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Hermosa Beach City School District

History of the Sale of Pier Avenue School to the City of Hermosa Beach

Background:

During the 2012-2013 school year, the Board of Education convened the District Facilities Committee address the issues of the increased enrollment and the lack of available classrooms for future growth. During the discussions, the issue of using Pier Ave School was presented as a possible option. However, there was not enough data regarding the school and if it was a viable option for the District.

The following is a chronology of the conditions and events leading to the sale and transfer of Pier Ave to the City. The Superintendent wishes to thank Kat Bacallao and Chris Miller for their work in collecting the archival data of the transaction for analysis and validation.

The Hermosa Beach City School District (District) Board minutes from 1974-1978 reveal that many discussions were held by the Board about property acquisitions and exchanges between the District and the City of Hermosa Beach. Pier Avenue School was closed by the District in 1975 due to declining enrollment.

During this time frame, there was a growth of development in the City. The City was in need of open/recreational space and was exploring how to achieve that goal. At the same time, the District was starting to decline in enrollment and began to examine a reorganization plan on how district owned properties could be identified as surplus, leased or sold, to assist in downsizing the District and generate funding.

In June 1978, Prop 13 was approved by California voters which dramatically changed the funding of school districts from local property revenues to state funding based on caps of local revenue. Wealthier districts such as HBCSD were negatively impacted by this Proposition as income to the district began to decline.

Sale of Pier Avenue School to the City:

In June 1976, a conversation was initiated by the District "Land Use Committee" to discuss property options. Out of these discussions came an agreement between the District and the City to purchase Pier Avenue School for \$650,000.00. Because The City purchased the property for under fair market value, a lease agreement was included as an integral part of the sale transaction. The lease provides for limited usage by the district of certain portions of the Pier Avenue School. The lease agreement is for a period of 50 years (in 3 year increments) and will expire in 2028.

Sale of Pier Avenue School: Article 4 of MOU (Escrow Exhibit "B")

Article 4, Section 4.03, of the MOU provides that for a period of 10 years the District shall have first priority to use Pier Avenue School, during the school year and summer school, rent free subject to conditions (development of a "notice procedure", classrooms if enrollment exceeds 1,266, District use of office and storage space, District will pay the city for maintenance, utilities, and other normal costs). The District did not utilize this lease option because enrollment was declining during this time.

The MOU states that at the close of the 10 year period (1988) the district shall have the continued right to use the school for the purposes above at a "reasonable rent" in accordance with what comparable facilities are used such as classrooms, office space, storage, showers and lockers. This option has not been utilized by the District.

In essence, the City owns Pier Avenue School (Community Center), the District has a 15 year lease agreement.

Points of Consideration:

- Will the terms of the lease agreement address the overcrowding issue to the District's satisfaction over the long term?
- How long would it take to make the appropriate repairs and upgrades to make the building habitable for students? (need to modernize and upgrade to current state standards)
- Is it better to spend money on a facility/property that you own or better to spend money on a property with 15 years remaining on the lease?

Timeline - Sale History of Pier Ave School (Community Center)

1974	Start of declining enrollment in the District
1975	Pier Avenue School was closed by the District due to declining enrollment
11/25/75	Pier Avenue School reclassified from C-3 to Open Space zoning
12/9/75	Appraisal of Pier Avenue School for sale (excludes Lot #4)
6/7/1976	Board Unanimously adopted a resolution to exchange real property of the district with the city
10/26/1976	City authorization of resolution indicating intent to acquire Pier Ave School for a community recreation and service center (#76-4092)
1/3/1977	District resolution to offer Pier Ave for sale to the City (excluding lot #4)
1/11/1977	City resolution to authorize purchase Pier Ave #77-4099 (excluding lot #4)
6/13/1977	HB District resolution to authorize execution of escrow instructions so that escrow can be opened
1/18/1978	District Authorized sale of Pier Ave to the City who has expressed an interest in purchasing Pier Ave. <i>ED Code 15051 authorizes school districts to sell, for less than fair market value property deemed to be surplus to any city, district, or county in which the school district is wholly or partially situated for use as park or recreational purposes, or open space purposes. District deems Pier Ave school as surplus property</i>
2/14/1978	Executed agreement (including the lease) by District to sell Pier Avenue School to City (includes Lot 4)
2/28/1978	Executed agreement (including the lease) by City to purchase Pier Avenue School from District (includes lot #4)
3/6/1978	Grant Deed (78-241041) recorded in LA County transferring Pier Ave to the city (includes Lot #4)
1/12/1982	<u>HB City Closed Session: Passed</u> City Resolution #82-4494 mutual acknowledgement of mistake in the original grant deed to include Lot #4 in the sale of Pier Ave school to the city. The acquisition of Lot #4 was not intended by the city, there was an erroneous description included in the grant deed.
1/27/1982	<u>District Closed Session: Passed</u> Accept return of Lot #4 to the district from the city
2/2/1982	Corrected Deed (82-130075) returning Lot #4 to the District from the City <i>if the City of Hermosa Beach, a municipal corporation, or its successor in interest shall ever trade, sell, exchange or otherwise divest the city of title or rezone the property described in this Deed, the Hermosa Beach City School District of Los Angeles, or its successor in interest shall have the right to terminate the Grantee's interest herein through a legal proceeding filed in the Superior Court of the County of Los Angeles, State of California</i>
1/12/1983	District unanimously approved resolution # 82-83/5 of Intent to Sell Surplus Property
4/6/1983	District unanimously approved the sale of Lot #4 (aka 11th St property) to the City
7/12/1983 7/13/1983	Grant Deed executed by District granting Lot #4 to the City. Grant Deed recorded in LA County 83-788119 - No stipulations or conditions.