

October 11, 2022

R-20

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary, including a Purchase and Sale Agreement and Escrow Instructions (Agreement), with Southern California Edison Company, a California corporation (Seller), for the purchase of certain real property located at 125 Elm Avenue, Assessor Parcel Numbers 7281-018-800, -804, -805, -806, in an amount not to exceed \$21,000,000;

Increase appropriations in the General Fund Group in the Economic Development Department by \$21,000,000, offset by various funding sources;

Increase appropriations in the Gas Fund Group in the Energy Resources Department by \$12,224,429 offset by budgetary funds available; and,

Accept the Categorical Exemption CE-22-157. (District 1)

DISCUSSION

In recent years, the City of Long Beach (City) has made concerted efforts to inventory facility and infrastructure needs to effectively deliver City services. Further, the City consistently reviews City Departments' leases on privately-owned properties to evaluate opportunities to consolidate operations or relocate into a City facility to reduce additional expenditures created by rental payments.

Since 2001, the Long Beach Police Department (LBPd) has leased warehouse space at 1400 Canal Avenue for its crime lab and a portion of its property detail functions. The current lease is set to expire April 30, 2026. Staff from the LBPd and Economic Development Department have been reviewing long-term options for the crime lab as the current space has become inadequate and significant investment would be required to upgrade a privately-owned facility to accommodate the needs appropriately.

In addition to LBPd's facility needs, additional City Departments have been looking for potential solutions to acquire much-needed office space as well as options to repair or replace City facilities requiring significant upgrades and replanning to effectively continue to offer services to the community. The Energy Resources Department has identified a need for replacement of the existing facilities at its 2400 E. Spring Street site. Relocating a portion of the department's administrative personnel to the 125 Elm Avenue location reduces the amount of new facility construction that would otherwise be required. Further, the Long Beach Senior Center, located

at 1150 East 4th Street, has been identified as a facility requiring significant upgrades as well as more effective configuration to function long-term.

During the search for options related to the needs identified above, Southern California Edison Company (Property Owner) solicited interest for the potential purchase of its property located at 125 Elm Avenue (Subject Property) (Attachment A). The Subject Property is comprised of 1.4 acres of land improved with a 286,334-square-foot five-story building with rooftop deck parking and is bounded on the north by Broadway, Elm Avenue to the east, 1st Street to the south and Alamo Court to the west. The building measures approximately 91,411 rentable square feet and is currently vacant.

Given the configuration of office and parking located within the Subject Property, there was potential to accommodate the crime lab, senior center, and administrative offices. Staff from various City Departments conducted assessments as to the Building's viability and determined the Third and Fourth floors of the Subject Property can accommodate the Crime Lab and Energy Resources staff, respectively, while the First floor could be renovated to accommodate the Senior Center including several multi-purpose rooms, a community meeting room, a small restaurant and office space for Senior Center, and Health Department staff to provide supportive services to the Senior community.

Upon completion of a competitive solicitation process, the Property Owner has agreed to sell the Subject Property to the City for \$21,000,000. An additional amount up to \$150,000 will be expended for acquisition costs, escrow, and closing fees. Acquisition of the Subject Property will allow the City to a) discontinue leasing privately-owned property for its Crime Lab and construct the necessary upgrades within a City-owned facility; b) provide a more modern and effectively-planned Senior Center located in the heart of the downtown area adjacent to transit and other amenities; and c) allow the Energy Resources Department to accommodate much-needed office and training space for its staff and call center. Additionally, the facility will require necessary tenant improvements for the services and programs that will be served out of this location. The estimated one-time cost for tenant improvements is \$23,315,000 and will be funded through various sources.

The acquisition of the Subject Property has been reviewed under CEQA and a Categorical Exemption CE-22-157 (Attachment B) was issued for this action.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony, Director of Finance Kevin Riper, and Budget Operations and Development Officer Rhutu Amin Gharib on September 28, 2022.

TIMING CONSIDERATIONS

City Council action is requested on October 11, 2022, to ensure the acquisition of the Subject Property can proceed expeditiously.

FISCAL IMPACT

The total cost including the purchase and tenant improvement for the Subject Property are anticipated to be \$44,465,000. This includes \$21,000,000 for the purchase price, \$150,000 transaction costs, and one-time costs for tenant improvements to prepare the facility for operations in the amount of \$23,315,000. Table A below shows a breakdown of allocated space and costs by the utilizing operations and their associated Fund Group.

Table A: Allocated Space and Costs by Operations and Fund Group

Operations and Fund Group	Allocated Space	Purchase Price	Refurbishment Costs	Total
Parks, Recreation & Marine, Police Departments, and Other Administrative Functions <i>General Fund Group</i>	71%	14,980,571	17,110,000	32,090,571
Energy Resources Department <i>Gas Fund Group</i>	29%	6,019,429	6,205,000	12,224,429
Total	100%	\$21,000,000	\$23,315,000	\$44,315,000
Transaction Costs			\$150,000	\$44,465,000

The cost for the purchase of the Subject Property, one-time tenant improvements, and transaction costs in the amount of \$44,465,000 will be funded from the following sources: budgetary funds available in the Gas Fund Group, funds previously set aside for this purpose in the General Fund and Measure A Plan, and a 30-year lease revenue bond expected to be sold during the first half of calendar year 2023 and backed by the General Fund Group with its debt service payments funded from reallocating existing appropriation. Table B below provides a breakdown of the various funding sources by Fund Group.

Table B: Funding Sources Detail by Fund Group

<u>General Fund Group</u>	
5-Year Measure A Plan Allocated Funds for:	
Long Beach Senior Center	
Police Department Crime and Evidence Lab Design and Permitting	
FY 22 Police Department Savings identified in mid-year performance report and additional funds expected by year-end to support the Crime and Evidence Lab	
Subtotal	12,630,000
<u>Gas Fund Group</u>	
Budgetary Funds Available	12,224,429
Future Bond Sale, <i>if authorized by the City Council</i>	19,610,571
Total Proposed Sources	44,465,000

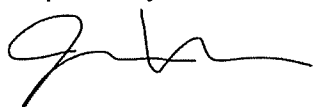
An appropriation in increase of \$21,000,000 is requested in the General Fund Group in the Economic Development Department offset by various sources outlined in Table B, to purchase the Subject Property. An appropriation increase of \$12,224,429 is requested in the Gas Fund Group offset by budgetary funds available. City staff will return to the City Council for the remaining appropriation increase of \$19,610,571 after City Council authorizes the bond sale, and the bonds are sold. Annual debt service payments for the 30-year life of the bonds is currently estimated at \$1,170,000; actual debt service may change depending on the interest rates on the day of the bond sale. The projected annual debt service payments in the amount of \$1,170,000 will be funded through existing annual budget for the Police Department Crime Lab lease in the amount of \$670,000 that will no longer be needed, as well as annual budget of \$500,000 previously set aside for interdepartmental MOU cost increases in the Citywide Activities Department no longer needed due to improved cost performance.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHNNY M. VALLEJO
ACTING DIRECTOR OF ECONOMIC DEVELOPMENT



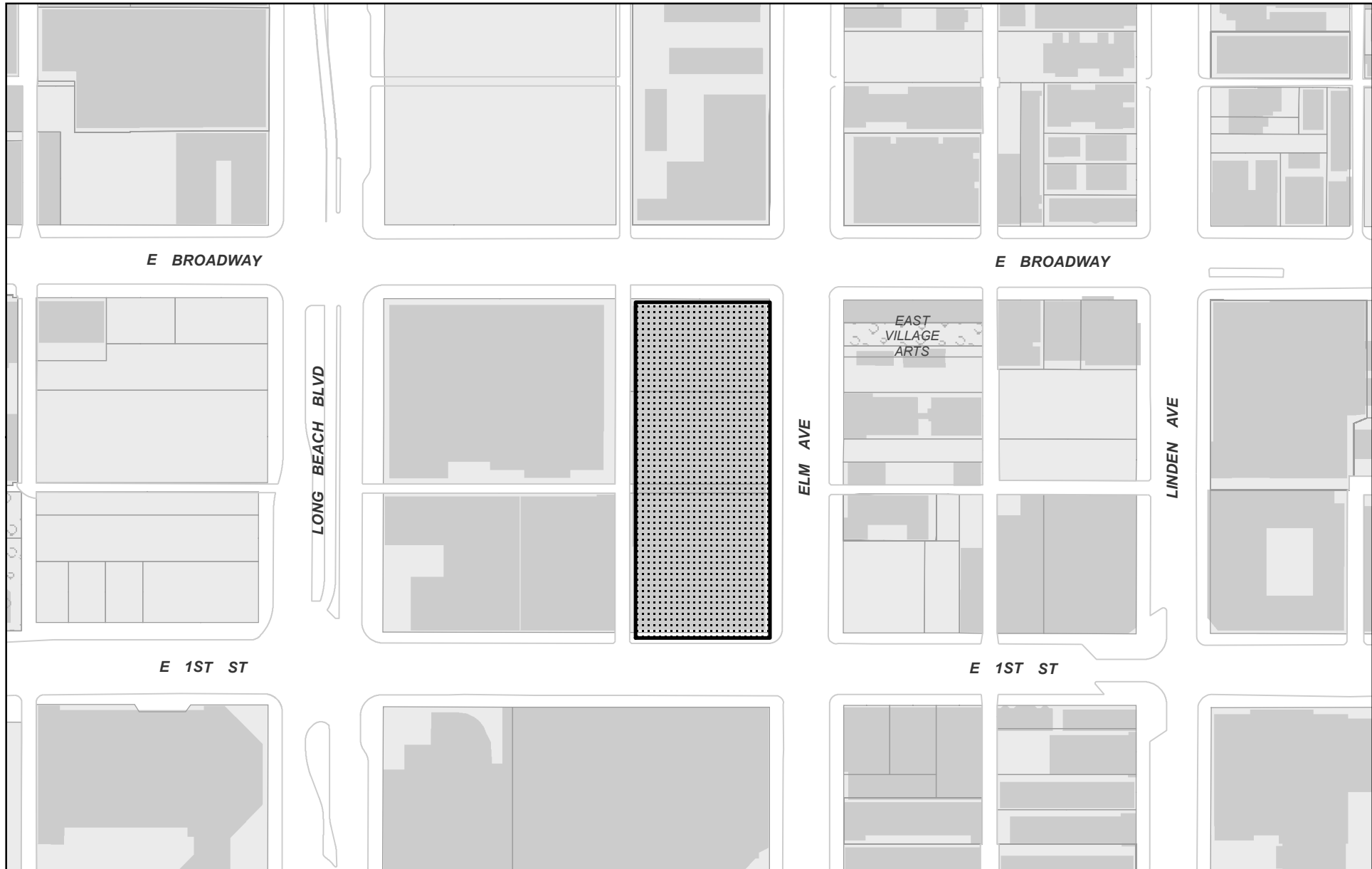
KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

ATTACHMENTS: A: SUBJECT PROPERTY
B: STATUTORY EXEMPTION

APPROVED:

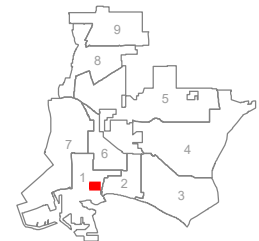
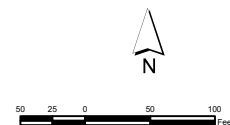


THOMAS B. MODICA
CITY MANAGER



Subject Property:
125 Elm Ave
Council District : 1

Attachment A



CEQA Notice of Exemption

TO: Office of Planning & Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: Department of Development Services
411 W. Ocean Blvd, 3rd Floor
Long Beach, CA 90802

L.A. County Clerk
Environmental Fillings
12400 E. Imperial Hwy., Room 1201
Norwalk, CA 90650

Exemption Number: _____

Project Title (Application Number): _____

Project Location – Specific: _____

Project Location – City/County: **City of Long Beach, Los Angeles County, California**

Description of Nature, Purpose and Beneficiaries of Project:

Public Agency Approving Project: **City of Long Beach, California**

Person or Agency Carrying Out Project: _____

Exempt Status: **(Check One)**

- Ministerial (Sec 21080(b)(1); 15268);
- Declared Emergency (Sec 21080(b)(3); 15269(a));
- Emergency Project (Sec 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: _____
- Statutory Exemption. State code number: _____

Reasons why project is exempt:

Lead Agency

Contact Person: _____ Contact Phone: _____

Signature: *Maryanne Liu* Date: _____ Title: _____