



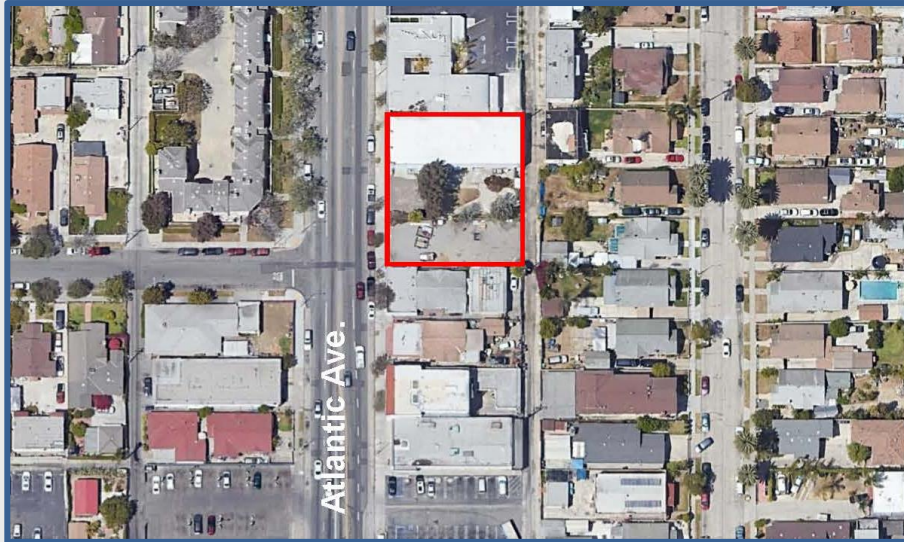
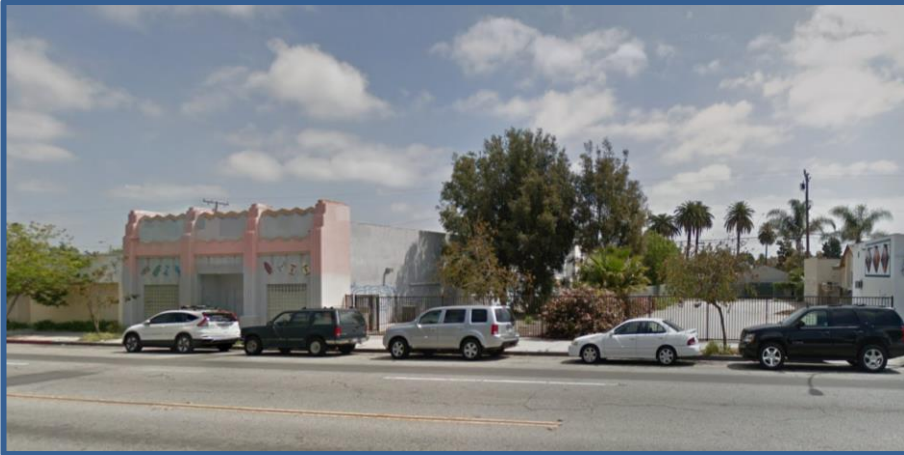
Centro C.H.A.

U.S. Economic Administration Grant Co-Application
(1850-1862 Atlantic Avenue)

August 4, 2020

CITY OF
LONG BEACH

Background



- The City of Long Beach currently owns a property located at 1850-1862 Atlantic Avenue.
- Subject site is approximately 14,600 square feet and is improved with a 4,800-square-foot building.
- On June 18, 2019, City Council authorized the execution of a Letter of Intent with Centro C.H.A. Inc. to develop a lease with an option to purchase, for the subject property.
- On January 21, 2020, City Council authorized a Lease No. 35521 with Centro C.H.A, Inc., for City-owned property located at 1850-1862 Atlantic Avenue for youth workforce development, civic leadership, inclusive entrepreneurship training, and community services.

Summary of Lease Terms

TERM: Ten (10) years with three options to renew for five (5) years each.

RENT:

- Base rent will be \$13,983 per quarter or \$55,932 per year.
- Rent for the first 12 months from the date of the issuance of a Certificate of Occupancy.
- Rent may be offset by the value of below market community services provided at the Subject Property.
- Rent will be adjusted based on CPI at the start of each renewal period.

OPTION TO PURCHASE:

- Within the first 10 years, the Lessee may exercise an option to purchase the premises for Eight Hundred Thousand Dollars (\$800,000).
- On April 8, 2020, Centro C.H.A. notified the City of its intent to exercise the purchase option in the Lease.



U.S. Economic Development Administration Grant

Public Works and Economic Adjustment Assistance Program

- To assist in creation of the Centro C.H.A. Workforce Development Center, Centro C.H.A. has expressed interest in applying for a Public Works and Economic Adjustment Assistance grant (Grant).
- If awarded, Centro C.H.A. may receive up to \$3 million in Federal matching funds to facilitate improvements to the Subject Property.
- Since the City is currently fee owner of the Subject Property, EDA requires that the City become a co-applicant on the Grant.
- The City and Centro C.H.A. would enter into a Memorandum of Understanding (MOU) memorializing the responsibilities of each party in connection with the Grant.
- Centro C.H.A. has also been approved for a loan from the Los Angeles County Development Authority (LACDA) for approximately \$1.1 million, which will allow for the purchase of the Subject Property and provide for an initial capital outlay to improve the Subject Property.

Grant Requirements and Fiscal Considerations:

- ❖ Grant Administration and Costs: Centro C.H.A. will bear all costs in connection with the Grant and would be solely responsible for performing all aspects of the administration of the Grant, including reporting.
- ❖ Security Interest: The City will need to acknowledge that EDA will maintain a security interest in the Subject Property for the useful life of the improvements and could be subject to foreclosure by the EDA if the Grant is in noncompliance. In addition, LACDA may also need to subordinate to EDA on the Subject Property if Centro C.H.A. utilizes the Loan to complete the purchase of the Subject Property.
- ❖ Indemnification: Centro C.H.A. will indemnify, and hold harmless the City, its officials and employees, from any liability resulting from failure to comply with any and all Grant requirements.
- ❖ Federal Match Repayment: In addition to potential property foreclosure, Grant noncompliance may result in the City being liable for the repayment of the Federal Match during the entire Grant Period, whether the City retains ownership of the Subject Property or not.

Recommendations

- Authorize the City Manager, or designee, to execute any and all documents necessary to submit a grant application to the U.S. Economic Development Administration, Public Works and Economic Adjustment Assistance Program, for improvements to City-owned property at 1850-1862 Atlantic Avenue, and accept said grant, if awarded, in an amount up to \$3 million, for creation of the Centro C.H.A. Workforce Development Center; and,
- Authorize the City Manager, or designee, to execute a Memorandum of Understanding with Centro C.H.A., Inc., in connection with the grant and the administration thereof.