

ATTACHMENT A

Section 7.27.2 Resolution

THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO. _____

RESOLUTION OF THE LOS ANGELES CITY COUNCIL MAKING FINDINGS PURSUANT TO CITY ADMINISTRATIVE CODE SECTION 7.27.2 AND AUTHORIZING THE DISPOSITION OF APPROXIMATELY 89,824 SQUARE FEET OF VACANT CITY-OWNED PROPERTY LOCATED ON THE SOUTHEAST CORNER OF 94th STREET AND SOUTH BROADWAY IN SOUTHEAST LOS ANGELES

WHEREAS, the City of Los Angeles proposes to sell approximately 89,824 square feet of vacant City-owned property located at the southeast corner of 94th Street and South Broadway in Southeast Los Angeles (the “Site”) to 94th and Broadway, LLC; and

WHEREAS, the City of Los Angeles received the property as part of a transfer of Housing Assets from the City’s former redevelopment agency and the sale of this property for the purpose of developing a grocery store conforms to all relevant provisions of California Health and Safety Code Section 34176; and

WHEREAS, the Economic and Workforce Development Department (EWDD) is responsible for the acquisition and disposition of property for economic development purposes to support the redevelopment and revitalization of the City; and

WHEREAS, the Site has been vacant for over two decades and the development of the property into a 25,000 square foot full-service grocery store will provide fresh food and amenities in an area considered a “Food Desert” as well as revitalize a vacant blighted property, improve the overall economic vitality of the area and create new jobs; and

WHEREAS, the EWDD would enter into a Purchase and Sale Agreement with 94th and Broadway, LLC and a covenant requiring conformance to all applied City and Federal policies and regulations as well as all community and economic public benefits enumerated in the Council Transmittal; and

WHEREAS, the EWDD has placed on file with the City Clerk a copy of the summary of economic subsidy and community benefit called for in Health and Safety Code Section 53083 as well as published the summary on its website where it is available for public inspection and copying pursuant to Health and Safety Code Section 53083. The Section 53083 Summary is incorporated in this Resolution by reference; and

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WHEREAS, the City Council has conducted a duly noticed public hearing to consider the proposed disposition of the property for the purpose of receiving the input and comments of the public on the sale;

WHEREAS, by transmittal accompanying this Resolution and incorporated into this Resolution by reference, the Los Angeles City Council has been provided the terms of the sale and additional information upon which the findings and actions set forth in this Resolution are based.

NOW THEREFORE, BE IT RESOLVED by the Los Angeles City Council pursuant to Administrative Code Section 7.27.2 as follows:

1. The consideration to be paid by the 94th and Broadway, LLC is not less than its fair reuse value for the Site determined with the covenants and conditions imposed by and development costs authorized by the Purchase and Sale Agreement. This finding is based on the facts and analysis set forth in the EWDD Transmittal and the Section 53083 Summary accompanying this Resolution.
2. The disposition of the Site to 94th and Broadway, LLC pursuant to the Purchase and Sale Agreement serves a public purpose and economic benefit as it will assist in the alleviation of blight through the development of a long-standing vacant property; provide needed goods and services to an underserved community; offer at least 70 new living wage jobs with local hire provisions; and provide free transportation through its van service to neighboring residences to improve ease of access. This finding is based on the facts and analysis set forth in the EWDD Transmittal and the Section 53083 Summary accompanying this Resolution.
3. By adoption of this Resolution by majority vote, the Los Angeles City Council does hereby consent to the sale of the Site for the use set forth herein.

ADOPTED: _____

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ORDINANCE NO. _____

An Ordinance authorizing the sale at its fair reuse value of an approximate 2.06 acre parcel of City-owned real property (City Property) to 94th and Broadway, a limited liability company (Buyer) with conditions assuring that City economic development purposes are carried out on this Property.

THE PEOPLE OF THE CITY OF LOS ANGELES DO

ORDAIN AS FOLLOWS:

Section 1. The Los Angeles Administrative Code Section 7.27.2 provides that the Council of the City of Los Angeles may approve the sale (at below its fair market value) of City-owned real property to a private party by the Economic and Workforce Development Department for economic development purposes. Prior to approving such conveyances, however, Section 7.27.2 requires that the Council make five findings with respect to the subject City Property: (1) the fair market value of this Property at its highest and best use is \$ 3,540,000, (2) the Buyer's purchase price for the Property is \$ -0- dollars, (3) the City sales agreement for the Property has conditions requiring economic and public benefit be provided which will be recorded in a covenant on the land, (4) the fair reuse value of the Property with such conditions imposed is - \$129,000, which equates to the purchase price of \$-0- and (5) the sale of the Property will assist in the City's economic development. Accordingly, the Council hereby approves that the City Property be sold to Buyer at the stated fair reuse value with the conditions set forth in the City sales agreement because the Section 7.27.2 requirements are met.

Location and Legal Description of City Property

9402 – 9422 South Broadway, Los Angeles CA 90003. Refer to Exhibit A attached hereto and incorporated herein by this reference.

EXCEPTING AND RESERVING unto the City of Los Angeles all oil, gas, water and mineral rights in the City Property now vested in the City of Los Angeles without, however, the right to use the surface of said Property 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 all covenants, conditions, restrictions, reservations, easements, encroachments, rights and rights-of-way of record or which are apparent from a visual inspection of the City Property, and excepting and reserving to the City of Los Angeles any rights to the fee interest in the streets adjacent to said Property.

AND ALSO SUBJECT TO an "As Is" condition set forth in the above-described City sales agreement under which Buyer has expressly agreed to take the City Property in an "As Is" condition and without any warranty as to fitness for use (general or specific) or condition, and

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that City has no obligation to correct any condition on the City Property whether known or unknown before or after the date of the exchange.

Section 2. The General Manager of the Economic and Workforce Development Department in the name of and on behalf of the City is hereby authorized and directed to execute a Grant Deed to the City Property described in Section 1 of this Ordinance to Buyer (or its nominees or lawful successors in interest), and the City Clerk of the City is hereby authorized and directed to attest thereto and affix the City Seal.

Section 3. The Economic and Workforce Development Department is hereby authorized to open escrow, execute and deliver deeds and ancillary documents, and complete all necessary processes to effect this sale of the City Property to Buyer. As the City sales agreement will require Buyer to pay all escrow, title insurance, and other closing related costs, there is no need to designate a City Fund or Activity Code to pay such expenses.

Section 4. The City Clerk shall certify to the adoption of this Ordinance and cause same to be published in a daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing Ordinance was passed by the City Council of the City of Los Angeles by a majority vote of its members attending its meeting of _____.

APPROVED AS TO FORM AND LEGALITY:

ATTEST:

MICHAEL N. FEUER, City Attorney

HOLLY WOLCOTT, City Clerk

By: _____
Deputy City Attorney

By: _____
Deputy

Date: _____

Date: _____

ERIC GARCETTI, Mayor

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EXHIBIT "A"

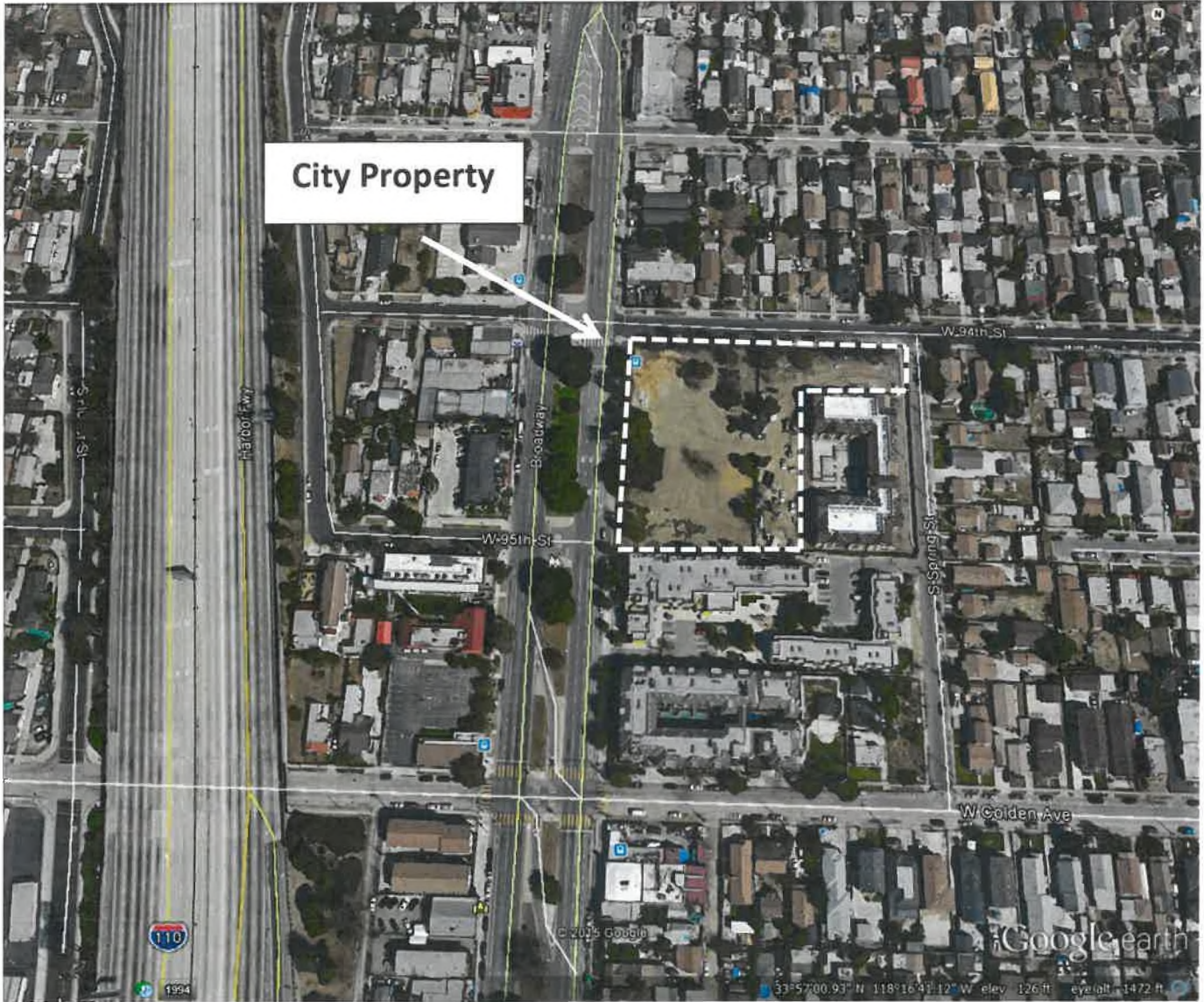
LOTS 1 TO 6, INCLUSIVE, LOTS 11, 12, 13, AND A PORTION OF LOT 7, ALL OF TRACT NO. 5515, AS PER MAP RECORDED IN BOOK 86, PAGES 93 AND 94 OF MAPS, TOGETHER WITH THOSE PORTIONS OF LOTS 15, 16 AND 17 OF TRACT NO. 4540, AS PER MAP RECORDED IN BOOK 45, PAGE 75 OF MAPS, ALL IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID LOT 1; THENCE NORTH 89°46'00" EAST, ALONG THE NORTHERLY LINES OF SAID LOTS 1, 11, 12 AND 13, A DISTANCE OF 255.44 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 13 BEING ALSO THE NORTHWESTERLY CORNER OF SAID LOT 15; THENCE NORTH 89°43'00" EAST, ALONG THE NORTHERLY LINES OF SAID LOTS 15, 16 AND 17, A DISTANCE OF 146.00 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 17; THENCE SOUTH 00°05'00" WEST, ALONG THE EASTERLY LINE OF SAID LOT 17, A DISTANCE OF 71.99 FEET TO THE NORTHERLY LINE OF THE SOUTHERLY 48.08 FEET OF SAID LOTS 15, 16 AND 17; THENCE SOUTH 89°45'00" WEST, ALONG SAID NORTHERLY LINE, 146.00 FEET TO THE EASTERLY LINE OF SAID TRACT NO. 5515, SAID LINE ALSO BEING THE WESTERLY LINE OF SAID TRACT NO. 4540; THENCE SOUTH 00°05'00" WEST, ALONG SAID EASTERLY LINE, 238.34 FEET TO THE NORTHERLY LINE OF THE SOUTHERLY 155.00 FEET OF SAID LOT 7; THENCE SOUTH 89°46'00" WEST, ALONG SAID NORTHERLY LINE, 255.88 FEET TO THE WESTERLY LINE OF SAID TRACT NO. 5515; THENCE NORTH 00°09'53" EAST, ALONG SAID WESTERLY LINE, 310.26 FEET **TO THE POINT OF BEGINNING.**

THE ABOVE DESCRIBED LAND CONTAINS 89,824 SQUARE FEET MORE OR LESS.

ATTACHMENT C

94th AND BROADWAY PROPERTY



ATTACHMENT D

Deal Points for 9402-9422 S. Broadway

- Property:** 9402-9422 S. Broadway, Los Angeles, CA 90003
- Buyer:** 94th and Broadway, LLC or an assignee approvable by EWDD
- Seller:** City of Los Angeles (City)
- Purchase Price:** The Property will be sold for the Fair Reuse Value. The May 2015 Reuse Analysis indicates that the reuse value is negative \$129,000, which equates to a purchase price of \$0.
- City Funds:** The City will contribute \$750,000 of Community Development Block Grant (CDBG) funds.
- Purpose:** Buyer will develop the Property as an approximate 25,000 square foot grocery store with 108 surface parking spaces (Project) for a term of at least ten years.
- Escrow Period:** Commencing on full execution of a Purchase and Sale Agreement (Agreement) drafted by the City, which shall be executed no later than sixty days after Council and Mayoral approval of the transaction. Escrow shall allow for a 45 day due diligence period. Due diligence period may be waived or reduced in length only at the request of the Buyer and may be extended up sixty days by mutual agreement of the Buyer and Seller for purposes of clearing title issues or addressing items that could impact value or cost that are discovered during the due diligence period. If no extensions are granted, escrow shall close within 60 days of opening.
- Other Terms:** The City is selling the property "As Is." Any costs associated with correcting any environmental or geologic issues discovered during Due Diligence or after close of escrow will be borne solely by the Buyer and Buyer will indemnify and hold the City harmless. If Buyer finds during their Due Diligence that the cost of remediation is prohibitive to the Project, or otherwise determine not to proceed, the Buyer may cancel escrow, automatically terminating the Purchase and Sale Agreement without any cost or penalty. Developer will comply with all requirements of City permits and entitlements, including completing any required CEQA mitigation and required off-sites. City will sell land by metes and bounds description. If Buyer desires to have a Parcel Map created, all costs associated will be borne by Buyer.
- Development:** The Project will include an approximate 25,000 square foot grocery store and approximately 108 parking spaces.
- Development shall commence within six months of the Close of Escrow. Commencement of construction shall be defined as but not limited to remediation work, grading or foundation work. The development shall be completed, as evidenced by the City's issuance of a Preliminary Certificate of Occupancy (COO), within thirty-six (36) months from close of escrow. Within thirty-six (36) months from close of escrow, if Buyer cannot show evidence of substantial progress toward completion of the grocery store, the City shall have the Right to Repurchase the Property. All time periods are subject to force majeure. The City can repurchase the property from the Buyer for an amount equal to the outstanding City-approved debt on the Property. The City must approve all debt encumbering the property during the construction term, not to be unreasonably withheld.

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Transfer

Provisions: With the exception of allowable transfers, the property cannot be sold or otherwise transferred to a third party for a term of 10 years without the City's consent, not to be unreasonably withheld.

Covenant: In addition to other provisions listed within the terms above, a Covenant, which will be in full force and effect for a period of not less than twenty-five years after Certificate of Occupancy only for the restrictive use and for a lesser period as set forth in the following paragraphs:

The Project will require payment of prevailing wage for construction of the building shell, on-site and off-site improvements of the initial Project.

It will also stipulate that the grocery store operator will compensate supermarket employees located at the Project site, based on the City's Living Wage Ordinance for five (5) calendar years starting from the issuance of a Certificate of Occupancy.

During the first ten years of the term of the covenant, use of the property shall be limited to a grocery or specialty food service. During Years 10 through 25, the restrictive use will be lifted, however, prohibited uses such as but not limited to liquor stores, gas stations, massage parlors and "sin businesses" will not be allowed on Site. The covenant will also require initiation of an agreement with the local Work Source Center to post all positions for job openings through the center for a period of two weeks prior to any general circulation or in-house posting.

The grocery store will provide at least 70 FTE jobs on site annually for a period of at least five years. The Covenant will require self-reporting from the Buyer on an annual basis regarding employment numbers.

Indemnification: Buyer agrees to indemnify the City and its officials and employees, in order to hold the City harmless from third-party claims and legal actions related to the City's review and approval of the transaction, including environmental review, the City's terms of the agreement, City loan to Buyer, development and use of the Project and Property unless it is found that the City acted grossly negligent or contrary to applicable laws, rules and regulations.

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**SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTIONS 52201 AND 53083
AND CITY OF LOS ANGELES ADMINISTRATIVE CODE SECTION 7.27.2
ON A
PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
94TH & BROADWAY, LLC**

The following Summary Report has been prepared pursuant to California Government Code Sections 52201 and 53083 and City of Los Angeles Administrative Code Section 7.27.2. The report sets forth certain details of the proposed Purchase and Sale Agreement (Agreement) and Operating Covenant (Covenant) between the following parties:

1. The City of Los Angeles (City);
2. 94th & Broadway, LLC, a California limited liability company (Developer)

The Agreement requires the City to sell a 2.03 acre piece of property to facilitate development of a project located at the southeast corner of 94th Street and South Broadway (Site) for the construction and operation of a Numero Uno supermarket. Numero Uno Markets are located in predominantly urban communities in the greater Los Angeles area.

The development will consist of 25,000 square foot full service supermarket with 108 parking spaces (Project). The purpose of this Agreement is to effectuate economic development in the City.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. **Identity of the Developer:** This section provides the name and address of the Developer.
- II. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. **Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided and the costs incurred by the City to implement the Agreement.

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- IV. Estimated Value of the Interests to be Conveyed Determined at the Highest and Best Use:** This section estimates the value of the interests to be conveyed at their highest and best use.
- V. Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development and the other conditions and covenants required by the Agreement.
- VI. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- VII. Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City.
- VIII. Job Creation:** This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. IDENTITY OF DEVELOPER

Information on the Developer is provided below:

Developer

94th & Broadway, LLC
6701 Wilson Avenue
Los Angeles, California 90001

Numero Uno Markets expects to create a single purpose entity tentatively known as 94th & Broadway LLC ("LLC"), a California limited liability company, to ultimately acquire the use of the site, construct the improvements and operate the grocery store project ("Project"). Numero Uno Acquisitions, LLC is expected to be the managing member of 94th & Broadway LLC.

II. SALIENT POINTS OF THE AGREEMENT

A. Project Description

Under the Agreement, the Site will be conveyed to the Developer to construct the following Project:

The proposed Scope of Development includes the following:

1. 25,000 square foot, full-service supermarket

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2. 108 parking spaces

B. Developer Responsibilities

The Agreement requires Developer to accept the following responsibilities:

1. Create a new Parcel Map for the Site
2. Undertake any required remediation of the Site
3. Acquire the Site from the City under the terms of the Purchase and Sale Agreement and the Covenant
4. Comply with all requirements of city permits and entitlements including completing any required CEQA mitigation and required offsite improvements
5. Seek approval of all debt encumbering the property during the construction term
6. Commence construction within six months of the close of escrow
7. Pay prevailing wages for construction activities
8. Operate the store as a Numero Uno Market for a lease term of at least ten years
9. Seek City approval for any transfer of the property during the term of the Covenant
10. During the term of the Covenant the property shall be in use as a grocery store or specialty food service store
11. Maintain the Site in an attractive condition and keep the Site free of trash and debris
12. Adhere to the City's Living Wage Ordinance for a period of five years
13. Provide at least 70 full time equivalent (FTE) jobs on site, annually for a period of five years

C. City Responsibilities

The Agreement imposes the following responsibilities on the City:

1. Prepare the Purchase and Sale Agreement and the Covenant
2. Sell the Site to the Developer at Fair Reuse Value
3. Provide \$750,000 of Community Development Block Grant (CDBG) funding to the Project

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III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT

The City is making an economic incentive payment to Developer to facilitate the development of the Project. The cost to be incurred by the City is to provide \$750,000 of Community Development Block Grant Funding to the Project.

The Site was conveyed to the City at no cost to the City.

IV. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE

An appraisal of the Site was undertaken for the City by Keith Settle & Company, Inc. in February 2015. Keith Settle & Company, Inc. valued the Site at \$40 per square foot of land or approximately \$3,540,000.

V. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. prepared a reuse valuation based upon the covenants, conditions and restrictions associated with the Purchase and Sale Agreement and the Covenant. In a report dated May, 1, 2015, Keyser Marston Associates, Inc. determined that the fair reuse value was a negative \$129,000 to a negative \$402,000.

VI. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED

The City expects to receive a portion of the property tax revenues generated by the Project, sales tax revenues from sales that occur within the store, gross receipts taxes from store sales and utility user taxes. As shown in Table 1, in the first operating year (assumed to be 2017), the City is projected to receive nearly \$20,000 in property tax revenues, \$37,000 in sales tax revenues, \$14,000 in gross receipts taxes and \$20,000 in utility user taxes for a total of \$91,000. Over a 25-year operating period plus a one year construction period, the City is projected to receive a combined total of nearly \$3,780,000 of public tax revenues. This flow of revenues, discounted at 6.0% has a net present value of nearly \$1,817,000.

The revenue benefit is \$1,067,000 greater than the \$750,000 economic incentive provided.

VII. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Site is currently vacant at a major intersection in an area lacking fresh food access and defined by the United States Department of Agriculture as a Food Desert. The construction of the Project by the Developer will energize this location and begin to reverse the social and health impacts associated with these Food Deserts. The Project will further the City's goals of attracting private investment and cultivating goods and services as well as living wage jobs in Southeast Los Angeles. The City, therefore, is entering into the Agreement to achieve more than just the direct impact financial revenues identified above.

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Other important goals and objectives that are satisfied by the Project are:

1. Increased employment through additional jobs created as a result of private sector investment.
2. Potential increase in private investment as a result of the public investment in this catalytic project.
3. Numero Uno Markets tailors its merchandise to the community with an emphasis on fresh produce and meats and a wide variety of packaged targeted to the demographics of the specific community.
4. Numero Uno Markets has banned the sale of cigarettes in its stores and discontinued any public promotion of hard liquor.
5. Numero Uno Markets will host quarterly health fairs at the store in collaboration with health providers, offering free medical services and information.
6. Numero Uno Markets will pay Living Wage to its employees for a period of five years.

In addition to these benefits, the City, the County of Los Angeles, the Los Angeles Unified School District and other taxing agencies will receive increased property tax revenues from the development of the Project. Since the property currently generates no property tax revenues, the increased property taxes exceed the 15% increase threshold required in Government Code 52200.2 (b). Moreover, the Project will create more than 22 full time equivalent permanent jobs, which exceeds the threshold requirement on Government Code 52200.2 (a).

VIII. JOB CREATION

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation:

It is estimated that 25 temporary construction jobs will be created during the six month construction period.

Once the Project is complete, the Numero Uno Markets estimates that 70 full-time permanent jobs will be provided at the Project.