

**SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTIONS 52201 AND 53083
AND CITY OF LOS ANGELES ADMINISTRATIVE CODE SECTION 7.27.2
ON A
PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
94th & BROADWAY, LLC**

The following Summary Report has been prepared pursuant to California Government Code Sections 52201 and 53083 and City of Los Angeles Administrative Code Section 7.27.2. The report sets forth certain details of the proposed Purchase and Sale Agreement (Agreement) and Operating Covenant (Covenant) between the following parties:

1. The City of Los Angeles (City);
2. 94th & Broadway, LLC, a California limited liability company (Developer)

The Agreement requires the City to sell a 2.03 acre piece of property to facilitate development of a project located at the southeast corner of 94th Street and South Broadway (Site) for the construction and operation of a Numero Uno supermarket. Numero Uno Markets are located in predominantly urban communities in the greater Los Angeles area.

The development will consist of 25,000 square foot full service supermarket with 108 parking spaces (Project). The purpose of this Agreement is to effectuate economic development in the City.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. Identity of the Developer:** This section provides the name and address of the Developer.
- II. Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- III. Economic Incentives Provided and Cost of the Agreement:** This section details the economic incentives provided and the costs incurred by the City to implement the Agreement.

- IV. Estimated Value of the Interests to be Conveyed Determined at the Highest and Best Use:** This section estimates the value of the interests to be conveyed at their highest and best use.
- V. Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development and the other conditions and covenants required by the Agreement.
- VI. Consideration Received and Comparison with the Economic Incentives Provided:** This section describes the financial compensation to be received by the City.
- VII. Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City.
- VIII. Job Creation:** This section describes the number of full-time, part-time and temporary jobs created under the Agreement.

This report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. IDENTITY OF DEVELOPER

Information on the Developer is provided below:

Developer

94th & Broadway, LLC
6701 Wilson Avenue
Los Angeles, California 90001

Numero Uno Markets expects to create a single purpose entity tentatively known as 94th & Broadway LLC (“LLC”), a California limited liability company, to ultimately acquire the use of the site, construct the improvements and operate the grocery store project (“Project”). Numero Uno Acquisitions, LLC is expected to be the managing member of 94th & Broadway LLC.

II. SALIENT POINTS OF THE AGREEMENT

A. Project Description

Under the Agreement, the Site will be conveyed to the Developer to construct the following Project:

The proposed Scope of Development includes the following:

1. 25,000 square foot, full-service supermarket

2. 108 parking spaces

B. Developer Responsibilities

The Agreement requires Developer to accept the following responsibilities:

1. Create a new Parcel Map for the Site
2. Undertake any required remediation of the Site
3. Acquire the Site from the City under the terms of the Purchase and Sale Agreement and the Covenant
4. Comply with all requirements of city permits and entitlements including completing any required CEQA mitigation and required offsite improvements
5. Seek approval of all debt encumbering the property during the construction term
6. Commence construction within six months of the close of escrow
7. Pay prevailing wages for construction activities
8. Operate the store as a Numero Uno Market for a lease term of at least ten years
9. Seek City approval for any transfer of the property during the term of the Covenant
10. During the term of the Covenant the property shall be in use as a grocery store or specialty food service store
11. Maintain the Site in an attractive condition and keep the Site free of trash and debris
12. Adhere to the City's Living Wage Ordinance for a period of five years
13. Provide at least 70 full time equivalent (FTE) jobs on site, annually for a period of five years

C. City Responsibilities

The Agreement imposes the following responsibilities on the City:

1. Prepare the Purchase and Sale Agreement and the Covenant
2. Sell the Site to the Developer at Fair Reuse Value
3. Provide \$750,000 of Community Development Block Grant (CDBG) funding to the Project

III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENT

The City is making an economic incentive payment to Developer to facilitate the development of the Project. The cost to be incurred by the City is to provide \$750,000 of Community Development Block Grant Funding to the Project.

The Site was conveyed to the City at no cost to the City.

IV. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE

An appraisal of the Site was undertaken for the City by Keith Settle & Company, Inc. in February 2015. Keith Settle & Company, Inc. valued the Site at \$40 per square foot of land or approximately \$3,540,000.

V. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

Keyser Marston Associates, Inc. prepared a reuse valuation based upon the covenants, conditions and restrictions associated with the Purchase and Sale Agreement and the Covenant. In a report dated May, 1, 2015, Keyser Marston Associates, Inc. determined that the fair reuse value was a negative \$129,000 to a negative \$402,000.

VI. CONSIDERATION RECEIVED AND COMPARISON WITH THE ECONOMIC INCENTIVES PROVIDED

The City expects to receive a portion of the property tax revenues generated by the Project, sales tax revenues from sales that occur within the store, gross receipts taxes from store sales and utility user taxes. As shown in Table 1, in the first operating year (assumed to be 2017), the City is projected to receive nearly \$20,000 in property tax revenues, \$37,000 in sales tax revenues, \$14,000 in gross receipts taxes and \$20,000 in utility user taxes for a total of \$91,000. Over a 25-year operating period plus a one year construction period, the City is projected to receive a combined total of nearly \$3,780,000 of public tax revenues. This flow of revenues, discounted at 6.0% has a net present value of nearly \$1,817,000.

The revenue benefit is \$1,067,000 greater than the \$750,000 economic incentive provided.

VII. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The Site is currently vacant at a major intersection in an area lacking fresh food access and defined by the United States Department of Agriculture as a Food Desert. The construction of the Project by the Developer will energize this location and begin to reverse the social and health impacts associated with these Food Deserts. The Project will further the City's goals of attracting private investment and cultivating goods and services as well as living wage jobs in Southeast Los Angeles. The City, therefore, is entering into the Agreement to achieve more than just the direct impact financial revenues identified above.

Other important goals and objectives that are satisfied by the Project are:

1. Increased employment through additional jobs created as a result of private sector investment.
2. Potential increase in private investment as a result of the public investment in this catalytic project.
3. Numero Uno Markets tailors its merchandise to the community with an emphasis on fresh produce and meats and a wide variety of packaged targeted to the demographics of the specific community.
4. Numero Uno Markets has banned the sale of cigarettes in its stores and discontinued any public promotion of hard liquor.
5. Numero Uno Markets will host quarterly health fairs at the store in collaboration with health providers, offering free medical services and information.
6. Numero Uno Markets will pay Living Wage to its employees for a period of five years.

In addition to these benefits, the City, the County of Los Angeles, the Los Angeles Unified School District and other taxing agencies will receive increased property tax revenues from the development of the Project. Since the property currently generates no property tax revenues, the increased property taxes exceed the 15% increase threshold required in Government Code 52200.2 (b). Moreover, the Project will create more than 22 full time equivalent permanent jobs, which exceeds the threshold requirement on Government Code 52200.2 (a).

VIII. JOB CREATION

The Project is projected to create the following number of temporary jobs during construction, and full-time and part-time jobs during operation:

It is estimated that 25 temporary construction jobs will be created during the six month construction period.

Once the Project is complete, the Numero Uno Markets estimates that 70 full-time permanent jobs will be provided at the Project.