



# CITY OF LONG BEACH

# R-9

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

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July 12, 2016

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for the First Amendment to Lease Number 34078 (Lease) between the City of Long Beach (City) and Mental Health America (MHA) to increase the amount of City participation in the cost of tenant improvements at the City-owned premises located at 1955-1965 Long Beach Boulevard (Premises) from \$1,200,000 to \$2,800,000 and broaden the scope of allowed uses to include seismic renovation and additional parking;

Increase appropriations in the General Fund (GF) in the Citywide Activities Department (XC) by \$1,600,000, offset by City funds received from the sale of former Redevelopment Agency-owned parcels for transfer to the Capital Projects Fund (CP); and,

Increase appropriations in the Capital Projects Fund (CP) in the Public Works Department (PW) by \$1,600,000, offset by a General Fund transfer of City funds received from the sale of former Redevelopment Agency-owned parcels. (District 6)

## DISCUSSION

Since 2006, the City has been pursuing the transfer and redevelopment of the 4.73-acre former U.S. Army Reserve Center, also known as Schroeder Hall, through the Base Realignment and Closure (BRAC) Act, for use as the new Police Department East Division substation. The transfer of land has occurred, the East Division substation redevelopment has been completed and the Police Department now occupies the facility.

A Housing and Urban Development (HUD) prerequisite for the transfer of the land is a Reuse and Homeless Assistance Plan, providing certain services to the homeless community. The City's identified homeless services provider under the BRAC process is MHA.

In order to comply with the HUD prerequisite, on March 19, 2013, the City Council authorized the City Manager to purchase the Premises and, subsequently, to lease the Premises to MHA for a period of ten years, with an option for MHA to acquire the Premises for one dollar. Conditions set forth in the Lease require certain services now being provided at an MHA-owned facility at 456 Elm Avenue, to be relocated to the Premises. Additionally, approximately 3,000 square feet of retail space shall be provided for one or more sit-down retail cafes, and approximately 1,250 square feet for a community meeting room on an as-needed basis. MHA has entered a sub-lease for a sit-down café.

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The Lease also sets forth certain development obligations and timelines for MHA to construct tenant improvements and to begin significant operations on the Premises. To assist in rapid redevelopment of the Premises, the City provided \$1.2 million to be used toward tenant improvements related to the retail space and community meeting room. To date, approximately \$260,000 has been spent on architectural, structural, civil and mechanical plans for needed building renovations and tenant improvements.

During the plan-check process, it was determined that the Premises are in need of structural renovations to address seismic resistance. This resulted in significant additional cost to renovate the building, which was not previously anticipated nor budgeted. Additionally, it was determined that parking provided at the Premises is not adequate to address the parking demand for the facility and nearby parking facilities need to be secured at an additional unbudgeted cost. As a result, MHA seeks additional funding in the amount of \$1.6 million, for a total not to exceed amount of \$2.8 million, to be used to renovate the Premises, fund tenant improvements and secure additional parking. MHA is also requesting to extend the timeline to begin significant operations by 18 months, to February 8, 2018.

With the exception of those provisions mentioned above, all remaining terms and provisions of Lease No. 34078 shall remain in full force and effect.

FUNDING SOURCE

The former Redevelopment Agency of the City of Long Beach (Agency) properties designated as Future Development are now City-owned assets and are being disposed of through a Request for Proposals (RFP) process. On November 11, 2014, the City Council voted unanimously to request the City Manager to allocate up to 25 percent of the City proceeds from the sale of former Agency properties for Citywide priorities with the remainder to be spent within each Project Area. Homelessness is a Citywide priority that, to adequately address, requires partnership with non-profit service providers such as MHA. City support of MHA in their efforts to provide homeless services works to the benefit of the entire City and also to each of the Project Areas. In that regard, increasing the funding for renovations, tenant improvements and parking at the Premises so that homeless services can be provided, is an appropriate use of City proceeds from the sale of former Agency properties. Staff proposes to allocate \$1.6 million in funds received by the City from the sale of former Agency properties to the Premises to complete renovation, tenant improvements and to secure additional parking.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Assistant Finance Director Lea Eriksen on June 30, 2016.

TIMING CONSIDERATIONS

City Council action is requested on July 12, 2016, to enable the renovation of the Premises to proceed as quickly as possible.

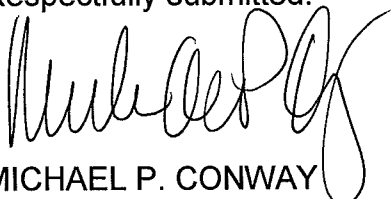
FISCAL IMPACT

To fund the revisions to the Lease agreement to allow for seismic renovations and secure necessary parking, the Lease will be amended to increase funding by \$1.6 million, for a total not to exceed amount of \$2.8 million. The recommended one-time funding source for the \$1.6 million proposed to be utilized for the Premises will be derived from the City's share of the sale proceeds from former Agency property. Specifically, the source of funds is \$800,000 from the 25 percent Citywide share of proceeds from the sale of former RDA property, and the remaining \$800,000 would come proportionately from each Project Area's 75 percent share of proceeds from the sale of former RDA property in proportion to the overall sale proceeds in all Project Areas. Based on the estimated sale proceeds, the \$800,000 is broken out as follows: \$150,000 from Central, \$547,900 from Downtown, \$71,800 from North, and \$30,300 from West. Based on City Council approved RDA land transactions, there appears to be sufficient proceeds to fund the contract amendment in the amounts above; however, if the proceeds are not received by the City in a timely basis, the City will do internal borrowing until the proceeds are received. These funds are not currently appropriated. To that end, an appropriation increase is requested in the General Fund (GF) in the Citywide Activities Department (XC) of \$1.6 million to transfer those funds to the Capital Projects Fund (CP). An additional appropriation increase is requested in the Capital Projects Fund (CP) in the Public Works Department (PW) of \$1.6 million for use as detailed in the amended Lease.

SUGGESTED ACTION:

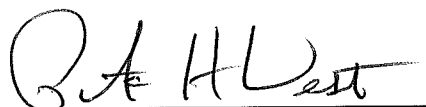
Approve recommendation

Respectfully submitted:



MICHAEL P. CONWAY  
DIRECTOR OF ECONOMIC  
AND PROPERTY DEVELOPMENT

APPROVED:



PATRICK H. WEST  
CITY MANAGER