



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: OCTOBER 6, 2016**

**FROM: CARGO & INDUSTRIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - ORDER APPROVING  
ORDINANCE AND NOTICE OF SALE AUTHORIZING SALE BY ORAL  
BID AUCTION OF SURPLUS LAND LOCATED ON JOHN S. GIBSON  
BOULEVARD**

**SUMMARY:**

Staff requests approval of an Order authorizing the sale by oral bid auction of 13.75 acres of surplus real property located in the Harbor District between John S. Gibson Boulevard and the CA-110 Freeway, and the draft Ordinance and Notice of Sale to be transmitted to the City Council for approval. The property is owned by the City of Los Angeles Harbor Department (Harbor Department) and was previously declared surplus by the Board of Harbor Commissioners on November 10, 2015 (Board Resolution 15-7876).

The surplus real property has no current or foreseeable utility to the Harbor Department beyond the two small parcels currently leased to cellular phone providers for transmission towers. The land does not lend itself to any useful development for the Harbor Department due to its extreme slope and very limited buildable areas, among other reasons. As a result of these limitations, the minimum bid price determined by staff is \$1,218,000.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Section 12 of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Order, draft Ordinance, and Notice of Sale authorizing the sale by oral bid auction of certain surplus real property located in the Harbor District adjacent to John S. Gibson Boulevard and owned by the City of Los Angeles Harbor Department;
3. Approve the minimum bid price of One Million Two Hundred Eighteen Thousand Dollars (\$1,218,000);

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Justification for Disposal – Other than the two small areas for cell towers, which combined are less than a half-acre and approximately a half-acre of level land at the street, the remaining area of the entire 13.75-acre subject property consists of hillside that is unbuildable and unusable for Harbor Department purposes (Transmittal 4). The hillside has up to a 50-degree slope, making it prone to erosion and landslides, especially during heavy rains. Other site issues include: abandoned pipelines on the property, site contamination within the northern portion of the site, possible Caltrans eminent domain related to the Harbor Freeway, and potential contamination migration from the oil refinery area across the I-110 Freeway. In addition, privately-owned ground water monitoring wells exist at the furthest northerly point of the site. The two cell towers are entitled on a month-to-month revocable permit and will be assigned to the successful bidder. The towers are subject to periodic vandalism and subject to frequent graffiti tagging.

In order to ensure that the subject property will meet Harbor Department and Tidelands Trust requirements, and is ultimately used for the furtherance of maritime-related commerce, a covenant in the grant deed would require that the subject property be restricted to State Tidelands uses and that the unbuildable areas be preserved as “open space” for native plant species or habitat areas.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is a request for authorization to sell by auction existing surplus Harbor Department property located at John S. Gibson Boulevard in San Pedro. The property is predominantly vacant with only tenant equipment on a portion of the property. The proposed action does not include any development on said property. Any other eventual use of said property would be subject to separate environmental review by another lead agency in accordance with the CEQA, because said property would be removed from the control and authority of the Harbor Department. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA under Article III, Class 12 of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The auction of the surplus real property will cost an estimated \$5,500 for auction fees and \$500 for auction signage. Due to the uncertainty inherent to the auction sales process, it is impossible to forecast exactly what title insurance and escrow fees will total should the minimum bid be exceeded. Estimated escrow fees and title insurance are \$3,100 and \$2,700, respectively, should the surplus property sell for the minimum bid. The Harbor Department and successful bidder would equally share the costs of title and escrow fees of \$2,900 each. Should the property sell for higher than the minimum bid, closing costs would increase proportionately.

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4. Direct the Board Secretary to transmit the Order, draft Ordinance, and Notice of Sale to the City Council requesting for approval of the sale, pursuant to Division 7 Chapter 1 Article 4 of the City Charter;
5. Adopt Order No. \_\_\_\_\_; and
6. Adopt Resolution No. \_\_\_\_\_.

**BACKGROUND:**

Background – Any real property owned by the Harbor Department that is no longer required for use, can be sold, either whole or in part, under the terms, conditions and procedures prescribed in Division 7 Chapter 1 Article 4 of the Los Angeles Administrative Code (LAAC), Section 7.21 *et seq.* The Board declared the subject property as surplus on November 10, 2015 (Resolution 15-7876).

The sale of City property including Harbor Department property requires that several steps be completed under the aforementioned LAAC sections and Charter Section 385. Although the property is impressed by the Tidelands Trust, it is neither tidelands nor submerged lands. As such, it is salable.

Surplus Property Sale Process – In order to complete the disposition of the surplus property, the Harbor Department is required to follow the processes detailed in the City Administrative Code, as applicable. Subsequent to the action by the Board on November 10, 2015, and in accordance with the City and the State Code, the following steps were completed:

- Title Search and Appraisal
- Solicitation Letters were Mailed to Other City Departments and Outside Government Agencies
- Engineering and Environmental Recommendations for Real Estate Disclosure Statement
- Research Real Property Records of Site
- Survey Property to Determine Accurate and Complete Legal Description
- Determine Minimum Bid Price

Upon the Board's approval of the Order (Transmittal 1) for sale by oral bid auction, the draft Ordinance (Transmittal 2), and proposed Notice of Sale (Transmittal 3), and subsequent City Council approval, staff will advertise the surplus property for auction, conduct the auction, and assuming there is a bid for purchase, complete the sales transaction to transfer ownership of the land "as-is" to the successful bidder in accordance with the draft Ordinance and Notice of Sale.

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Summary of Draft Ordinance and Notice of Sale – The draft Ordinance provides the requirements for the sale of the property that are required by LAAC Section 7.21 *et seq.*, including that the auction shall be by oral bids for the minimum price of \$1,218,000, including but not limited to, the following:

- The draft Ordinance directs the City Clerk to cause the Notice of Sale to be published for three days in a newspaper of general circulation, printed and published in the City.
- The Notice of Sale shall be posted in a prominent and visible location on the property no less than thirty days prior to the sale.
- Any person wishing to be designated as a qualified bidder must place a cashier's check or certified check made payable to the City of Los Angeles in an amount not less than \$10,000 as a guarantee that the successful bidder will purchase and pay for the property, which will be kept as liquidated damages in the event the sale is not completed because of the successful bidder.
- The Board is authorized to confirm the sale to the highest responsible bidder. The Board may reject all bids, or the property may be withdrawn from sale until the confirmation of the sale.
- The successful bidder shall pay for all recording fees, documentary transfer taxes, one-half of all escrow fees, policy of title insurance, messenger service fees, broker's commission, if any, other real estate transaction taxes, fees or application, and personal property taxes where applicable.
- The sale of the property shall except and reserve to the City all oil, gas, water, and mineral rights now vested in the City of Los Angeles without the right to use the surface of the land for any reason or any portion thereof to a depth of 500 feet below the surface, for the extraction of such oil, gas, water, and minerals.
- The proposed Notice of Sale contains the information required by LAAC Section 7.23, including the minimum price which will be accepted for the property, \$1,218,000, and the terms and conditions upon which the property will be sold.
- The Director of Cargo & Industrial Real Estate (Harbor Department) is authorized and empowered to open title and escrow, issue title transfer instructions/escrow, and/or deliver the grant deed and otherwise complete the transaction. The Mayor is authorized to execute the grant deed following the confirmation of the sale.

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Funds in the amount of \$8,900 for auction fees, signage, title insurance and escrow fees are available in the Fiscal Year 2016/2017 Operating Budget in Center No. 0424, Account No. 54250, Program No. 000.

**CITY ATTORNEY:**

The Order, Ordinance, and Notice of Sale have been prepared and approved as to form and legality by the Office of the City Attorney.

**TRANSMITTALS:**

- 1. Order
- 2. Proposed Ordinance
- 3. Proposed Notice of Sale
- 4. Surplus Land Map

JACK C. HEDGE  
Director of Cargo & Industrial Real Estate

FIS Approval: (initials)  
CA Approval: (initials)

MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

For  
EUGENE D. SEROKA  
Executive Director

ES:MD:JH:PA:mnm  
Author: P. Andre  
BL609mnm John S. Gibson Land