



Date: June 19, 2015

To: Patrick H. West, City Manager *P.H. West*

From: Michael P. Conway, Director of Economic and Property Development *MPC*

For: Mayor and Members of the City Council

Subject: **Disposition of Proceeds from the Sale of Former Redevelopment Agency Properties**

On November 11, 2014, Councilmembers Richardson, Gonzalez, Andrews and Austin brought forward agenda item #NB-32 attached hereto as Attachment 1 regarding the Disposition of Former RDA Properties with the following recommendation:

- Respectfully request the City Manager to work with the Director of Economic and Property Development to create a policy to allocate all proceeds from the sale of City-owned properties to fund blight removal, ongoing economic development efforts, revolving loan funds for small business establishment and growth, local incentives for businesses to locate or expand in the City, and key infrastructure investments.

Following the discussion, the City Council voted unanimously to amend the recommendation, as follows:

- Approve the recommendation, as amended, to request the City Manager to allocate up to 25% of the proceeds from the sale of former Redevelopment Agency properties for Citywide priorities.

This communication is intended to respond to the City Council's request to create a policy to allocate proceeds from the sale of both For Sale and Future Development property whereby 75% of the City's share of the proceeds from the sale of former Redevelopment Agency property shall be invested within the geographic area of the related former redevelopment project area, but may include adjoining communities of interest, and the remaining 25% shall be invested into programs with a Citywide impact.

Since the November 11, 2014 City Council meeting, the City's Long Range Property Management Plan (Plan) has been approved by the State Department of Finance. This approval allows the City to immediately begin the disposition process for the For Sale properties listed in the Plan and attached hereto as Attachment 2. These properties have been listed with the City's on-call brokers, including Cushman & Wakefield, Lee & Associates and Coldwell Banker. The listing brokerage firms have been advised that, as required by the Plan, the properties must first be offered to occupants and adjoining landowners. Absent any interest from occupants or adjoining landowners, the properties will be offered to all other interested parties. Additionally, the City is partnering with the National

Development Council and the Grow America Fund, to enable potential buyers to finance the acquisition of these properties with low interest loans. Proceeds from the sale of For Sale properties will be disbursed to the County of Los Angeles for distribution to the various taxing agencies according to the same taxing formula as shown on the tax rolls. It is anticipated that the City will receive approximately 21 percent of the net proceeds.

At this time, estimated gross revenues from the sale of For Sale property is \$11.6M. From this amount, there will be costs of sale that will be approximately 5% of gross revenues. Additionally, there will be a sales commission of 6% of the sale price, and the City will also apply a 5% administrative cost to each sale to recover staff and consultant costs related to the sale of the properties. Estimated net proceeds are \$9.7 million. Of this amount, City proceeds should approximate 21 percent of net proceeds, or \$2.0 million. The following is the breakdown of City revenues by project area:

	Gross Proceeds	Net Proceeds	City Proceeds
• North Project Area	\$3,175,800	\$2,667,672	\$ 560,211
• Central Project Area	\$5,683,513	\$4,774,150	\$1,002,571
• West Project Area	\$1,252,916	\$1,052,449	\$ 221,014
• Downtown Project Area	<u>\$1,525,000</u>	<u>\$1,281,000</u>	<u>\$ 269,011</u>
Totals	\$11,637,229	\$9,775,271	\$2,052,807

In accordance with the Council’s policy direction, City Proceeds will be allocated as follows:

	City Proceeds	75%	25%
• North Project Area	\$ 560,211	\$ 420,158	\$140,052
• Central Project Area	\$1,002,571	\$ 751,928	\$250,642
• West Project Area	\$ 221,014	\$ 165,760	\$ 55,253
• Downtown Project Area	<u>\$ 269,011</u>	<u>\$ 201,758</u>	<u>\$ 67,252</u>
Totals	\$2,052,807	\$1,539,604	\$513,199

City staff will work with the affected City Council districts regarding the 75% of the City’s proceeds that will be invested back into the related redevelopment project areas. Unless otherwise specified by the City Council, these funds will be used for blight removal, maintenance of the properties, ongoing economic development efforts, business incentives, public infrastructure improvements or revolving loans. Examples include additional funding of the Façade Improvement program, targeted business loans, land acquisition, improvements to the public right of way, public parks or public lots. As these

funds are of a non-recurring nature, all related expenses, including maintenance must also be non-recurring.

With regard to the remaining 25% of the City's proceeds that will be invested into programs with a Citywide impact, the City Council discussed a number of programs, including a revolving loan program, waiver of business license fees, reduction of costs for Conditional Use Permits, a façade program, and a small business incentive program.

The City currently manages a revolving loan program for small businesses, has recently initiated an incentive program to waive business license fees, and has a Façade Improvement Program funded through CDBG dollars, which limits its use to CDBG qualified areas. With this in mind, staff's recommendation for use of the 25% for Citywide programs is as follows:

- Citywide branding and marketing, specifically targeting economic development, in concert with existing marketing efforts by the Convention and Visitors Bureau, Downtown Long Beach Associates, and efforts by the City's Business Improvement Districts. Estimated allocation of funds is \$200,000;
- Citywide Economic Strategic Plan to provide broad economic development goals and objectives, and strategies to achieve them. Estimated allocation is \$100,000;
- Start-up costs to implement Open Counter and other technology initiatives. Estimated allocation is \$30,000;
- Broaden the restricted Façade Improvement Program from CDBG areas to a Citywide program. Estimated allocation of funds is \$183,000; and
- Other Citywide uses that are recommended by the Director of Economic and Property Development to fulfill the vision of the Mayor and City Council for Citywide economic development.

Please provide any comments or suggestions to Mike Conway, Director of Economic & Property Development, via telephone at 8-5282, or via email at Michael.Conway@longbeach.gov.

MPC:

Attachments:

Attachment 1 – November 11, 2014 NB-32 Council Agenda Item

Attachment 2 – For Sale Properties