



Press Release

Long Beach Reform Coalition Calls on City to Release Purported \$7.5 million Appraisal of Proposed Homeless Shelter Site for Public Scrutiny

Long Beach, Cal., February 4, 2019:

The Long Beach Reform Coalition – the historic unity coalition of [eight civic reform organizations](#) formed last year initially to wage the ‘No on Measure BBB’ campaign – calls on the City of Long Beach to release the appraisal for the site of the proposed homeless shelter / homeless services center on the 6800 block of Atlantic Avenue in the 9th Council District. This appraisal, the existence of which City Economic Development Director John Keisler confirmed last Friday to LBReport.com ([“Property Records Indicate NLB Yr Round Homeless Shelter Property \(6841-45 Atlantic\) Sold For \\$2.0 Mil In Dec. 2013”, LBReport.com](#)), is currently, with no explanation given, being withheld from public view and scrutiny.

Given the appearance of impropriety of the proposed acquisition – set for City Council authorization at tomorrow’s council meeting – it is of the utmost urgency that this appraisal be released immediately. For one thing, Councilman Rex Richardson, at his press conference unveiling the proposal, significantly exaggerated the size of the property, referring to a 2.285-acre site (or 99,534 sq. ft., as the City [agendizing memo](#) attached to Item #23 on tomorrow’s council meeting agenda states) as “three acres” (leading to widespread misreporting). The agendizing memo indicates two connected parcels of land (including a large empty warehouse and two smaller buildings, totaling about 28,000 sq. ft. in commercial space), currently owned by Eddie N John #1, LLC, are to be acquired by the City for approximately \$9.5 million. The City claims it has an appraisal for the fair market value of this property for approximately \$7.5 million. On the face of it, that figure strains credulity, given that the two parcels last sold together in Dec. 2013 for exactly \$2 million, total, as reported by LBReport.com (LA County property records linked here for the parcels ending in parcel #s [-029](#) and [-036](#), as referred to in the agendizing memo).

Furthermore, City records show that a business license was taken out for this address for marijuana cultivation in Dec. 2017 (pending license# MJ21708695, to "KBA6845, LLC"). Apparently the City's offer was even more attractive than the lucrative marijuana industry.

Without the appraisal or further explanation, which the City has failed to provide the public, the City of Long Beach appears to be transferring millions of dollars to the owners of Eddie N John #1, LLC, a profit of \$5.5 million which would equal a return on investment, after just over five years, of an enormous

250%. Short of solid evidence for the claimed fair market value of the property, that kind of windfall profit, paid for from the public treasury, raises major red flags in terms of public integrity.

Furthermore, if one assumes \$7.5 million is going to buy the two parcels, as per the appraised value per the mystery appraisal, that still leaves \$2 million presumably to buy out the site's liquor store business, Eddie's Liquor ([a small store with barred windows](#) which supporters of the homeless shelter claim is a severe blight on the adjacent community). It also strains credulity that such a business, including, per the agendizing memo, "liquor license, furniture, fixtures and equipment, inventory, goodwill, and compensation for relocation benefits", could be worth \$2 million.

Small businesses are [usually valued at a multiple of between 1.5 and 3.5 times annual cashflow](#), and a \$2 million valuation of Eddie's Liquor would mean that this small one-room liquor store is generating a cashflow (i.e. net income after subtracting operating expenses) in the range of \$500,000 to \$1.3 million per year. In other words, even with the highest conceivable multiple, the attendant level of cashflow would be utterly fanciful for this [notoriously low margin type of business](#) (margins for liquor stores averaged just 1.7% in 2014 according to Forbes' ["The Least Profitable Businesses In The U.S."](#)). Given this, we very much hope that the City has an appropriate small business appraisal for Eddie's Liquor as well, which it will also make public.

Given the apparent multimillion-dollar windfall intended for Eddie's Liquor owner/proprietor Youna Kim and Eddie N John #1, LLC, we also demand that any and all individuals, in addition to Ms. Kim, with shares or an interest in Eddie N John #1, LLC be disclosed to the public prior to the Council vote tomorrow. The public deserves to know who its wealth is being transferred to and if they have any connections, politically or otherwise to City elected officials or senior staff involved in this transaction.

The mission statement of the Long Beach Reform Coalition is to promote "transparent, accountable, and inclusive government", and our primary interest in the matter of this proposed transaction is in openness, ethical government, and the responsible shepherding of taxpayer dollars. We in no way oppose in concept the creation of a City-operated year-round homeless facility.

That said, we must ask why is Long Beach acquiring an empty warehouse and mostly vacant lots at the extreme north end of the city when: A) the bulk of our homeless are clustered around downtown, an hourlong bus ride from the proposed site (which is also nowhere near a Blue Line station); and B) why do we have to acquire property for this purpose at all when the City owns numerous property assets (granted, until completion last year many former Redevelopment Agency properties were rapidly being disposed of, often at fire sale prices)? Is there not a more geographically appropriate site for the new homeless facility, far closer to the population it will serve and either already owned by the City or obtainable at a far more reasonable price?

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