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EXHIBIT "B"

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding made and entered into this 13 day of June, 1977, by and between HERMOSA BEACH CITY SCHOOL DISTRICT, a city school district of the County of Los Angeles, State of California, hereinafter referred to as the "District," and the CITY OF HERMOSA BEACH, a municipal corporation of the County of Los Angeles, State of California, hereinafter referred to as the "City,"

WITNESSETH:

WHEREAS, Chapter 1 of Division 11 of the Education Code of the State of California, Section 15051 et seq., authorizes and empowers school districts to sell, for less than fair market value, any school site that is deemed to be surplus property of the district, to any district, city, or county in which the school district is wholly or partially situated for use for park or recreational purposes or for open space purposes; and

WHEREAS, the District is the owner and fee simple of certain property known as the Pier Avenue School hereinafter more particularly described in Exhibit "A" attached hereto which property has hereinbefore been found to be surplus property and is not now needed for school classroom purposes or other school related purposes by the District; and

WHEREAS, after a public hearing the Board adopted a Resolution approving of the sale of the school for less than fair market value; and

WHEREAS, the City of Hermosa Beach ("the City"), a municipal corporation in the County of Los Angeles, State of California, desires to purchase said real property for use for parks and recreational purposes or for open space purposes; and

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WHEREAS, the City is the only governmental entity, designated by the Education Code, that has expressed an interest in purchasing said property; and

WHEREAS, the District has complied with all the requirements set forth in Education Code of the State of California, Section 15051 et seq.; and

WHEREAS, it appears it will be in the best interest of the District that said property be sold for the above stated purposes for less than fair market value;

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

ARTICLE 1

Section 1.01 The District does hereby agree to sell and the City does hereby agree to buy the improved real property known as the Pier Avenue School more particularly described in Exhibit "A" attached hereto, subject to the terms and conditions set forth below.

ARTICLE 2

PURCHASE PRICE

Section 2.01 The purchase price shall be the sum of \$650,000 payable by the City as follows:

- a. \$400,000 cash through escrow;
- b. The remaining balance shall be in the form of an encumbrance for \$250,000. Said encumbrance shall be evidenced by a non-interest bearing Promissory Note for this amount secured by a Deed of Trust. The note shall be payable \$25,000 per year or more on or before June 30 of each year subsequent to the close of escrow. The first payment shall be due on or before June 30, 1978 and a like sum on or before June 30 of each succeeding year until the sum has been paid in full.

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ARTICLE 3

ESCROW

Section 3.01 The District and the City will cause an escrow to be opened forthwith. The escrow agent shall be the Bank of America, Hermosa Beach Branch 63. The costs of said escrow shall be shared equally by the City and the District.

Section 3.02 The escrow will embody the following instructions and/or additional instructions as hereafter agreed to by the District and the City in writing. The close of escrow is subject to the fulfillment of those instructions by the City and the District.

a. The City reviewing and approving a preliminary title report furnished by the District and issued by the Title Insurance and Trust Company.

b. The City receiving a grant of funds from the Department of Housing and Urban Development (HUD) in the amount of TWO HUNDRED SEVENTY-FIVE THOUSAND, ONE HUNDRED AND ONE DOLLARS (\$275,101).

c. The District receiving an opinion letter from the City's attorney affirming the fact that the City has the right to purchase the Pier Avenue School; the City has complied with all the laws applicable to the City's acquisition of said property and the City's covenant to defend any lawsuit wherein a person questions the City's right to acquire the Pier Avenue School from the District and hold the District free and harmless therefrom.

d. The City receiving an opinion letter from the District's special counsel, GERALD M. HILBY, or the county counsel affirming the fact that the District has the right to sell the subject property;

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the District has fully complied with all the conditions set forth in the laws applicable to the District selling surplus land; and the District's covenant to defend any lawsuits filed hereafter by one who contests the District's right to sell the subject property and hold the City free and harmless therefrom.

e. As a part of the District's grant of the subject property, the Deed shall contain a provision setting forth the District's right to a reversionary interest in the land as follows:

1. The District shall have the right of reentry to the subject property if the City shall ever rezone the property for purposes other than open space or use for parks and recreational purposes; or

2. The City leases or sells said property to entities whose primary purpose is to engage in proprietary or money making activities.

3. The property is ever used for purposes other than open space or parks and recreational purposes.

f. The escrow agent shall do the necessary prorations or adjustments as are required.

g. The escrow shall close on or before November 1, 1977, or be terminated on that date unless the District and the City expressly agree in writing to extend the escrow beyond this date.

ARTICLE 4

FURTHER AGREEMENTS PURSUANT TO THE MEMORANDUM OF UNDERSTANDING

Section 4.01 The escrow agent is not to be concerned with the concepts hereinafter set forth other than a formal document executed

by the District and the City must be submitted to the escrow agent with a recital in the agreement that it is to be made a part of the escrow and is an integral part of the entire transaction. If this agreement is not submitted to the escrow agent, the escrow agent is instructed not to close the escrow.

Section 4.02 The nature of this memorandum of understanding shall be construed as being analogous to a lease in that a part of the consideration for the District selling the subject property to the City for less than fair market value is the District's right to use the subject property facilities without cost as more particularly set forth below; and, conversely, a part of the consideration the City is giving to the District, is allowing the District use of the facilities at the subject property as more particularly set forth below.

Section 4.03 For a period of ten years after the close of escrow the District shall have the first priority to use the Pier Avenue School facilities rent free subject to the following conditions:

a. The District's use of the school facilities shall be conditioned upon the City and District working out a "notice procedure" wherein the City will have adequate notice of the District's intention to use the facilities.

b. The District shall have the right to use classroom facilities at the subject property when and if the District's pupil enrollment exceeds 1,266 pupils in that after the District shall be entitled to the use of one classroom per 28 children enrolled beyond 1,266 pupils.

c. The District shall be entitled to use certain office and storage space at the Pier Avenue School, the square foot area and location to be agreed upon by the District and the City.

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d. The District shall be responsible and shall pay to the City, the cost of maintenance, utilities and any other normal cost for the facilities such as classrooms, office space, storage, showers and lockers used by the District at the Pier Avenue School.

Section 4.04 After the ten year period, the District shall have the continued right to use the school for the purposes set forth above. However, the City shall have the right to charge a reasonable rental for the use of the school facilities by the District. Said rental shall be in accordance with what comparable facilities, zoned open space, educational or recreational purposes charge for like facilities.

Section 4.05 The District acknowledges that the City may wish to take possession of the Pier Avenue School prior to the close of escrow. The City taking possession is conditional upon the District and the City agreeing in writing to this concept. Such an agreement shall embody but not be limited to the following terms and conditions:

a. The City shall keep and maintain the Pier Avenue School in the condition in which the school property now is, normal wear and tear excepted.

b. The City shall secure at its own expense insurance coverage, covering any kind of exposure the District may be subject to including but not limited to liability, exposure, fire or theft loss, etc. and hold the District free and harmless from any loss or claim.

c. If the escrow referred to herein is not completed, the City shall not be entitled to any reimbursement for any expenditures of any kind whatsoever made by the City in connection with the Pier Avenue School unless the District has approved in writing and

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agrees that any major improvement made, shall be at the District's expense if the escrow is not completed.

Section 4.06 The District and the City recognize there are certain safety hazards for school children caused by vehicular traffic at the intersections of Valley, Ardmore and Pier Avenues in the City and the City agrees to provide adequate safety for the children by either providing crossing guards or traffic control signals for this intersection, for the school children using the Pier Avenue School during school hours.

Section 4.07 If the City does not receive the grant referred to above from the Department of Housing and Urban Development, the City and the District agree to negotiate and explore all possibilities or other alternatives wherein the City may acquire the Pier Avenue School from the District.

Section 4.08 If the City receives the grant from the Department of Housing and Urban Development and the City is permitted under the terms of the grant to use the funds for the purchase of the Pier Avenue School, and thereafter elects to use the funds for some other purpose, the City shall pay to the District, as liquidated damages, forthwith, the sum of twenty four thousand dollars (\$24,000).

Section 4.09 If for any reason the district ceases to exist and becomes a part of another district through consolidation, merger, etc, the successor district shall have and be entitled to all the rights of the district including the reversionary rights hereinbefore set forth; however, the successor district shall not be entitled to use, without a new and separate agreement with the city, the classroom, office, and storage facilities on the same terms and conditions as the district.

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Section 4.10 Each and all of the terms, conditions and agreements contained herein shall in every respect be binding upon and shall inure to the benefit of the respective successors in interest of and

assigns of the _____ list or the City.

Section 4.11 Each and every provision of law and each and every clause required by law to be inserted in this Agreement shall be deemed to be inserted herein and the Agreement shall be read and enforced as though they were included herein; and if for any reason such provisions are not inserted, or are not correctly stated, then upon application of either party this Agreement shall forthwith be physically amended to make such insertion or correction.

IN WITNESS WHEREOF, the HERMOSA BEACH CITY SCHOOL DISTRICT has caused this Memorandum of Understanding to be executed by its Board of Education on this _____ day of _____, 1977.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss

BOARD OF EDUCATION OF THE
HERMOSA BEACH CITY SCHOOL
DISTRICT

Executed before me, the
undersigned, a Notary
Public in and for the
State of California,
this _____ day of

_____, 1977.

WITNESS my hand and
official seal.

IN WITNESS WHEREOF, the CITY OF HERMOSA BEACH has caused this Memorandum of Understanding to be executed by its duly authorized officers on this _____ day of _____, 1977.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss

CITY OF HERMOSA BEACH

Executed before me, the
undersigned, a Notary
Public in and for the
State of California
this _____ day of
_____, 1977

By: _____
Title: _____

By: _____
Title: _____

By: _____
Title: _____

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J.B. MIRASSOU
ATTORNEY AT LAW

January 20, 1978

1611 SOUTH PACIFIC COAST HIGHWAY, SUITE 304
REDONDO BEACH, CALIFORNIA 90277
(213) 540-5201

Honorable Mayor and
Members of the City Council
City of Hermosa Beach.
Hermosa Beach, California

Re: Purchase and Sale of Pier Avenue School

Dear Mayor and Council Members:

This letter is intended to summarize the City's present legal position with reference to the purchase of Pier Avenue School from the Hermosa Beach City School District.

It is the intent of the City to purchase Pier Avenue School with general fund monies and through a grant of monies from the Department of Housing and Urban Development with the purpose of utilizing the property as open space and as areas for public use and enjoyment and to limit the future use of the property to those purposes.

The City has the power and right to purchase Pier Avenue School for these purposes and to so limit the future use of the property pursuant to the powers granted cities by the State legislature. Those powers are set out in Government Code §6950 et seq.

These laws were implemented by the City of Hermosa Beach by submitting the matter to the City Council.

This matter came before the City Council on the 11th day of January, 1977. The City Council adopted Resolution No. 77-4099 authorizing the acquisition of Pier Avenue School.

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Honorable Mayor and
Members of the City Council
January 20, 1978
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In my opinion the proceeding before the City Council met all legal requirements.

I have reviewed the opinion letter of Mr. Gerald Hilby, Esq., Special Counsel for the Hermosa Beach City School District and am satisfied that the School District has the right and power to sell Pier Avenue School to the City.

I have reviewed the Preliminary Title Report issued by Title Insurance and Trust Company and am satisfied that the restrictions and reservations of record will not impair the City's use of the property.

In conjunction with the sale the City is entering into a leasing agreement with the District. In my opinion the City has the power and the right to enter into that leasing agreement. Upon closing the lease will be a valid and subsisting document.

I have reviewed the existing restrictions for the use of the property imposed by the Department of Housing and Urban Development and am satisfied that the City's proposed use of the property and the District's proposed use of the property are consistent with those restrictions.

If in the future the conditions imposed by the Department of Housing and Urban Development are deemed unacceptable to the City and School District or if the District uses the properties in violation of some future restriction imposed by the Department of Housing and Urban Development, then the parties have agreed to cause said sums to be repaid to that Department and each party shall pay one-half of said sums except that the District's obligation shall not exceed a sum in excess of fifty (50%) per cent of the original grant of monies by the Department of Housing and Urban Development.

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Honorable Mayor and
Members of the City Council
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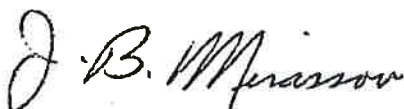
The parties have entered into agreements limiting the future use of the property. This use is limited to parks, recreational, open space, educational, or other community purposes.

This restriction has been embodied in the Grant Deed which will be utilized to transfer the property to the City. I have reviewed that Grant Deed and in my opinion the future use of the property is limited to those purposes. I am relying upon the case of the City of Palos Verdes Estates v. Willet (1946) 75 C.A. 2d 394, 171 P. 2d 26, in rendering this opinion.

I have reviewed and read the agreement for sale and purchase of real property and the exhibits attached thereto and have been present at the meetings between the School District and the City wherein the terms and conditions were negotiated and the agreements were reached and I am satisfied that those documents set forth the agreements made by the parties.

I will submit to you an additional letter upon the closing of the escrow setting forth my opinions concerning the performance of conditions of the escrow and that the escrow closed in accordance with the agreements of the parties.

Respectfully submitted,



J. B. MIRASSOU
City Attorney

JBM:bh

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Adult Book Stores Ordinance No. 77-562 (Continued)

FURTHER ACTION - to adopt Ordinance No. 77-562 entitled: "AN ORDINANCE OF THE CITY OF HERMOSA BEACH, CALIFORNIA, AMENDING SECTION 801 OF ZONING ORDINANCE NO. N.S. 154, AS AMENDED, BY ESTABLISHING REQUIREMENTS FOR A CONDITIONAL USE PERMIT TO OPERATE AN ADULT BOOK STORE."

Motion by Councilman Widman - Seconded by Councilman Schmeltzer

Ayes: Councilpersons Barks, Doerfling, Schmeltzer, Widman, Mayor Tyson

Noes: None

Absent: None

REVISED ALTERNATE "SIGNS" ORDINANCE NO. 77-560 - TERMINATION OF ABATEMENT PERIOD FOR NONCONFORMING NON-ELECTRICAL SIGNS - NOTICE OF VIOLATION. Memorandum from Earl Diller, City Manager, dated June 8, 1977; Memorandum from Laurie Duke, Building Department, dated June 8, 1977.

ACTION - to waive further reading.

Motion by Councilman Widman - Seconded by Councilman Schmeltzer

Ayes: Councilpersons Barks, Doerfling, Schmeltzer, Widman, Mayor Tyson

Noes: None

Absent: None

At this time Council discussion determined that there may be a need for further considerations on the subject ordinance and that it not be introduced until revisions have been made to same.

FURTHER ACTION - to continue this matter to the regular meeting of June 28, 1977 in order for staff to determine safeguard measures that may be necessary to meet requirements.

Motion by Councilman Widman - Seconded by Councilman Schmeltzer
So ordered.

PROPOSED PURCHASE OF PIER AVENUE SCHOOL. Memorandum from Councilman Doerfling, dated June 8, 1977; memorandum from Councilman Schmeltzer, dated June 14, 1977 (submitted as a post agenda item).

DISCUSSION: Mr. Gerald Hilby spokesman for the Hermosa Beach School District addressed Council on the proposed sale of the school and answered questions pertaining to the Memorandum of Understanding between the School District and City; stating that there were areas that would be changed upon mutual agreement. Since there is a time factor involved, it was suggested that the escrow proceedings get underway with the understanding that there would be extensive considerations given to the use of the property.

ACTION - to approve a Memorandum of Understanding subject to review and approval by the City Attorney; and to authorize the staff to open an escrow with the Hermosa Beach School District for the purchase of Pier Avenue School, basically incorporating said Memorandum of Understanding and attached related material with the following contingencies: Agreed rights of use for both parties and reversionary clause.

Motion by Councilman Doerfling - Seconded by Mayor Tyson

Ayes: Councilpersons Doerfling, Schmeltzer, Widman, Mayor Tyson

Noes: Councilman Barks

Absent: None

Award of Bid - City Advertising/Legal Notices (Continued)

At this time Mr. Kewin Cody, Editor, Easy Reader, came forward in opposition to the further action and felt that this approach conflicted with competitive bidding methods.

Mr. C. W. Aydelotte, editor of the Hermosa Beach Review who was present was approached on this matter and asked if he accepted the bid rate for the Hermosa Beach Review. He affirmed the bid rate and accepted all publications subject to bid specifications and conditions.

APPLICATION FOR BUSINESS LICENSE PERMIT TO OPERATE THREE-WHEEL NON-MOTORIZED VENDING BICYCLES FOR SALE OF NOVELTY ICE CREAM. Rodney Carl Sponberg and Kirk Howell, 1054 Monterey Boulevard, applicants. Application filed May 25, 1977; memoranda from Joan Noon, dated June 22, 1977; memorandum from Claude G. Stonier, Chief of Police, dated June 23, 1977; memoranda from J.B. Mirassou, City Attorney, dated June 3, 7, 1977.

DISCUSSION - Kirk Holloway, 1054 Monterey Boulevard, applicant, spoke on this item, outlining the operation and his intention regarding the compliance to the City codes. Heard speaking in opposition to the granting of permit was Bark Mc Neily, owner of "Just Desserts" located on Pier Avenue, as he felt there would be many problems with trash disposal and parking requirements. Also heard speaking on this subject was Barry Anderson, no address given.

PROPOSED ACTION - to approve the granting of subject permit subject to all requirements of the City codes; with a three month review; and that there be immediate revocation of license if there are any violations of the code.

Motion by Councilman Barks - Second by Councilman Widman

Ayes: Councilmen Barks, Widman

Noes: Councilpersons Doerfling, Mayor Tyson

Abstain: Councilman Schmeltzer - possible conflict of interest

Failed - Tie vote - therefore denied.

ESCROW INSTRUCTIONS FOR PURCHASE OF PIER AVENUE SCHOOL. Escrow instructions from Bank of America, dated June 20, 1977; memorandum from City Manager's office, dated June 22, 1977.

ACTION - to approve Escrow Instructions for Escrow No. 63-14258, dated June 22, 1977, covering property known as Pier Avenue School, legally described as: Parcel 1: portion of Lot 1, Block 78, 2nd addition to Hermosa Beach; Parcel 2: Portion of Lot 1, Block 78, 2nd Addition to Hermosa Beach; Parcel 3: Lots 1 to 20, inclusive, Block 79, 2nd Addition to Hermosa Beach; Parcel 4: The Westerly 88 feet of Lot 38, Block 78, 2nd Addition to Hermosa Beach; and Parcel 5: All that portion of Eleventh Place vacated, all more fully described in Exhibit A, attached to said Escrow; and subject to all contingencies described in said attached Exhibit A; to be executed by the City of Hermosa Beach in favor of the Hermosa Beach City School District of Los Angeles County; and to authorize the City Manager and City Clerk to attest on behalf of the City.

Motion by Councilman Doerfling - Seconded by Councilman Widman

Ayes: Councilpersons Barks, Doerfling, Schmeltzer, Widman, Mayor Tyson

Noes: None

Absent: None