

CITY OF LONG BEACH

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CITY OF LONG BEACH
CITY COUNCIL

September 11, 2001

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Exchange Agreement with California State Lands Commission Regarding
The Queensway Bay Commercial Development Project – Districts 1 & 2

DISCUSSION

This matter is a follow-up to my report to the City Council on August 28, 2001, which provided the background and rationale for concluding a property exchange with the State Lands Commission (SLC) in order to effect the removal of portions of the proposed Queensway Bay retail project from the Tidelands Trust, and designate certain properties along the Los Angeles River as additions to the Tidelands Trust.

The requested action comes at the conclusion of a lengthy negotiating process with SLC staff, in which the terms of the transaction, as to both the identification of the affected properties and their fair market value, were closely analyzed and ultimately agreed upon.

With respect to the land values assigned, the City's appraisal work was conducted under contract by Ronald P. Laurain, ASA, SRPA, an independent local appraiser. Mr. Laurain has been under contract with the City of Long Beach and its Redevelopment Agency since 1973 and has conducted numerous appraisal studies of a broad range of properties. He also provides professional appraisal services for the federal and state governments, as well as for the County of Los Angeles and numerous other municipalities in Southern California.

Mr. Laurain and the SLC staff appraiser have reached agreement on the following values:

Los Angeles River Parcels:

Parcel	Acres	Square Footage	Valuation
1	3.11	135,472 @ 17 psf	\$2,300,000
2	2.1	91,476 @ 17 psf	\$1,555,000
Subtotal			\$3,855,000
Less Access Costs			(\$1,305,000)
Net Value			\$2,550,000
2a	3.28	142,795 @ 6.75 psf	\$ 963,866
3	1.4	60,984 @ 6.75 psf	\$ 411,462
Totals (rounded)	9.89	430,727	\$3,925,000

Queensway Bay Parcels:

Parcel	Land Use	Acres	Square Footage	Valuation
A-1	Large Screen Theater	0.31	13,504 @ 22 psf	\$ 297,088
C-D	Movie Theater	1.85	80,586 @ 22 psf	\$1,772,892
C-1	Day Spa	0.07	3,049 @ 22 psf	\$ 67,078
D-1	Book Store	0.37	16,117 @ 22 psf	\$ 354,574
E	Cost Plus	0.45	19,602 @ 22 psf	\$ 431,244
Totals (rounded)		3.05	132,858	\$2,923,000

(Please refer to attached aerials for parcel locations)

City Council authorization is requested to formalize the agreement prior to the next SLC meeting on September 17, 2001 in Sacramento to consider this proposal, with the following actions:

1. Formally convey title to the affected Queensway Bay parcels to the State. SLC will then immediately re-convey the parcels back to the City free of the Tidelands designation and free of Trust use restrictions.
2. Formally convey the affected Los Angeles River parcels to the State. SLC will then immediately re-convey the parcels back to the City as Tidelands Trust properties. It is noted that the Tidelands designation will fully accommodate all the intended uses of this property, including wetlands restoration, walking/jogging/bicycle trails, and picnic areas; in fact, the detailed planning and

design of the first phase of a wetlands restoration project has been underway for well over six months by the staff of Parks, Recreation and Marine.

Initially, the reconveyance of the Los Angeles River parcels back to the City will be in the form of a 49-year ground lease. However, it is the intention of both SLC and City staffs to secure legislative approval to pass title to these river parcels back to the City with the Tidelands Trust designations.

Developers Diversified Realty (DDR), the developers of the Queensway Bay retail project, has until May of 2002 to close escrow on their development project and to commence construction. Removing doubts that potential lenders and tenants may have about the position of the SLC is expected to encourage the conclusion of additional leases. In addition, these transactions will have the practical effect of protecting the Los Angeles River properties as wetlands and park-related uses.

Following the City Council and the SLC actions authorizing this transaction, the documents will be placed in escrow, with instructions being that the close of escrow is to coincide with DDR's close of escrow on the ground lease, after other conditions precedent have been met.

CONCLUSION

The SLC Staff Report provides the following historic perspective and conclusion: "The Queensway Bay parcels were filled and reclaimed and excluded from the public channels in the 1960s and before as part of a highly beneficial program of harbor development... (including)... (improving navigation, reclamation, flood control and reconfiguration of the shoreline); the Queensway Bay parcels have been rendered useless for commerce; navigation and fisheries; and the Los Angeles River parcels may be used more effectively for Public Trust purposes than the Queensway Bay parcels."

Noting that the City's intended long term uses of the Los Angeles River parcels includes wetlands/open space, regional biking/hiking trails, and educational opportunities for nature study made available at a restored wetlands site, and noting further that the City was already underway with its restoration feasibility study, the SLC Staff Report goes on to list nine agencies and citizen groups currently supporting this very type of multiple use concept for the Los Angeles River that the City proposes.

Finally, while the contemplated transaction is described by the State Lands Commission as a property exchange, what in effect would occur is an "exchange (of) interest in trust lands no longer needed for Public Trust purposes for lands of equal or greater value and to extinguish the public trust interest in the former trust lands."

Thus, when fully implemented, the management of all the involved properties will be under effective City control.

HONORABLE MAYOR AND CITY COUNCIL

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Deputy City Attorney James N. McCabe reviewed this item on August 23, 2001.

FISCAL IMPACT

There is no fiscal impact associated with this item.

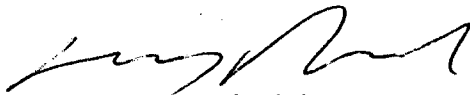
TIMING CONSIDERATIONS

As the SLC is scheduled to meet in Sacramento on September 17, 2001 to discuss approval of the Exchange Agreement, timely City Council action on this item is critical.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute an Exchange Agreement and all documents necessary to convey to the State Lands Commission five Queensway Bay land parcels and immediately receive them back no longer subject to the Tidelands Trust, and to convey to the State Lands Commission four land parcels along the Los Angeles River and immediately receive them back on a forty-nine year lease subject to the Tidelands Trust.

Respectfully submitted,

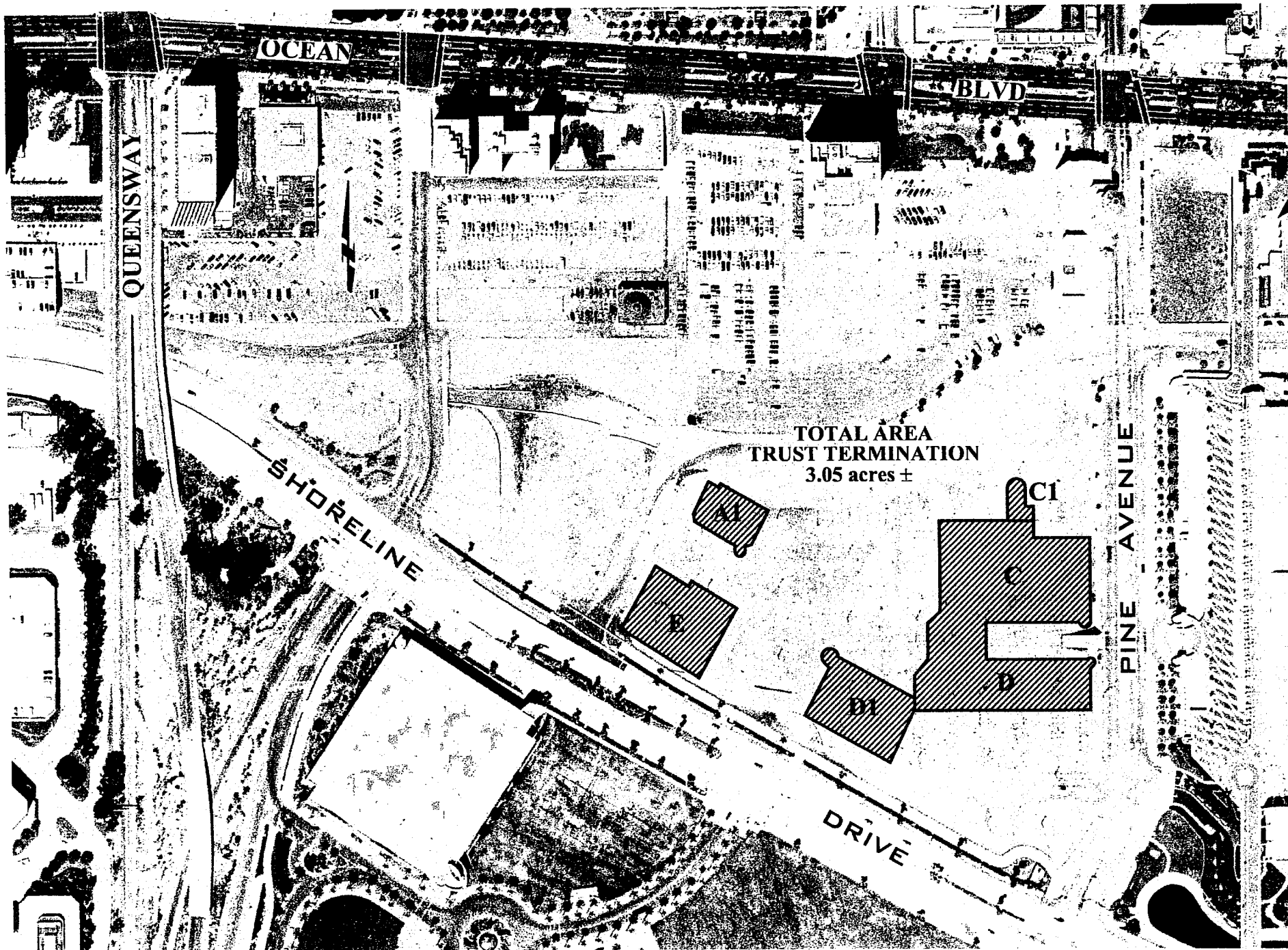


HENRY TABOADA
CITY MANAGER

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Attachments

CALIFORNIA STATE LANDS COMMISSION
TRUST TERMINATION PARCELS



CITY OF LONG BEACH LOS ANGELES RIVER PROJECT

