



Information Item

Date: November 29, 2010

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Subject: 1301-1333 Fourth Street acquisition

Introduction

This Information Item confirms that on November 1, 2010, the Redevelopment Agency of the City of Santa Monica closed escrow on the property located at 1301-1333 Fourth Street.

Discussion

On [May 11, 2010](#), Council authorized the acquisition of 1301-1333 Fourth Street, a 52,500-square foot parcel located in Downtown Santa Monica. The acquisition price was \$42.5 million. The property is located at the southeast corner of Fourth Street and Arizona Avenue. It was purchased through an owner-financed sale, whereby the sellers (Karl E. Schober, Virginia Tegner Spurgin Investment Co. LLC, the Boys' and Girls' Club of Santa Monica, Inc., Shriners Hospitals for Children, Santa Monica Young Men's Christian Association and the YWCA Santa Monica/ Westside) entered into an agreement with the buyer (the Redevelopment Agency of the City of Santa Monica) to be paid in annual installments through calendar year 2042.

The effective interest rate of 6.82 percent is slightly more than the 6.75 percent noted in the [May 11, 2010](#) staff report. The increase in the interest rate resulted from the fact that the first year's payment was pro-rated. The staff report anticipated a closing date of July 1, 2010 with a pro-rated 2010 payment of \$800,000. With an actual closing date of November 1, 2010, the pro-rated 2010 payment was \$265,217. Since each annual payment from 2011 through 2042 remains unchanged, the distribution of principal and

interest associated with each annual payment had to be adjusted, causing the effective interest rate to increase slightly.

The site has two tenants, Chase Bank and Bank of America. Chase Bank has options which allow the lease to be extended through 2022. Bank of America has options which allow the lease to be extended through 2026.

The recently closed acquisition, in combination with adjacent City-owned properties along Fifth Street, south of Arizona Avenue, creates a City/Agency-owned site of nearly three acres. In the coming weeks, staff will seek Council authorization to quickly initiate a participatory planning process to develop a community vision for future use of the property.

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