vacant triplex. The triplex is comprised of a two-bedroom single-family house constructed in 1921 and one two-story duplex built in 1964 that is located in the rear of the property. The total living area of the triplex measures 2,906 square feet. The property has been vacant since 2012.

The property was listed for sale at its appraised value of \$450,000. Six offers were received. HCIDLA issued counter-offers to the four cash offers and selected Lina Kohanim-Lavian, who offered the highest overall bid of \$471,000. However, the property had to be placed back on the market when Ms. Kohanim-Lavian backed out of the sale. HCIDLA has since accepted an all cash offer from Mr. O'Neil in the amount of \$450,000. 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 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 direct or indirect physical impacts to the environment (14 CCR 15378(a)). Moreover, the sales merely represent the creation of a government funding mechanism without commitment to any specific project, and is thus not a project 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 Deputy City Attorney Mei-Mei Cheng at (213) 978-0055. She or another 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



DAVID MICHAELSON
Chief Assistant City Attorney

DM:MMC:as
Transmittal

ORDINANCE NO. _____

An ordinance authorizing and providing for the sale of certain City-owned real property located at 2535 South Sycamore Avenue, Los Angeles, California to David Pourbaba and/or his assignee, and 2520 Alsace Avenue, Los Angeles, California to William O'Neil and/or his assignee.

WHEREAS, the properties located at 2535 South Sycamore Avenue, Los Angeles, California; 2520 Alsace Avenue, Los Angeles, California; 2515 South Sycamore Avenue, Los Angeles, California; and 2528 South Orange Drive, Los Angeles, California (Properties) were originally purchased by the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in February of 2007 for \$3.2 million in an attempt to create a new urban village that would include 250,000 square feet of retail space and create 250 living wage jobs;

WHEREAS, CRA/LA funded the acquisition of the Properties with federal Community Development Block Grant (CDBG) funds under the national objective of low and moderate income job creation;

WHEREAS, the CRA/LA was only able to acquire four non-adjacent, scattered lots on three separate residential blocks. Because the creation of the urban village required the acquisition of approximately 62 contiguous lots, the urban village never materialized;

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 2535 South Sycamore Avenue, Los Angeles, California was listed for sale at its appraised value of \$320,000;

WHEREAS, the property located at 2535 South Sycamore Avenue, Los Angeles, California will be sold to the highest bidder, David Pourbaba and/or his assignee, for an all cash offer of \$320,000;

WHEREAS, the property at 2520 Alsace Avenue, Los Angeles, California was listed for sale at its appraised value of \$450,000;

WHEREAS, the property located at 2520 Alsace Avenue, Los Angeles, California will be sold to the highest bidder, William O'Neil and/or his assignee, for an all-cash offer of \$450,000; and

WHEREAS, purchase and sales agreements 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 2535 South Sycamore Avenue, Los Angeles, California and 2520 Alsace Avenue, Los Angeles, California 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 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 2535 South Sycamore Avenue, Los Angeles, California be sold to David Pourbaba and/or his assignee, and 2520 Alsace Avenue, Los Angeles, California be sold to William O'Neil and/or his assignee, both of whom were selected through a competitive process, for the respective purchase prices of \$320,000 and \$450,000.

The sale is 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: 2535 South Sycamore Avenue, Los Angeles, California
APN: 5049-016-906

Legal Description:

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

LOT 187 OF TRACT NUMBER 1566, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 20 PAGE 106 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Location: 2520 Alsace Avenue, Los Angeles, California
APN: 5049-016-907

Legal Description:

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

LOT 238 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 2535 South Sycamore Avenue, Los Angeles, California, as described in Section 1 of this ordinance, to David Pourbaba and/or his assignee, and 2520 Alsace Avenue, Los Angeles, California, as described in Section 1 of this ordinance, to William O'Neil and/or his assignee, 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, Interim 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 6.26.14 _____

File No. _____