



THE PORT
OF LOS ANGELES
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: SEPTEMBER 25, 2018

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS REGARDING THE PURCHASE OF REAL PROPERTY LOCATED AT 115 NORTH AVALON BOULEVARD, WILMINGTON, CA

SUMMARY:

Staff requests approval for the City of Los Angeles Harbor Department (Harbor Department) to purchase privately-owned property (Avalon Property) located within the Wilmington Waterfront Avalon Gateway Project (Wilmington Waterfront Project) boundaries for the purchase price of \$760,000 from the Lucy Jao Trust (Seller). Consisting of 12,360 square feet (s.f.) of land and 5,578 s.f. of improvements, the Avalon Property is required by the Harbor Department to ensure that the optimum contiguous land area is available for the planned design and construction of the Wilmington Waterfront Project.

The Wilmington Waterfront Project is intended to provide waterfront access, recreational activities, and commercial and economic development opportunities to the Wilmington community. Payment of the \$760,000 purchase price as well as associated transaction, remediation and demolition costs is the financial responsibility of the Harbor Department. The total cost of the purchase, fees and remediation costs equal \$849,700.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(i) of the Los Angeles City CEQA Guidelines;
2. Find that the purchase of the property is in the best interest of the Harbor Department as its acquisition removes potential impediments to the design and construction of the Wilmington Waterfront Avalon Gateway Project;
3. Find that the public interest allows for the purchase of the parcel at 115 North Avalon Boulevard, Wilmington to assure the benefit to the community and the completion of the Wilmington Waterfront Avalon Gateway Project;

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4. Approve the Purchase and Sale Agreement and Escrow Instructions with the Lucy Jao Trust for the price of \$760,000. In addition, approve the Harbor Department's expenditure for costs associated with the sale, including all escrow, title insurance fees and any incidental costs associated with the agreement;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Purchase and Sale Agreement and Escrow Instructions, and The Certificate of Acceptance of a Grant Deed from the Lucy Jao Trust;
6. Authorize the release and transfer of Seven Hundred Sixty Thousand Dollars (\$760,000), plus costs, to the Chicago Title and Escrow Account No. 92541-TG3 from the Land and Acquisition Account, Center 1800, Account 13010, for the purchase of said property; and
7. Adopt Resolution No. _____.

DISCUSSION:

Background – The Avalon Property is located at 115 North Avalon Boulevard in Wilmington, CA and within the Wilmington Waterfront Project boundaries. The Avalon Property consists of approximately 12,360 s.f. of land and 5,578 s.f. of improvements (Transmittal No. 1). The Avalon Property is essential to the optimum design and alignment of the planned elements of the Wilmington Waterfront Project.

The Wilmington Waterfront Project was approved by the Board in 2009 to create a community amenity that will connect Wilmington with its waterfront and provide regional linkages, as well as increased economic opportunities in the Wilmington Waterfront area. The Wilmington Waterfront Project will provide a gateway to Wilmington's waterfront at Avalon and Harry Bridges Boulevards, featuring a park, plazas, and parking.

Proposed Property Purchase

- A. Property Appraisal – In September 2017, Epic Land Solutions appraised the Avalon Property's market value to be \$780,000 based on the conditions and utility of the property.
- B. Environmental Sampling – Through its consultant, Leighton Consulting, Inc., the Environmental Management Division conducted a Phase I and Phase II Environmental Site Assessment (ESA) of the Avalon Property. Sampling conducted during the Phase II ESA determined that only two small areas near the southern boundary contained concentrations of lead within the upper one-foot of soil that exceeded hazardous waste screening criteria. Another area within the Avalon Property contained oil range petroleum hydrocarbons above unrestricted use screening criteria and appeared limited in depth and lateral extent.

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The Environmental Management Division estimates that the remediation of the limited surface contaminations is not expected to exceed \$50,000 to meet recreational/residential use standards.

- C. Sale Price – Staff has tentatively agreed to the purchase price of \$760,000 as documented in the Sale and Purchase Agreement and Escrow Instructions (Transmittal No. 2). The purchase is “as-is”, with the Harbor Department paying all Escrow and Title fees except for the Seller’s pro-rata share of Real Estate Taxes.
- D. Capital Funding – On March 24, 2017, the Project Development Committee approved an expenditure to purchase the Avalon Property from allocated funds in the Property Acquisition Account, Center 1800, Account 13010.
- E. Escrow/Title Services – Escrow and title services are being provided by Chicago Title and Insurance Company (Chicago Title). Escrow Number 92541-TG3 has been opened for the purchase transaction. The estimated fees are \$1,700 for American Land Title Association insurance and \$2,500 for escrow fees, which will be paid by the Harbor Department.

Additionally, two expired oil and gas leases will remain recorded against the Avalon Property’s title; however, Chicago Title will indemnify the Harbor Department by an endorsement policy for a one-time fee of \$500.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Purchase and Sale Agreement and Escrow Instructions with the Lucy Jao Trust, which was previously assessed in the Wilmington Waterfront Development Project, which was certified by the Board of Harbor Commissioners on June 18, 2009. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA under Article II Section 2(i) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Payment of the Avalon Property purchase price, relevant transaction costs and any costs associated with pollution remediation as well as the demolition of improvements on the Avalon Property site is the financial responsibility of the Harbor Department. Total costs of \$849,700 associated with this transaction are as follows:

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Cost Description	Category	\$ Amount
Purchase Price	Purchase Price	\$760,000
Escrow Fees	Transaction	\$2,500
Title Insurance	Transaction	\$1,700
Endorsement	Transaction	\$500
Pollution Remediation	Remediation	\$50,000
Demolition Costs	Demolition	\$35,000
Total Cost		\$849,700

Fiscal Year (FY) 2018/2019 funding of \$764,700, inclusive of the \$760,000 purchase price and aggregate transaction costs of \$4,700, is available within the Property Acquisition Account 13010, Center 1800, Program 000. FY 2018/2019 funding of \$85,000, inclusive of \$50,000 in remediation costs and \$35,000 in demolition costs, is available within Center 1000, Project 25377.

CITY ATTORNEY:


The Office of the City Attorney has approved the Sale & Purchase and Escrow Instructions as to form and legality.

TRANSMITTALS:

- 1. Site Map
- 2. Purchase and Sale Agreement and Escrow Instructions


 MICHAEL J. GALVIN
 Director of Waterfront & Commercial Real Estate

FIS Approval: MB
 CA Approval: JML


 MICHAEL DiBERNARDO
 Deputy Executive Director

APPROVED:

 EUGENE D. SEROKA
 Executive Director