



CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

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R-18

REVISED

May 2, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute a First Amendment to Lease Number 34078 (Lease) between the City of Long Beach (City) and Mental Health America of Los Angeles (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 \$3,450,000, and broaden the scope of allowed uses to include seismic renovation, improvements to the remainder of the building and additional parking;

Authorize the City Manager, or designee, to execute a Lease Agreement and Option to Purchase Agreement with the County of Los Angeles, and a Sub-Lease between the City and MHA, for property located at 1945 Palmer Court to be used for parking at a cost of \$222,200 over ten years;

Increase appropriations in the General Fund (GF) in the Citywide Activities Department (XC) by \$2,422,200, offset by City funds received from the sale of City-owned property at 227 Elm Avenue and from 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 \$2,422,200, offset by a transfer from the General Fund (GF) for lease and construction-related costs at the Premises. (District 6)

DISCUSSION

Beginning in 2006, the City pursued 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. As a condition of the BRAC Act, the City was required to execute a Base Closure Homeless Assistance Agreement with a homeless-serving organization to address the needs of homeless individuals and families within the vicinity of the installation. Per the BRAC process, the U.S. Department of Housing and Urban Development (HUD) determined MHA was in compliance with the federal statute, and the City could provide an alternate location for the provision of these services.

On March 19, 2013, the City Council authorized the City Manager to purchase the Premises, and to lease the Premises to MHA for a period of ten years with an Option to Purchase at the conclusion of the Lease. Conditions set forth in the Lease allowed MHA to use the premises to (a) provide professional medical and psychiatric healthcare services for homeless individuals with mental illnesses, (b) operate one or more sit-down retail cafes, including at least one commercial kitchen with a total area of approximately 3,000 square feet, and (c) provide one meeting room of approximately 1,250 square feet to the community on an as-needed basis. To assist with the development of the Premises, the Lease required the City to provide MHA with \$1,200,000 million for tenant improvements.

Issues Related to Building Improvements and Relocation

Since City Council approval of the original Lease almost four years ago, construction costs to complete the project and relocate MHA programs have increased by \$2,250,000. Additional costs include structural renovations to address seismic issues (\$500,000), reorganization of the 2nd floor plan to accommodate the medical clinic (\$800,000), modifications to the retail space (\$100,000), and a construction contingency budget of approximately 15 percent to address unforeseen operating costs and change orders (\$850,000). MHA has requested that the City assist with these costs.

In addition to City funding, MHA has secured \$2,500,000 in funding from the sale of MHA assets, MHA Board allocation and Board gifts, various foundation grants, and a contribution from (retired) County of Los Angeles Supervisor Don Knabe's office, as well as a loan in the amount of \$420,000 from the California Endowment, to complete the project.

Issues Related to Parking

To accommodate the day-to-day activities of staff, supervisors, volunteers, guests, and members at the Premises, City code requires an additional 90 parking spaces. To help address a portion of the parking needs, City Council approval is needed to enter into a ten-year lease (and Option to Purchase Agreement) with the County of Los Angeles for an adjacent parking lot, which will provide approximately 36 spaces. The City will pay the rent of \$1,700 per month for a ten-year period at a flat rate for the first three years and an annual CPI increase of 3 percent thereafter, for a total cost of \$222,200. The City will Sub-Lease the lot to MHA at no cost and assign a separate Option to Purchase Agreement to MHA at the conclusion of the Lease. Any additional parking required for the operation of the Premises (estimated at 54 spaces) will be secured, and paid for, by MHA. The City has no further obligation beyond the Lease of the County parking lot for a period of ten years.

Issues Related to Operations

To ensure a positive relationship with the surrounding community, MHA has agreed to additional conditions to be incorporated into the First Amendment to Lease. These conditions ensure: (a) the establishment of a 24-hour phone line that neighbors may leave

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a message or concern about MHA operations, (b) identification of a primary point of contact to timely respond to such messages or concerns, (c) signage at the Premises that include 24-hour contact information, (d) a private area for patients to wait for appointments, (e) onsite security during regular business hours, (f) installation of a camera system that will be connected to the Long Beach Police Department common operating network, and (g) the restriction of medical clinic services to normal business hours, Monday to Saturday from 7:00 a.m. to 5:00 p.m., by appointment only. In addition, MHA will agree to meet with City staff and community members if complaints or issues are not resolved.

Request for City Funds and Changes to Timeline

The additional costs related to construction and relocation, as well as the cost for the City to lease the County parking lot for ten years, total \$2,472,200. MHA has committed to the City that there will be no additional requests for funding and that it will proceed diligently to complete construction and open the homeless healthcare access project.

Staff also seeks approval to extend the timeline to begin significant operations at the Premises from August 8, 2016 to August 8, 2018.

Funding Source

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 Redevelopment Agency (RDA) properties for citywide priorities with the remaining 75 percent to be spent within each former-RDA Project Area (Project Area). Homelessness is a citywide priority, which to adequately address, requires partnership with non-profit service providers such as MHA, which has a track record of delivering important services to the community. City support of MHA in their efforts to provide homeless services works to the benefit of the entire City. As such, increasing the funding for renovations, tenant improvements and parking at the Premises to provide homeless services, is an appropriate use of City proceeds from the sale of former RDA properties. To that end, staff proposes to allocate \$2,472,200 in citywide funds received by the City from the sale of former RDA properties to complete renovation, tenant improvements, and provide parking for the Premises.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 28, 2017 and by Assistant Finance Director Lea Eriksen on March 29, 2017.

TIMING CONSIDERATIONS

City Council action is requested on May 2, 2017, 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 renovations and secure necessary parking, the Lease will be amended to increase funding by \$2,250,000, for a total not to exceed amount of \$3.450,000. In addition, a total of \$222,200 is required for the City to lease the County parking lot for ten years.

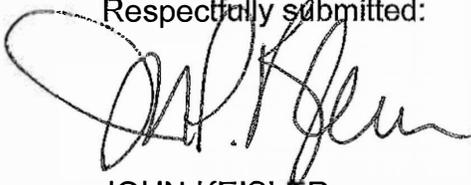
The recommended one-time funding sources for the \$2,472,200 in total costs will be derived first from proceeds from the sale of the property at 227 Elm Avenue in the amount of \$1,319,547, which were received in FY 17. This was a RDA property that was transferred to the City before the formation of the Successor Agency. The remaining amount, \$1,152,653, will be derived from the City's 25 percent citywide share of the proceeds of former RDA properties once they are received. 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.

An appropriations increase of \$2,472,200 is requested in the General Fund (GF) in the Citywide Activities Department (XC), offset by proceeds from the sale of 227 Elm Avenue and funds received from the sale of former RDA-owned parcels, for transfer to the Capital Projects Fund (CP); and an appropriations increase of \$2,472,200 is also requested in the Capital Projects Fund (CP) in the Public Works Department (PW), for payment of the Lease with the County of Los Angeles for parking and for use as detailed in the amended Lease.

SUGGESTED ACTION:

Approve recommendation

Respectfully submitted:



JOHN KEISLER
DIRECTOR OF ECONOMIC
AND PROPERTY DEVELOPMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER