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**Subject:** my comment on Council Agenda Item #25 (22-0112) today ("issuance of bonds by the California Community Housing Agency to finance the development of the Civic Center Mid-Block")

**-EXTERNAL-**

Given the risks outlined in the HR&A analysis, the Council should not now approve this proposal and should instead bring in an additional consulting firm to get a second opinion on this extraordinarily complex proposed transaction. This is an inherently shaky new funding scheme, arrived at as a last ditch effort to save the Civic Center Project from financial implosion.

As acknowledged in the memo, Plenary spent three years attempting to sell the middle block private development, crucial to paying back the \$1b worth of construction loans (to Allianz and Sumitomo, including interest over their terms) which built the new City Hall, Port HQ, & Library.

Neither Clark Construction, nor any of the other members of the Plenary consortium had any 'skin in the game', i.e. no equity at stake should the financial model collapse. Indeed the 700+ page contract the City signed after Council approval in Dec. 2015 was simply with a paper LLC representing what the LLC members could get out of the deal while protecting them from any liability. Furthermore, that massive contract referenced a "Financial Model" for the entire project, relegated to the appendix section where anyone bothering to look for it would have discovered that the page was quite literally just a heading and entirely blank. When questioned about this, City CFO at the time John Gross had no intelligible response. The bottom line is that we the people of Long Beach have been over a barrel ever since that contract was signed. We have always had skin in the game, because should all else fail, we cannot stand by and let Allianz and Sumitomo foreclose on and appropriate our public facilities.

Given the dire condition we now find ourselves in, with the private profit-making component of the project having failed to materialize for three years, there will be a temptation to rush into any solution on offer by Plenary. But the HR&A analysis makes clear that the risks of the state affordable housing bond proposal are very high and depend on both goodwill and market conditions remaining ideal.

Given these risks, at a minimum, it would be advisable to hire an additional consulting firm to analyze the proposal, give a second opinion, determine if it agrees with HR&A (or if it considers the project *even riskier* or perhaps less risky), and possibly even provide alternate models or concepts. Given the broken promises to the public of the original civic center proposal—from consolidating office space, to only costing the City what it was already spending for city hall

maintenance, to "reactivating" downtown, to fixing a seismic issue which turned out to be addressable through a modest seismic retrofit of city hall, to delivering higher quality facilities—we should not rush into a new project, to bail out the previous project, until it is full vetted and its risks and rewards are fully understood.

(Item

link: <http://longbeach.legistar.com/LegislationDetail.aspx?ID=5392151&GUID=E4F86E5F-87C3-4615-A7D2-C85FB3640E3E>)

best,  
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