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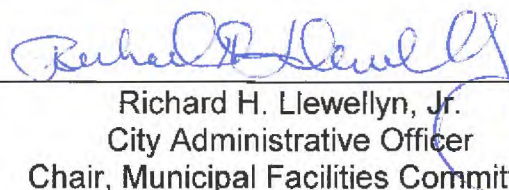
T R A N S M I T T A L

TO Council	DATE 03-29-19	COUNCIL FILE NO.
FROM Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting held on March 28, 2019, the Municipal Facilities Committee adopted the recommendations of the attached General Services Department (GSD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize GSD to negotiate and execute a purchase and sale agreement and related documents for the acquisition of property located at the northern portions of 1925 North Marianna Avenue (APNs 5223-002-007 & 5223-002-015).

The Bureau of Engineering (BOE) has prepared a Notice of Exemption dated March 14, 2019, for the acquisition of this site with interim uses limited to storage and parking of vehicles and modular trailers, which is exempt from CEQA requirements. Our Office will provide recommendations in the upcoming fiscal year to designate permanent uses for the site to include co-location of various yards and shops operations, once the results are available for a Yards and Shops Master Plan Study for the Civic Center region that BOE is in process of implementing. BOE has advised that additional CEQA review would be needed to evaluate the proposed permanent uses of the site.

There is no additional impact on the General Fund as MICLA funds previously budgeted for this purpose are available to fully fund the acquisition and associated costs.


Richard H. Lewellyn, Jr.
City Administrative Officer
Chair, Municipal Facilities Committee

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ERIC GARCETTI
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

March 28, 2019

Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Attention: Leyla Campos, Legislative Assistant

**REQUEST AUTHORIZATION TO NEGOTIATE AND
PURCHASE THE NORTHERN PORTIONS OF 1925 NORTH
MARIANNA AVENUE FOR VARIOUS CITY DEPARTMENTS**

The Department of General Services (GSD) requests authorization to negotiate and execute a Purchase and Sale Agreement (PSA) and related documents for the acquisition of property located at the northern portions of 1925 North Marianna Avenue, Los Angeles, CA 90032, APN: 5223-002-007 and 5223-002-015, for various City departments

The Office of the City Administrative Officer (CAO) is currently working on a comprehensive redevelopment planned study on yards and shops needed for various City Departments (Master Plan Study). A possible interim use of this property would be storage of vehicles and modular trailers by City department operators of yards and shops facilities.

At the request of CAO and GSD, the Bureau of Engineering (BOE) prepared CEQA documentation required to purchase the above referenced property. The City has just purchased the southern portions of these properties from this seller. However, the seller has other interested buyers, so time is of the essence.

This property comprises an area of approximately 161,608 square feet or 3.71 acres of vacant land. Once acquired, the property may be graded, paved and fenced for use by a City yards and shops operator(s) for storage of vehicles and modular trailers.



The purchase price of the property is \$12,500,000. Supporting comparable information is attached. MICLA funds will be allocated in this fiscal year's 2018-19 budget for this purpose.

BACKGROUND

There are 133 yards and shops facilities operated by eight City departments that include (facilities vary in size and are operated by a single or multiple, co-located departments):

- Bureau of Sanitation (BOS)
- Bureau of Street Lighting (BSL)
- Bureau of Street Services (BSS)
- Department of General Services (GSD)
- Department of Transportation (DOT)
- Los Angeles Fire Department (LAFD)
- Recreation and Parks (RAP)
- Los Angeles Police Department (LAPD)

The City has an urgent need to expand its yard and shop facilities in order to provide critical infrastructure in support of the delivery of services and now has the opportunity to acquire the northern portion of the properties for this purpose. Recently, the City purchased the southern portions of these properties for the LAPD's Property Division and Commercial Auto Theft Section (CATS). Future use by various City departments will be determined after completion of the Master Plan Study which is expected to be finished within the next nine months.

ENVIRONMENTAL

The BOE's Environmental Management Group has prepared a Notice of Exemption dated March 14, 2019, for the acquisition of this site with limited use (parking, paving, and fencing). The use of the parcel for vehicle storage and parking of field trailers is exempt from CEQA under Article III (Section 1.d), Class 4, Category (1) of the City's CEQA Guidelines and Article 19, Section 15304 of State CEQA Guidelines. A future CEQA review (potentially an Environmental Impact Report) will be needed to implement the recommendations of the Master Plan Study.

FISCAL IMPACT

The CAO is working on the 3rd Construction Project Report. A total of \$12,500,000 in MICLA funds have been authorized to pay the acquisition cost for this site. As part of the 3rd Construction Project Report, the CAO will request additional \$450,000 in MICLA funds to pay for the environmental review to be allocated to BOE and for all incidental costs associated with this property purchase transaction including, but not limited to, the

title and escrow costs to be allocated to GSD. Therefore, there is no impact to the General Fund.

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. AUTHORIZE GSD with the assistance of the City Attorney, to negotiate, prepare and execute any documents necessary, including but not limited to the purchase and sale agreement, to effectuate the acquisition of the property located at the northern portions of 1925 North Marianna Avenue, Los Angeles, CA 90032, APN: 5223-002-007 and 5223-002-015;
2. APPROVE MICLA funds in the amount of \$12,500,000 for the purchase price and an additional \$450,000 for BOE and all related incidental costs, including but not limited to closing costs, to be utilized for the acquisition of the property;
3. AUTHORIZE the Controller, subject to the availability of funds, to expend funds upon presentation of proper documentation and demand of the General Manager or designee;
4. AUTHORIZE the General Manager, or designee, to prepare Controller instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and AUTHORIZE the Controller to implement these instructions.


Tony M. Royster
General Manager

Attachment

5223 2
SCALE 1" = 150'

2000

GRIDER & HAMILTON'S
FLORAL PARK
M.B. 10-13

I. 15., R. 12 W.

TRACT NO. 23444
M.B. 14-13



12703
FOR NW 1/4
SEC. 30

FOR PREV. ASSNT. SEE: 980-1.2 & 20

12703

MILLER

WORTH

2 in. Art. 10. Grider's Addition
Floral Park

RR

FOR SW 1/4 SEC. 19

LOT E

LOT 1
0.55 ac

Approximately 3.71 Acres

Approximately 2.89 Acres

2000
11-15-05
10-2-06
04025
07026
05007
ASSESSOR'S MAP
12703

ASSESSOR'S MAP

**R. P. LAURAIN
& ASSOCIATES**

INCORPORATED



3353 LINDEN AVENUE, SUITE 200
LONG BEACH, CALIFORNIA 90807
TELEPHONE (562) 426-0477
FACSIMILE (562) 988-2927

RPLA@RPLAURAIN.COM

January 8, 2019

City of Los Angeles
Department of General Services
111 East First Street
Los Angeles, California 90012

Attention: David L. Roberts, SR/WA
Assistant Director

Subject: Supplemental Letter Pertaining to Site Development Costs
Vacant Land Parcel
1925± North Marianna Avenue
Los Angeles, California 90032
North Portion of APNs 5223-002-007 and 015

In accordance with your request and authorization, we have reviewed certain site development costs pertaining to the above-referenced property, as provided by the proposed seller, Ken Jackson of Camfield Partners, dated November 8, 2018, and attached hereto.

As you are aware, the undersigned appraised the vacant land parcel as set forth in our Appraisal Report dated August 29, 2018, and bearing a date of value of August 21, 2018, incorporated herein by reference in its entirety. Said report set forth the fair market value of the underlying land, as if vacant, under certain extraordinary assumptions pertaining to off-site improvements related to the adjacent southerly proposed LAPD "south parcel" site.

The subject property represents the north portion of Assessor Parcel Numbers (APNs) 5223-002-007 and 015, containing 3.71 acres (161,608 square feet); the site is located in the MR1-1 (Restricted Industrial) zone district of the City of Los Angeles. It is understood that the subject property will be subdivided from the south portion of said parcels (which contains 2.89 acres), and will be assigned a new parcel number.

The aforementioned "south parcel" of the subject APNs is proposed for development of a Los Angeles Police Department (LAPD) facility, which will be utilized for evidence storage and vehicle parking purposes. Said LAPD facility is scheduled to be developed and sold, as a build-to-suit, to the City of Los Angeles.

APPRAISERS ANALYSTS

City of Los Angeles
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Assistant Director

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As part of the proposed LAPD build-to-suit on the adjacent south parcel, it is understood that the property owner has completed, or is scheduled to complete, a number of infrastructure improvements, including (1) a new water line along Marianna Avenue, (2) new/upgraded electrical lines, (3) new curbs, gutters, and sidewalks along both Marianna Avenue and Worth Street, (4) removal of numerous mature trees along Marianna Avenue, (5) rough grading of both the south parcel (LAPD site) and north parcel (subject property), (6) a retaining wall between the two sites (north and south parcels), and (7) a fire lane on the subject north parcel, which will serve both parcels.

Per the attached letter provided by Mr. Jackson, however, it is understood that the allocated costs for the subject "north parcel" are not to be included in the purchase price of the south LAPD site. As such, the additional site development costs which are to be incurred for the subject north parcel should reasonably be reimbursed by any potential buyer. Said development costs to the north parcel are directly related to certain site development costs that would otherwise be incurred by any potential buyer/developer of the subject property (north parcel).

As set forth on the attached letter, the allocation of costs to the subject north parcel are estimated at 55% of the total development costs; the residual balance of 45% of the site development costs is included in the development of the south LAPD parcel which is being acquired by the City of Los Angeles under a separate purchase agreement. It should be clearly understood that the undersigned appraisers were not provided with information pertaining to the acquisition of the south LAPD parcel, nor the development costs thereof. It is understood that applicable CEQA and planning documents for the development of the south parcel are detailed and extensive, and have been approved (or are in the approval process) as part of the sale of the south parcel. As such, the allocation of the site development costs set forth in the attached letter, which would reasonably be paid for by a buyer of the subject vacant land site in the open market, are assumed to be reasonably accurate. In the event the actual or final costs are revised due to changes in the development requirements for the LAPD site, or overall development requirements for both sites, by the City of Los Angeles or other governmental agency, it may also be appropriate to revise the allocated costs associated with the subject north parcel. For the purpose of this Supplemental Letter, the attached site development costs are assumed to reasonably reflect the actual allocated costs applicable to the subject north parcel, as incurred as part of the development of the LAPD south parcel.

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As noted on the attached letter, the allocated site development costs applicable to the subject north parcel are estimated at \$2,054,500. As stated, said costs are assumed to accurately represent approximately 55% of the total site development costs, and the residual balance of 45% is assumed to be incorporated in the build-to-suit sale of the adjacent LAPD south parcel site. This Supplemental letter also assumes the allocated costs are accurately set forth in the costs estimates prepared by Camfield Partners, and there are no redundant costs attributed to each site. For example, based on discussions with Mr. Jackson, it is understood that the power line removal and relocation costs set forth on the attached letter, of \$314,000, pertain to the allocated costs associated to the subject north parcel (i.e. approximately 55% of total). It is assumed that the residual actual balance of power line removal and relocation is attributed/charged to the south LAPD site.

Based on the foregoing, it would be appropriate in an open market transaction to reimburse any costs associated with the development of the site. Note that per information provided by Ken Jackson the allocated costs include contractor's overhead/management, as well as a contingency factor. Said costs, however, do not include any entrepreneurial profit, which is typically realized after the final development and sale of the property (i.e. site development plus applicable building development). As such, it would be appropriate to include an entrepreneurial management/profit factor given that the seller would not otherwise realize any profit from the time, management, and risk associated with attached site development costs.

Entrepreneurial profit can range widely from 10% to 20%, and may be more (or less) depending on inclusion of land appreciation/depreciation, financing/holding costs, and other market factors. In the subject case, an entrepreneurial management/profit factor of 15% is employed, noting that the profit to the residual 45% of said costs (attributed to the south LAPD build to suite site), is assumed to be included in the purchase price in the LAPD south parcel.

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Based on the foregoing, the attached costs of \$2,054,500 should reasonably be adjusted upward 15%. The fair market value of the underlying vacant land parcel, assuming site development costs will be completed by the seller, inclusive of a reasonable entrepreneurial profit of 15%, is as follows:

Fair market value, as if vacant:		\$10,505,000
Allocated site development costs:	\$2,054,500	
Entrepreneurial profit to site costs (15%):	<u>308,175</u>	
Subtotal, site development:		<u>2,362,675</u>
Total, fair market value plus site costs:		\$12,867,675

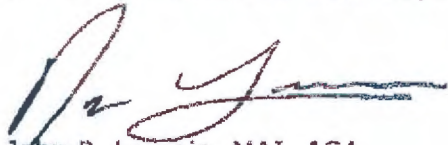
The foregoing estimate of fair market value is as of August 21, 2018, as set forth in the previously submitted Appraisal Report, incorporated herein by reference.

As stated, it should be clearly understood that the foregoing estimates assume that the allocated site development costs are reasonably accurate and that the residual balance of the site development costs, estimated at 45% of the total, are charged separately, without any duplication of costs, to the adjacent south LAPD site, purchased under a separate agreement.

If you have any questions, please do not hesitate to contact the undersigned at your convenience.

Very truly yours,

R. P. LAURAIN & ASSOCIATES, INC.



John P. Laurain, MAI, ASA
President
Certified General Real Estate Appraiser
California Certification No. AG 025754



Benjamin V. Balos, MAI
Senior Appraiser
Certified General Real Estate Appraiser
California Certification No. AG 040853

JPL:BVB:jlr

Attachment

R P LAURAIN
& ASSOCIATES
INCORPORATED

MARKET DATA SUMMARY

Industrial Land Value Indicators:

Data	Sale Date Address	Zoning	Corner/Signal Planned Use	Land Size	Sale Price	\$ Per SF
1	11-17 3301-3345 Medford St., Los Angeles	M2, M3-1	yes/no develop new industrial	431,407 sf 9.904 ac	\$14,400,000	\$33.36
2	4-18 2316 N. San Fernando Rd., Los Angeles	M1-1-CDO-RIO	no/no develop new commercial	71,349 sf 1.638 ac	\$5,650,000	\$79.15
3	4-18 6046 E. Washington Blvd., Commerce	C/M1	no/no industrial storage	52,595 sf 1.207 ac	\$2,500,000	\$47.53
4	6-18 6800 E. Washington Blvd., Commerce	M2	yes/yes develop new industrial	77,544 sf 1.780 ac	\$3,957,500	\$51.04
5	7-18 6170-6172 N. Paramount Blvd., Long Beach	IG, IL	no/no develop new industrial	555,396 sf 12.750 ac	\$33,125,000	\$59.64
6	escrow 13344 S. Main St., Los Angeles	M1-IP, B1-IP	yes/yes develop new industrial	579,390 sf 13.301 ac	\$36,500,000±	\$63.00
7	escrow 4830 Valley Blvd., Los Angeles	MR1-1	no/no develop new industrial	96,336 sf 2.212 ac	\$5,350,000±	\$55.53
SP	8-18 1925 N. Marianna Ave., Los Angeles	MR1-1	no/no develop new industrial	161,608 sf 3.710 ac	\$10,505,000	\$65.00

R. P. LAURAIN
& ASSOCIATES
APPRAISERS - ANALYSTS