

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the acquisition of the Ocean Queen Building located at 1300 East First Street from the former Community Redevelopment Agency of Los Angeles (CRA/LA) and subsequent sale of said property to Self-Help Graphics and Art, Inc. (Self-Help Graphics).

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. REQUEST that the Mayor exercise the Option by and between the City of Los Angeles and the CRA/LA, a Designated Local Authority and successor in interest to the former City of Los Angeles Redevelopment Agency (CRA/LA-DLA) to acquire the three parcels located at 1300 E. First Street, Los Angeles, CA 90033 (APN Nos. 5172-008-900, 5172-008-901, and 5172-008-902), a 20,564-square-foot property improved with a 10,400-square-foot industrial building and a surface parking lot, also known as Asset ID No. 325, the Ocean Queen Building (Contract No. C-125172 dated January 8, 2015), upon approval of the CRA/LA-DLA Governing Board, Oversight Board, and the State Department of Finance.
2. APPROVE the acquisition of the Property from CRA/LA-DLA and the subsequent sale of the Property to Self Help Graphics for the fair market value of \$3,625,000.
3. APPROVE the form and substance of the Purchase and Sale Agreement (PSA) and Grant Deed, substantially consistent with the attached documents contained in the November 16, 2014 Municipal Facilities Committee (MFC) report, attached to the Council file, for the purchase of the Property from CRA/LA-DLA for the Purchase Price; and AUTHORIZE the General Manager, EWDD, to execute said documents as approved as to form by the City Attorney and subject to the approval of the Chief Legislative Analyst (CLA).
4. APPROVE the form and substance of the PSA, Grant Deed, and Covenant Agreement, substantially consistent with the attached documents contained in the November 16, 2014 MFC report, attached to the Council file, for the sale of the Property to Buyer for the Purchase Price and subject to the provision of certain community benefits for ten years and the future development of an economic development project as specified in the Covenant Agreement to be recorded against the Property; and, AUTHORIZE the General Manager of the EWDD to execute the said documents as approved as to form by the City Attorney and subject to the approval of the CLA.
5. REQUEST the City Attorney to prepare and present an Ordinance and report in regard to providing for the sale of the Property to the Buyer as described in the November 16, 2017 Municipal Facilities Committee (MFC) report, attached to the Council file, without notice of sale or advertisement of bids, as justified by the economic benefits that development of the project will generate in the public interest.
6. AUTHORIZE the General Manager, EWDD to proceed to effectuate all escrow and related required actions to complete the transaction if all contingencies are met, upon notice from the Mayor that the purchase of the Property from CRA/LA-DLA has received all required approvals, and deposit all acquisition proceeds into the appropriate escrow accounts, including the deposit of CRA/LA Excess Non-Housing Bond Proceeds in the

amount of \$825,000 from Fund No. 57D as approved under a separate City Council action (Council File No. 14-1174-S30), all to Chicago Title Company to be applied towards the Buyer's purchase of the Property.

7. AUTHORIZE the EWDD to be the implementing department to determine and expend the amount necessary to pay for City's required closing costs and other related costs upon issuance of the good faith estimate from Chicago Title Company.
8. AUTHORIZE the Controller's Office to expend from Fund 100/22, Account No. 3040, Contractual Services, for closing costs and other related costs and transfer to Chicago Title Company upon receipt of appropriate transfer instructions from the EWDD.
9. REQUEST the City Attorney to prepare and present an Ordinance creating an Economic Development Trust Fund for the receipt and disbursements of funds for costs related to economic development transactions.
10. AUTHORIZE the Controller's Office upon adoption of the Economic Development Trust Fund Ordinance referenced above, to:
 - a. Establish a new interest-bearing fund titled, *Economic Development Trust Fund No. XXX*, to be administered by the EWDD to meet obligations of any and all economic development-related transactions such as the CRA/LA Future Development Option Agreements, including but not limited to the deposit of good faith deposits from third parties, payment of consultant costs, and funding of closing costs.
 - b. Establish new accounts within the newly established Economic Development Trust Fund No. XXX and appropriate upon receipt of funds from third parties related to the newly established Economic Development Trust Fund No. XXX and upon presentation of proper documentation by the EWDD.
 - c. Transfer funds previously deposited in the City General Fund No. 100 and in the Miscellaneous Fund No. 45L related to the CRA/LA Option Agreements to the newly established Economic Development Trust Fund No. XXX.
11. AUTHORIZE the General Manager, EWDD, or designee, to prepare Controller instructions and/or make technical corrections or adjustments that may be required and are consistent with this City Council and Mayoral actions, subject to the approval of the City Administrative Officer (CAO); and, REQUEST the Controller and INSTRUCT other relevant City Departments to implement those instructions.

Fiscal Impact Statement: The MFC reports that approval of the recommendations contained in the November 16, 2017 MFC report, attached to the Council file, will have no impact on the General Fund. The acquisition funds include \$825,000 in CRA/LA Excess Bond Proceeds and \$2,800,000 in funds provided by Self Help Graphics.

Community Impact Statement: None submitted.

TIME LIMIT FILE - JANUARY 16, 2018

(LAST DAY FOR COUNCIL ACTION - JANUARY 16, 2018)

Summary:

On November 28, 2017, your Committee considered a November 16, 2017 MFC report relative to the acquisition of the Ocean Queen Building located at 1300 East First Street from the CRA/LA and subsequent sale of said property to Self-Help Graphics. According to the MFC, the former CRA/LA acquired the property in 2009 through a voluntary acquisition from Ocean Seafood, a seafood export/import wholesale processing plant. The acquisition was part of a strategy for a ten-acre district in Boyle Heights near the newly-opened Pico Aliso Gold Line Station to transition properties from low-density industrial uses to commercial, public, and residential uses that are more directly beneficial to and benefited by access to high quality transit service. This strategy was crafted in alignment with the City's Industrial Land Use Study as well as the Boyle Heights Community Plan update. However, the CRA/LA was unable to acquire the adjacent parcels to effectuate transition in the larger area. In 2011, as the CRA/LA faced dissolution, the agency entered into a lease agreement allowing the Buyer to continue to occupy the Property, operate and provide public-serving programs, and complete some necessary remediation and improvements to the Property.

On December 8, 2014, Council requested that the Mayor execute an Option Agreement to purchase the Property from the CRA/LA's successor agency, CRA/LA- DLA. The Option Agreement was executed as of January 8, 2015 (Contract No. C-125172). Through the terms of the Option Agreement, the City has the right to acquire the Property for the appraised fair market value, as well as the right to solicit and sell the Property to a buyer that will use the Property to provide community benefits in alignment with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the Adelante Eastside Project Area in Boyle Heights. As the current tenant of the Property, Self-Help Graphics formally proposed to acquire the Property in September, 2015. The EWDD and the CAO subsequently negotiated the terms of the proposed sale, memorialized in a Term Sheet. In August 25, 2016, the MFC adopted the recommendations of the EWDD and CAO to acquire and subsequently sell the Property directly to SHGA and was subsequently approved by Council on September 21, 2016.

A prior City Council action (Council File No. 14-0425) directed the EWDD with the assistance of CAO, and Council District 14 to develop a Disposition Plan for the Property, including negotiating the terms and conditions of a sale of the Property to the Buyer. The proposed transaction requires a public subsidy of \$825,000 to accomplish significant public benefit as summarized in the Community Benefits section. Given the proposed economic benefits of the transaction, and the value of retaining and facilitating the growth of a Los Angeles non-profit corporation that otherwise will lose its lease and potentially leave Los Angeles, EWDD recommends that a determination of public interest be made and the direct sale of the property for economic development purposes be approved to achieve the valuable public purposes discussed above.

The sale is in conformance with the City Attorney's guidance and the following Los Angeles Administrative Code (LAAC) Provisions governing the direct conveyance of real property, including:

- a. LAAC 7.27 Private Sale: Council "...may determine that the public interest or necessity require the sale, conveyance, or exchange of real property owned by the City or any City department...of any interest in real property without notice of sale or

advertisement of bids. In the event of such determination the City Council may, by ordinance adopted by the vote of at least two-thirds of all its members authorize the execution of such deed...or other instrument as may be necessary to effect such sale..."

- b. LAAC 7.27.2 "Private Sale Procedures for Economic Development Purposes Notwithstanding any other provision of this Code, the EWDD is authorized to convey any interest owned or controlled by the City in any real property below its fair market value, subject to the City Council making a finding that the conveyance at the price with the terms and conditions imposed thereon serves a public purpose."
- c. LAAC 22.1008(c) "Conveyance of City Interests in Real Property EWDD is authorized to convey any interest owned or controlled by the City in real property at its fair re-use value to carry out the public purposes and objectives of this Chapter in accordance with the procedures set forth in Section 7.27.2 of this Code. Any such conveyance shall be made pursuant to one or more agreements requiring the development, use and maintenance of such real property for economic development, and such agreement(s) shall additionally require as a condition precedent to the conveyance that one or more deed restrictions be recorded against the conveyed interest restricting the development and use and require the maintenance of such real property so as to insure that the economic development purpose for which the conveyance was made is fulfilled for such period of time as is determined to be appropriate. The conveyance of any such interest under the terms and conditions stated herein shall not render the real property as 'surplus property' within the meaning of Chapter 1, of Article 4 of the LAAC (commencing with Section 7.21), nor shall it render the real property as "surplus land" within the meaning of Section 54221 of the California Government Code."

After further consideration and having provided an opportunity for public comment, the Committee recommended approval of the recommendations contained in the November 16, 2017 MFC report, as amended, and detailed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE



MEMBER VOTE

PRICE: YES
BUSCAINO: YES
HUIZAR: YES

ARL
11/28/17