

CITY OF LOS ANGELES

CALIFORNIA



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ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

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February 9, 2017

Council File: 15-0565
Council District No: 9
Contact Person:
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Economic Development Committee
Los Angeles City Council
c/o Adam Lid
City Clerk
Room 395, City Hall

COMMITTEE TRANSMITTAL: AMENDMENT TO THE PREVIOUSLY APPROVED TERM SHEET FOR THE DIRECT SALE OF CITY-OWNED PROPERTY LOCATED AT 703 AND 703 ½ WEST 40th PLACE ALSO KNOWN AS 704-706 WEST MARTIN LUTHER KING JR. BOULEVARD TO CELEBRITY REALTY HOLDINGS, LLC

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that the Mayor and City Council:

1. APPROVE the amended Term Sheet as detailed in this transmittal; and
2. AUTHORIZE the execution of the Grant Deed and Covenant Agreement based on the amended term sheet.

SUMMARY

On June 15, 2016, the Mayor and the City Council authorized the EWDD to execute the Purchase and Sale Agreement for the property located at 703 and 703 ½ West 40th Place also known as 704-706 West Martin Luther King Jr. Boulevard to Celebrity Realty Holdings, LLC (C.F. 15-0565).

BACKGROUND

On January 30, 2017, Celebrity Realty Holdings, LLC held discussions with Council Office Nine, the City Attorney, and EWDD regarding the need to clarify and modify the Term Sheet and

necessary transactional documents to effectuate the conveyance of the property to the Developer, as authorized by C.F. 15-0565. The Term Sheet clarifications and modifications are as follows:

- Honda currently employs approximately 160 employees at its current site, of which only 69 qualify as living wage jobs.
- Honda will create and maintain new living wage jobs at the new dealership site that, in the aggregate, will constitute 50 "job years" in any 5 of the first 10 years of operation (a job year is the creation of one new job for one year, Honda will be required to create and maintain at least 10 jobs for 5 years).
- If the dealership fails to produce the required jobs, the Developer (Celebrity Realty Holdings, LLC) will be subject to the imposition of liquidated damages.
- The transfer of the property to a new dealership entity is a permitted transfer if the new entity is approved by the automobile manufacturer and agrees to be bound by the terms of the covenant agreement.



JAN PERRY
General Manager

JP: SH

Attachment: Amended Term Sheet

AMENDED PURCHASE – TERMS AND CONDITIONS

February 6, 2017

This non-binding Terms and Conditions Sheet provides an outline of the terms and conditions under which Celebrity Realty Holdings, LLC, a California limited liability corporation (the “Developer”), or another entity managed by Developer or any affiliate of Developer (collectively, the “Buyer”) is willing to purchase from City of Los Angeles (the “City”) the real property located at 703 - 703 ½ West 40th Place also known as 704-706 West Martin Luther King Jr. Boulevard, Los Angeles, CA 90037 bearing APN 5019-025-911 and APN 5019-025-912, respectively (the “Property”).

The Buyer and Seller acknowledge that entering into this non-binding term sheet does not obligate the City to approve any project for development on the Property and that any decision by the City to approve, approve as modified or disapprove a project proposal by the Buyer will be subject to the City’s sole and absolute discretion after review and certification of the appropriate environmental documents, pursuant to the California Environmental Quality Act (“CEQA”) and all other applicable laws, rules and regulations.

With the understanding that all parameters or principles concerning the purchase terms set forth in this term sheet are conceptual guidelines only; and that the final components may only be approved by the City Council with approval by the Mayor, it is the present intent of Buyer and Seller (the “Parties”) to incorporate the following general terms of this term sheet into a Purchase and Sale Agreement (PSA).

Property: 703 - 703 ½ West 40th Place/704-706 West Martin Luther King Jr. Boulevard, Los Angeles, CA 90037

Buyer: Celebrity Realty Holdings, LLC (CRH)

Seller: City of Los Angeles

Applicable Law: The Parties acknowledge that title to the Property was transferred to the City by the successor to the City’s former redevelopment agency as an affordable housing asset. As such, disposition and use of the Property, including the proceeds of the sale, must be made in accordance with the California community redevelopment law, including, without limitation, the appraisal, notice and hearing requirements set forth in the California Health and Safety Code Section 33433. The Parties further acknowledge that the Property has not been declared as surplus and is not being disposed of pursuant to the State of California’s surplus property law (Government Code Sections 54220-54232) because the City has

preliminarily determined, subject to final determination by the City Council, that the use of the Property promotes economic development in the City and serves one or more public purposes. As such the conveyance of any interest in the Property to Buyer is subject to the requirements of Los Angeles Administrative Code Section 22.1008(c) which authorizes the City to convey an interest in real property without going through surplus property procedures and which reads in pertinent part as follows "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 requiring the maintenance of such real property so as to ensure that the economic development purpose for which the conveyance was made is fulfilled for ten (10) years. 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 Los Angeles Administrative Code (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."

Purchase Price: Fair Market Value as determined by MAI licensed appraiser of the City's choice or Housing and Community Investment Department (HCID) review and acceptance of an appraisal report prepared by the Buyer. Appraisal will be conducted prior to the City Council and Mayor approving the sale of the property to Buyer and no more than six months prior to the Close of Escrow. If escrow is not opened within four months of the appraisal date, the City retains the right to obtain an updated appraisal and adjust the Fair Market Value, accordingly. Buyer shall have the right, at Buyer's sole and absolute discretion, to terminate the transaction and receive all escrowed monies if the Fair Market Value, at Buyer's sole and absolute discretion, is unacceptable.

Purpose/Project: The purpose of this term sheet is to promote economic development in the City by providing for the disposition and development of the Property for the construction and operation of a New Car Dealership, as defined below. This term sheet is entered into solely for the purpose of Buyer developing the Property as well as other parcels (APN 5019-025-026, 5019-025-024, and 5019-025-023) not owned by the Seller as a branded New Car Dealership.

Terms of**Conveyance:**

Any conveyance shall be made on an "as is" basis. Buyer shall be responsible for development of the Project at its sole cost and expense within the time frame set forth in a schedule or performance and scope of development to be approved by the City, which approval shall not be unreasonably withheld by the City. Buyer shall indemnify and defend the City from any claim arising from the conveyance of the Property to the Buyer and/or the development or operation of the Project. In the event that Buyer fails to develop the Project on the Property, subject to Force Majeure, the Buyer shall owe the City liquidated damages (amount to be negotiated) as payment in full for failure to comply with the foregoing covenant.

Escrow Period:

Commencing on full execution of Purchase and Sale Agreement, escrow period should be for sixty (60) days or sooner with a 45-day due diligence period, to be extended up to two thirty (30) day periods upon mutual written agreement. Escrow can close following the City Council and the Mayor's approval of the Property disposition, City's approval of all entitlements required to develop a New Car Dealership on the Property, and the City's certification of a CEQA document, including the expiration of all applicable appeal periods and statute of limitations to challenge the project approvals or the CEQA analysis.

Escrow Deposit:

Within ten (10) days of mutual execution of the PSA, Buyer will deposit earnest money in the amount of \$20,000 in an escrow account at a title company to be selected by Buyer. The earnest money will be nonrefundable (except in the event of a default by the City or, pursuant to the terms of the PSA, when the Buyer is permitted to cancel for specific reasons, including, without limitation, environmental issue, title issue, due diligence issue, etc.) Other than for the refundable reasons set forth above, the earnest money deposit will be released only upon expressed written instructions of the Buyer after all contingencies have been met or waived and applied towards the Purchase Price, subject to Buyer's discretionary approval of customary due diligence of the Property, including its satisfaction with (i) City's approval of all entitlements for development of the Project, (ii) Phase I, and if necessary Phase II, Environmental Assessment Report(s), and (iii) Geology Report regarding condition of the soils.

Development:

Development will include improving upon approximately 42,638 square feet of vacant land of which the City owns and seeks to sell to Buyer approximately 7,837 square feet as its contribution

towards the Project. Improvements include the construction of a showroom and sales floor area, service area, office space and other improvement necessary for a full service New Car Dealership (the "Project"). For purposes hereof, the term "New Car Dealership" shall mean a car dealership that sells new or used cars at the retail level, based on a dealership contract with an automaker or its sales subsidiary, and it employs automobile salespeople to sell its automotive vehicles. Development of the Project shall be completed, as evidenced by the City's issuance of a Temporary Certificate of Occupancy (COO), within twelve (12) months from the City's final approval of all required entitlements necessary to develop the Project on the Property, subject to reasonable extension of Project completion period by the City, delays caused by the City, and Force Majeure.

**Covenant
Provisions:**

As a condition of the City conveying the Property to Buyer, Buyer (and for all purposes hereof, references to "Buyer" include Buyer's affiliated tenant of the property who will actually be the automotive dealer) must utilize the Property as a New Car Dealership or other comparable new car dealership with associated improvements for a period of not less than 10 years.

Buyer shall additionally create and retain not less than 50 Living Wage Jobs onsite (including the contiguous parcels that are integrated into the business conducted onsite referred to herein as "Onsite") within the first ten years (subject to extension due to Force Majeure) after a Certificate of Occupancy has been issued for an aggregate total of 50 Job Years (as defined below) ("Job Creation Requirement"); enter into a Cooperation Agreement with Los Angeles Trade Technical College Automotive and Related Technology training program to identify prospective mechanics, as needed, and make opportunities for hire and training available for the 1st ten (10) years of the covenant; enter into a Memorandum of Understanding (MOU) with the City's local WorkSource Center to post all available positions as part of their normal recruitment process for the 1st five (5) years of the covenant. For purposes of meeting the Job Creation Requirement, Buyer will be deemed to satisfy such requirement if during any five years of the first ten years (which need not be consecutive years), the number of Living Wage Jobs aggregates to a minimum of 50. The Property cannot be sold or otherwise transferred to a third party during the term of development with certificate of occupancy without the City's consent, which consent the City shall not unreasonable withhold, condition or delay. Buyer agrees for a period of ten (10) years that

it will not make or create or suffer to be made or created, any transfer, either voluntarily or by operation of law, without the prior written approval of City, which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, the transfer of the property to a new dealership entity is a permitted transfer if the new entity is approved by the automobile manufacturer and agrees to be bound by the terms of the covenant agreement.

Honda currently employs approximately 160 employees at its current site, of which only 69 qualify as living wage jobs, and Honda will create and maintain new living wage jobs at the new dealership site that, in the aggregate, will constitute 50 job years in any 5 of the first 10 years of operation. A job year is the creation of one new job for one year. Honda will be required to create and maintain at least 10 jobs for 5 years. If the dealership fails to produce the required jobs, CRH will be subject to the imposition of liquidated damages.

Notwithstanding the aforementioned, a transfer creating a Security Finance Interest for construction of the improvements, transfer directly resulting from the foreclosure of a permitted Security Financing Interest or the granting of a deed in lieu of foreclosure on such a permitted Security Financing Interest or the leasing of space by Buyer to a third party in furtherance of the project shall be permitted.