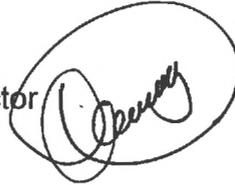


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: January 13, 2017

TO: Honorable Members
Los Angeles City Council

FROM: Enrique C. Zaldivar, Director
LA Sanitation



SUBJECT: DECLARATION OF BUREAU OF SANITATION'S (LASAN) PROPERTY AT 9940 JEFFERSON BOULEVARD IN CULVER CITY AS SURPLUS PROPERTY AND AUTHORIZATION TO ENTER INTO AN AGREEMENT WITH NANTWORKS TO EXCHANGE THIS PROPERTY WITH THEIR PROPERTY AT 6001 JEFFERSON BOULEVARD FOR POSSIBLE DEVELOPMENT OF A MATERIAL RECOVERY FACILITY (MRF) (CF No. 15-1421)

SUMMARY

City Council Motion CF No. 15-1421 (Wesson – Blumenfield) adopted by Council on January 27, 2016, directed LASAN with the assistance and cooperation of the City Administrative Officer (CAO) and GSD to review and evaluate the feasibility of entering into negotiation with the current property owners for the acquisition of property located at 6001 West Jefferson Blvd. for the development of a Material Recovery Facility (MRF) and the best manner to dispose of the LASAN surplus property at 9940 West Jefferson Boulevard including the feasibility of a land swap for the property at 6001 Jefferson Boulevard. Allowing this land swap will open the possibility of sharing an existing waste management between the City of Los Angeles and Culver City and provide an enhanced solid resources service for the LASAN's Western District curbside collection services.

LASAN, in collaboration with GSD, has completed its evaluation and negotiated a tentative agreement with NantWorks. LASAN and NantWorks are interested in exchanging LASAN's property at 9940 Jefferson Blvd. with NantWorks' property at 6001 Jefferson Blvd. According to the terms of the tentative agreement (Transmittal No. 1), NantWorks will sell 6001 Jefferson to LASAN for \$7,500,000 and LASAN will sell 9940 Jefferson to NantWorks for \$17,500,000. The resulting agreement will result in a transfer of properties as well as a cash payment of \$10 million from Nantworks to LASAN. This proposed agreement is subject to review and approval by the City Attorney's Office.

BACKGROUND

LASAN purchased the property at 9940 Jefferson to facilitate the construction of the East Central Interceptor Sewer (ECIS). The project was completed in 2004 and an odor control facility was later constructed on the property to mitigate sewer odors. The property is approximately 209,800 square feet (4.82 acres) (please see attached map) (Transmittal No. 2). However, approximately half of the property at 9940 Jefferson is unavailable for

commercial development due to steep terrain, the existing odor control facility, and blast zones associated with nearby oil pumping operations. LASAN was originally interested in constructing a Material Recovery Facility (MRF) at the site. However, due to the fact that the property has limited access, is located in another City which has ultimate jurisdiction over land use and permitting approvals, and is located in close proximity to numerous proposed mixed-use developments; it would be very time consuming and costly to obtain the necessary entitlements and permits to construct an MRF at that site. As a result, LASAN began investigating alternative sites in the area to construct the MRF.

LASAN became aware of an available site located at 6001 West Jefferson Blvd that could be developed for an MRF. The property is owned by NantWorks, LLC. The property is approximately 57,608 square feet and is located partly in both Culver City and the City of Los Angeles. The property is already zoned for an MRF, and was in fact, previously occupied by an older MRF, which was demolished and cleaned up by NantWorks. After extensive evaluation this site proves to be a suitable site for a possible MRF. In addition, having this site in close proximity to the existing Culver City Transfer Station will facilitate and expand the potential for a joint partnership with Culver City for shared solid waste management that would be mutually beneficial.

On January 27, 2016, the City Council approved a motion (Wesson - Blumenfield) - CF No. 15-1421 (Transmittal 3) instructing LASAN, with the assistance and cooperation of the CAO and GSD, to review the feasibility of purchasing 6001 Jefferson for the development of the MRF, and entering into purchase negotiations with the property owner. The motion also directs LASAN, with the assistance and cooperation of GSD, to report on the best manner to dispose of 9940 Jefferson, including the feasibility of a land swap for 6001 Jefferson.

In July 2016, GSD originally appraised 9940 Jefferson to be between \$2,950,000 and \$13,835,000. The large variation in value was due to uncertainty as to whether West LA College will grant the City an ingress/egress easement over their property to access this property. However, the property values in the area have been escalating, and based on recent comparable sales in the area, the value of this property was later estimated by GSD to be approximately \$20 million. A Limited Phase II Subsurface Investigation and soil vapor survey conducted in June 2016 by BA Environmental for NantWorks estimated that contamination cleanup for 9940 Jefferson could cost as much as \$3 million, depending on the extent of the contamination. GSD estimates that \$2,500,000 is an accurate cost for the cleanup and accordingly, estimates the fair market value of the property, including cleanup, to be \$17,500,000.

GSD, through certified appraisers, assessed their property at 6001 Jefferson at \$4,926,000. However, since property values in the area have also been escalating, GSD estimates the value at \$7,500,000, based on recent comparable sales in the area. NantWorks, through a certified appraiser, assessed the property at \$11,500,000.00

FINDINGS

Since there is very limited access to LASAN property at 9940 Jefferson Boulevard and the difficulty of developing the property, LASAN recommends that the property at 9940 Jefferson Boulevard in Culver City be declared as surplus property except for the area currently being used as a sewer odor control facility.

Due the close proximity of NantWorks' property at 6001 Jefferson Boulevard to the Culver City Transfer Station at 9925 Jefferson Boulevard and being a previously active MRF, LASAN recommends that it acquire the property at 6001 Jefferson Boulevard LASAN property in exchange for NantWorks' property located at 6001 West Jefferson Boulevard and for an additional cash payment.

Based on the appraisals and review by GSD, and according to the terms of the tentative agreement (Transmittal No. 1), LASAN recommends that NantWorks sell 6001 Jefferson to LASAN for \$7,500,000 and LASAN sell 9940 Jefferson to NantWorks for \$17,500,000. The net resulting agreement will result in a transfer of properties as well as a cash payment of \$10 million from Nantworks to LASAN.

In addition, Nantworks shall have the option to use its best efforts to solicit offers to acquire adjacent properties to 6001 Jefferson and Culver City Transfer Station (9925 Jefferson) for possible expansion of the Culver City Transfer Station without development of new MRF. Upon receipt of offers, Nantworks shall confer with the City, and either accept or make a counter offer. Upon agreement from parties, Nantworks shall acquire the adjacent properties and receive a credit against the \$10M cash payment owed to the City equal to the acquisition purchase price and pay the City the difference (if any).

RECOMMENDATIONS

Based on review and recommendations by LASAN and GSD, It is recommended that the City Council adopt the following recommendations:

- 1- Declare LASAN's property at 9940 Jefferson Boulevard in Culver City as surplus property.
- 2- Direct GSD to proceed with the sale of LASAN property at 9940 Jefferson Boulevard to Nantworks in exchange for Nantworks property at 6001 Jefferson Boulevard and an additional \$10,000,000 to be paid to the City by Nantworks in cash or equivalent properties in the vicinity of the transfer station in Culver City.
- 3- Direct GSD to work with the City Attorney's office to draft and present for Council consideration the corresponding Final Purchase and Sale Agreement.

FISCAL IMPACT STATEMENT

This real estate transaction will result in NantWorks paying the City \$10 million. This money will be deposited in the Sewer Construction and Maintenance Fund.

Report on Property Sale 9940 Jefferson Blvd. CF No. 15-1421

January 13, 2017

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For further information, please contact Ali Poosti of my staff at (323) 342-6228 or Abdul Danishwar at (323) 342-6220.

ECZ:AHH:tn

Enclosures

Letter of Intent & Terms of Agreement

November 2016

Negotiated Land Exchange - 6001 Jefferson Blvd. and 9940 Jefferson Blvd.

The City of Los Angeles' Bureau of Sanitation (LASAN) and NANTWORKS are interested into entering an agreement to exchange LASAN's property at 9940 Jefferson Blvd. in Culver City with NANTWORKS' property at 6001 Jefferson Blvd. and \$10,000,000 in cash paid to the LASAN. This proposed agreement is subject to review and approval by the City Attorney, the Los Angeles City Council and the Mayor.

The following are the terms of the agreement that will be presented for review and approval by the City Attorney, the Los Angeles City Council and the Mayor:

1. NANTWORKS will sell 6001 Jefferson Blvd. to LASAN for \$7,500,000.
2. NANTWORKS will provide total support to the LASAN to facilitate all required Material Recovery Facility (MRF) permitting for the 6001 Jefferson Blvd.
3. NANTWORKS will work with LASAN to secure access to the odor control facility from West LA College's College Blvd. prior to the close of escrow.
4. In the event that access to the Odor Control Facility is not secured from the College Blvd, NANTWORKS will allow access to the Odor Control Facility from Jefferson Blvd.
5. NANTWORKS will provide LASAN permanent easement for the existing odor control scrubber and access road at 9940 Jefferson Blvd prior to close of escrow.
6. LASAN will retain ownership of 17,000 sf on the westerly border of the 9940 Jefferson site to be used for housing existing and future odor scrubber facility(ies).
7. LASAN acknowledges that there are 2 abandoned and 1 active oil wells within or close to the site. LASAN agrees to sell 9940 Jefferson Blvd. to NANTWORKS for \$17,500,000. The price already discounts the property for estimated \$2,500,000 cleanup and remediation cost.
8. NANTWORKS will be responsible for all necessary cleanup and remediation at 9940 Jefferson Blvd.

9. NANTWORKS may also offer other properties adjacent to 6001 Jefferson Blvd. and/or the Culver City Transfer Station at 9255 Jefferson Blvd. as part of this transaction to offset part or all of the \$10,000,000 cash payment to the City of Los Angeles.

LASAN and NANTWORKS agree to these terms of agreement subject review and approval by the City Attorney, the Los Angeles City Council and the Mayor.

Background

9940 Jefferson Blvd.

LASAN purchased the property at 9940 Jefferson Blvd. in Culver City as a construction and tunneling site for the East Central Interceptor Sewer ECIS). The project was completed in 2004. An odor control facility was constructed in the corner of the property to mitigate sewer odors in the area. The 9940 Jefferson property is approximately 209,801 square feet (4.82 acres). Approximately 50 percent of it is not developable due to the 3 oil fields blast zones, steep terrain and existing odor control facility. LASAN was interested in developing the property into a material recovery facility (MRF). However, due to the fact that the property has very limited access, located in another City and has extensive mixed used proposed developments, LASAN determined that it was very difficult to obtain the necessary entitlements and permits to construct an MRF at that site. As the result, LASAN became interested in pursuing an alternative site in the vicinity that could serve the area and allow for the MRF construction. This MRF will also allow for a collaborative partnership with the City of Culver City on use of their transfer station on Jefferson Blvd.

In July 2016 General Services Department (GSD) appraised the property which was later certified put the property value at between \$2,950,000 to \$13,835,000. The variation was based on whether access from West LA College was available and secured. However, the property values in the area have been escalating and based on recent comps in the area, the value of the property was estimated by GSD at \$20 million.

In a June 2016 Limited Phase II subsurface Investigation and soil Vapor survey completed by BA Environmental for NANTWORKS, the estimated remediation costs for 9940 Jefferson Blvd could cost as much as \$3,000,000 depending on the vertical and lateral extent of the on-site contamination. GSD estimates that \$2,500,000 is a fair value for the cleanup.

Accordingly, GSD estimates the fair market value of the property including the cleanup is \$17,500,000

6001 Jefferson Blvd.

NANTWORKS purchased an old MRF at 6001 Jefferson Blvd. The property is in both Culver City and the City of Los Angeles. The property is approximately 41,818 square feet. Demolition and cleanup of the site was conducted by NANTWORKS.

Appraisals by NANTWORKS though certified appraisals put the property value at \$4,926,000. However, the property values in the area have been escalating and based on recent comps in the area, the value of the property was estimated by GSD at \$7,500,000.

MOTION

The Department of Public Works, Bureau of Sanitation (BOS) provides solid resources management services to approximately 750,000 residential customers and several City departments. BOS manages solid resources through recycle, source reduction, and reuse in an environmentally sound manner. The development of solid resources management facilities is critical to maintaining and sustaining a high level service in our communities.

The Western District's curbside collected recyclables are delivered to the Culver City waste transfer station located on 9255 West Jefferson Boulevard and then trans-loaded to a recycling facility in Orange County. The efficiency of the collection operation is optimized by the use of transfer and processing facilities located near the collection routes, so that travel time for the collection trucks to unload and return to their routes is minimized. It is also critical that BOS identify and build supporting infrastructure facilities such as material recovery and waste transfer facilities to be able to maintain and expand this essential City service.

BOS and Culver City have executed service agreements for the use of Culver City's solid waste transfer station by BOS. On October 26, 2012, the Council authorized BOS to finalize the partnership agreement with Culver City (Council File No. 12-0709). Recently, there have been further discussions about creating a partnership to manage the waste generated by both cities by improving Culver City transfer station and identifying additional sites for expanding the partnership infrastructure. These discussions have stalled due to the unavailability of an appropriate site for expansion.

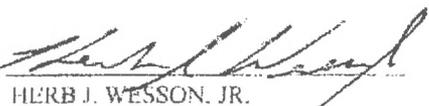
BOS owns a five acre site located at 9940 West Jefferson Boulevard in Culver City. The property was acquired for the construction of the East Central Interceptor Sewer (ECIS) tunnel project using Sewer Construction and Maintenance Funds. An air treatment facility occupies approximately one acre on the southerly portion of the site. The remaining four acres on this site will not be needed by BOS for future operations and may be deemed as surplus property. Additionally, BOS became aware of an available site located at 6001 West Jefferson Boulevard that could be developed for a Material Recovery Facility (MRF).

I THEREFORE MOVE that the Department of Public Works, Bureau of Sanitation (BOS), with the assistance and cooperation of the City Administrative Officer and the Department of General Service, be instructed to review the feasibility of entering into negotiations with current property owners for the acquisition of property located at 6001 West Jefferson Boulevard, for the development of a Material Recovery Facility (MRF).

I FURTHER MOVE that the BOS with the assistance and cooperation of the Department of General Services, be instructed to report on the best manner to dispose of the remaining property located at 9940 West Jefferson Boulevard, including the feasibility of a land swap for property located at 6001 West Jefferson Boulevard.

I FURTHER MOVE that the BOS be instructed to report on the status of shared solid waste management between the City of Los Angeles and Culver City.

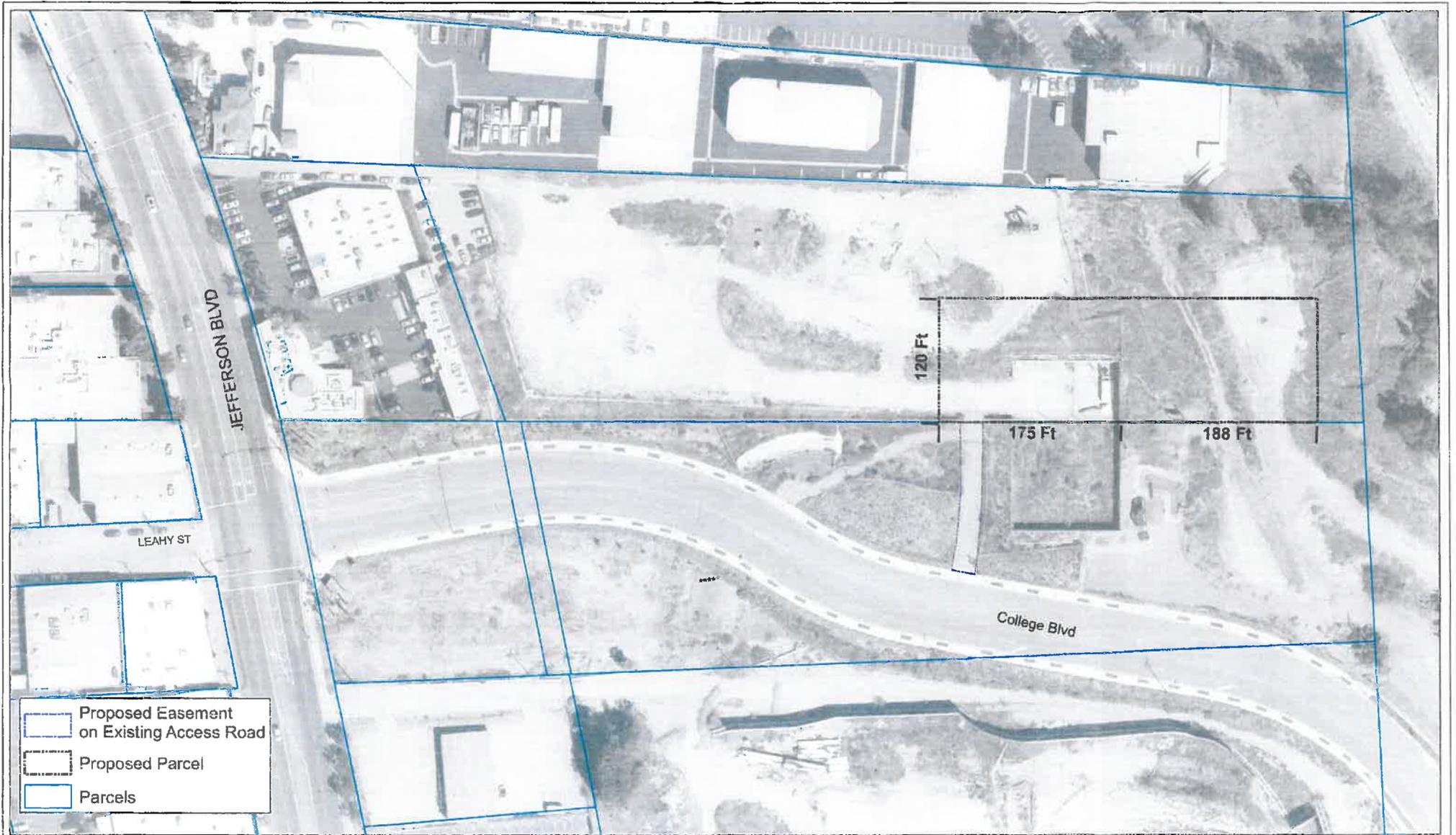
PRESENTED BY:


HERB J. WESSON, JR.
Councilmember, 10th District

SECONDED BY:

dhp





Produced by EBS Group
 Wastewater Engineering Services Division
 Bureau of Sanitation
 City of Los Angeles
 Date: 8/22/2016



9940 Jefferson Blvd ATF Proposed Access Easement

