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CITY ATTORNEY

REPORT NO. R 17 - 0 0 6 5  
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**REPORT RE:**

**DRAFT ORDINANCE FOR THE SALE OF CITY OWNED PROPERTY  
AT 703 AND 703 ½ WEST 40<sup>TH</sup> PLACE TO CELEBRITY REALTY HOLDINGS  
FOR THE DEVELOPMENT OF A NEW CAR DEALERSHIP**

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

Honorable Members:

Pursuant to the request of the City Council, 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 property located at 703 and 703 ½ West 40<sup>th</sup> Place (also known as 704-706 West Martin Luther King, Jr. Boulevard) to Celebrity Realty Holdings, a California limited liability corporation, for the development of a new car dealership.

Background

This property was previously owned by the former Community Redevelopment Agency of the City of Los Angeles and had been acquired with low- and moderate-income housing funds. In March 2013, the California Department of Finance approved the transfer of former agency housing assets, including 703 and 703 ½ West 40<sup>th</sup> Place, to the City. In May 2014, the former agency transferred the property by quit claim deed to the Housing and Community Investment Department of Los Angeles (HCID). HCID

subsequently determined that the property is too small to develop affordable housing by itself and that adjacent parcels would need to be acquired for a housing project.

In December 2015, HCID and the Economic and Workforce Development Department of the City of Los Angeles (EWDD) executed a Memorandum of Understanding thereby allowing EWDD to facilitate the development of the property for economic development purposes and upon sale of the property to deposit the sales proceeds into HCID's Low and Moderate Income Housing Asset Fund. The sale of the City property will allow Celebrity Retail Holdings, which owns two parcels of land adjacent to the property, to develop the combined properties as a new car dealership. Celebrity Retail Holdings has an agreement with Velocity Motors LLC (dba Honda of Downtown Los Angeles) to move from its current operating location in Los Angeles to the new car dealership location and expand its operations.

#### Property Description and Sales Information

The property is a vacant lot consisting of two parcels of land that total approximately 7,830 square feet. It is zoned R3-1 (Multiple Dwelling Zone) on the southern portion and C2-1 (Commercial) on the northern portion. There is a mixture of commercial and residential use surrounding the property. There are commercial lots to the north and west that are used as parking for the Los Angeles Memorial Coliseum, the Sports Arena, Exposition Park and the USC swim center. The property has been vacant for nearly three decades, but is occasionally used for event parking.

The property was appraised in May 2016, at a value of \$740,000. Celebrity Realty Holdings has agreed to pay the appraised value. Those funds will be deposited into HCID's Low and Moderate Income Housing Asset Fund.

#### Use of the Property

The property will be developed as a new car dealership, including a showroom, sales floor area, service area, parking and office space. Celebrity Realty Holdings' tenant, Velocity Motors, will relocate from its current dealership location and expand its operations. This will result in the retention of living wage jobs and the creation of new living wage jobs and the generation of property tax and other taxes, including utility user taxes, which will assist the City in meeting its economic development goals. Celebrity Retail Holdings has agreed to execute an Agreement Containing Covenants to be recorded against the City property that will require the property be developed and operated as a new car dealership for ten years and that a specified number of living wage jobs be maintained and new living wage jobs created during that period.

The public interest necessitates the sale of 703 and 703 ½ West 40<sup>th</sup> Place to Celebrity Retail Holdings because the use of the property as a new car dealership will generate property taxes and other taxes, will retain a Los Angeles based company and

allow it to expand its operations to retain living wage jobs and create new living wage jobs, will generate one-time funds for the City's Low and Moderate Income Housing Asset Fund and will eliminate the City's costs of maintenance of the property and potential liabilities related to ownership of the property.

California Environmental Quality Act (CEQA)

The Council, at its meeting of November 22, 2016, determined that the project will not have a significant effect on the environment pursuant to the City's Environmental Guidelines and that it is in compliance with the requirements of CEQA through the adoption of a Mitigated Negative Declaration and a Mitigation Monitoring Program.

Council Rule 38 Referral

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to the Chief Legislative Analyst, the City Administrative Officer and the Bureau of Contract Administration for their review and comment.

If you have any questions regarding this matter, please contact Assistant City Attorney Curtis S. Kidder at (213) 978-7736 or Senior Assistant City Attorney Noreen Vincent at (213) 978-7730. They 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:NV:CSK:vw  
Transmittal