



Legislation Details (With Text)

File #: 22-0112 **Version:** 1 **Name:** DS/FM - Plenary - Enter into an agrmnt to enter into bonds
Type: Resolution **Status:** Adopted
File created: 1/6/2022 **In control:** City Council
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Title: Recommendation to adopt resolution authorizing the City to (i) approve the issuance of bonds by the California Community Housing Agency to finance the development of the Civic Center Mid-Block, and (ii) authorize the execution of all documents necessary to effectuate the issuance of the bonds and the development of the Civic Center Mid-Block as described below, including a Public Benefits Agreement with California Community Housing Agency. (District 1)

Sponsors: Development Services, Financial Management

Indexes:

Code sections:

Attachments: 1. 020122-R-25 Revised, 2. 020122-R-25 PowerPoint.pdf, 3. RES-22-0021.pdf, 4. 020122-R-25 Corresp. Patton, 5. 020122-R-25 Corresp. Scholl, 6. 020122-R-25 Corresp. Shukla, 7. 020122-R-25 Corresp. West, 8. 020122-R-25 Corresp. Cantrell, 9. 020122-R-25 Corresp. Cotton, 10. 020122-R-25 Corresp. Lee, 11. 020122-R-25 Corresp. Ovalle

Date	Ver.	Action By	Action	Result
2/1/2022	1	City Council	approve recommendation and adopt	Pass

Recommendation to adopt resolution authorizing the City to (i) approve the issuance of bonds by the California Community Housing Agency to finance the development of the Civic Center Mid-Block, and (ii) authorize the execution of all documents necessary to effectuate the issuance of the bonds and the development of the Civic Center Mid-Block as described below, including a Public Benefits Agreement with California Community Housing Agency. (District 1)

On December 15, 2015, the City Council approved the Civic Center Project and certified the associated Supplemental Environmental Impact Report (SCH#2015041054), which tiered off the Downtown Plan Program Environmental Impact Report (SCH#2009071006). The City of Long Beach (City) partnered with Plenary Properties Long Beach, LLC (Plenary), as the developer for this innovative public-private partnership to reimagine its Civic Center and enhance its connection to the Downtown. The approved project consisted of three development sites which are the Civic, Mid-Block, and Library-Lincoln Park Blocks. The Civic Block is now fully built and is home to the new City Hall and Port of Long Beach Administration Buildings. The new Billie Jean King Main Library has been completed on the Library-Lincoln Park Block, and the new Lincoln Park is near completion. The Mid-Block, located between the Civic and Library-Lincoln Park Blocks, contains the former City Hall building and grounds, and is the site of the proposed Project.

Previous efforts by Plenary to secure a developer have not been successful, though one such effort resulted in securing approved entitlements for the site that are the basis for the

proposed Project. The approval allows the construction of two new eight-story buildings, the North and South Buildings, which will contain 290 dwelling units each, for a total of 580 dwelling units. The buildings also will contain ground-floor space for retail and restaurant tenants, with 9,750 square feet in the North Building, and 25,650 square feet in the South Building. Each building will have a two-level subterranean parking structure, combined with a smaller at-grade parking garage, and one second-story parking garage for the North Building. Across the Project site, parking will total 885 stalls. Plenary is in the process of demolishing the former City Hall building and will remove all other improvements, clear the site, and is now proposing to construct the Project on the Mid-Block.

The buildings are oriented on an east-west axis with a 60-foot-wide pedestrian paseo separating them. This paseo is aligned with the new Civic Center plaza and will align with the future extension of this paseo into the new Lincoln Park. Four retail spaces, ranging from 3,900 to 6,400 square feet, make up the primary building frontage on both sides of this paseo, with a fifth retail grocery space of 12,500 square feet located on the corner of Ocean Boulevard and Cedar Avenue. Each building has a leasing lobby, building utility spaces, and a level of at-grade parking making up the balance of the ground floors. The North Building features nine two-level live/work townhomes at the ground and second-floor levels, with five units on the east elevation and four units on the west elevation. The North Building also contains a second level of parking above grade, plus the upper levels of the nine townhomes, and other utility and open-to-below space for the ground floor retail. In the South Building, the second level is composed entirely of utility and open-to-below spaces. At the third level, both buildings feature a large interior courtyard surrounded by the first full level of residential units. Each courtyard deck includes a pool, and fitness/amenity space. The remainder of the levels on both buildings, four through eight, is composed of residential flats, with a sky deck feature at the southeast corner of each building at the eighth level.

The Project is required by the Mid-Block Site Conveyance Agreement Between the City and Plenary (Agreement) to include 10 percent of the total number of dwelling units (58 out of 580) as affordable housing units at the Moderate Income (80 percent-120 percent Area Median Income) level. As is typical for affordable units, the City will require that these units be restricted for a 55-year term of affordability with annual monitoring conducted to ensure compliance as approved by the Planning Commission in March 2021. The developer also has agreed to provide the following community benefits:

- Promoting workforce housing for teachers, to include up to 100 units for teachers (inclusive of the 58 required affordable units) through offering leasing opportunities, one-month free rent and waivers of deposit and application fees, and honoring of any additional rental concessions offered at the same time
- Promoting public transit for the teachers' units by providing the 100 teacher units with a \$200 annual transit credit that can be applied to a Long Beach Bike Share or Long Beach Transit pass for up to 10 years
- Allowing community use opportunities on the 1st Street Promenade without charge, subject to event permitting by the City
- Providing approximately 1,000 square feet of ground floor tenant space on the Ocean

Boulevard frontage free of charge for public, educational, art, or non-profit use

- Provision of 24/7 active security patrols throughout the Project site
- Provision of tenant space for an approximately 12,000-square foot full-service grocery/market in the Project's ground floor commercial space, with the developer required to make every effort to secure a grocery/market tenant for this space.

In addition to the above Project benefits, the Project also includes the following benefit highlights as part of the bond financing and proposed Public Benefit Agreement (Attachment A):

- 120 Regional Housing Needs Allocation units
- Utility assistance
- Amortized bond at the end of the bond cycle
- Capital reserve maintenance account for property maintenance
- New jobs
- Retail sales tax

The average typical unit mix is shown for each building in the tables below:

The two proposed eight-story buildings, each approximately 85 feet tall, are designed in a contemporary style, primarily using colored metal as the main exterior cladding materials, in conjunction with some areas of smooth plaster. The design features high-quality architectural metals, windows, accents, and other finish items. The City has engaged an architectural peer review on the proposed building design to ensure that it is of the highest quality due to the prominence of the site and its integral position in the middle of the Civic Center. The applicant has submitted several iterative redesigns of the Project in response to comments received from the peer reviewer and the Development Services Department.

On February 16, 2021, the City Council adopted a Resolution authorizing the City to support the California Statewide Communities Development Authority Community Improvement Authority's (CSCDA) issuance of bonds to enact moderate-income deed restriction on the existing Oceanaire apartment project, located at 150 W. Ocean Boulevard (Oceanaire), and authorized the execution of a Public Benefits Agreement with CSCDA in connection therewith. The City Council also requested the City Manager to develop a proposed policy for any future similar projects that participate in the Middle-Income Housing Program and stipulated that the Oceanaire was designated as a pilot, with no similar projects to be approved until the City Council has considered the City Manager's proposed policy.

On January 18, 2022, the City Council reviewed the proposed Middle-Income Housing Program (MIHP) and requested that staff return with further enhancements. The MIHP, as currently drafted, would establish City policy parameters, and terms and conditions for tax-exempt bond financing for middle-income housing projects, including new construction and the acquisition of existing market-rate housing communities.

Tax-exempt bonds offer the project sponsor a means of 100 percent project financing

required to purchase or build the apartment buildings including all associated financing and transaction fees. The bonds are structured in two pieces: Series A and Series B. The Project will involve two Series A Bonds that will pay for land acquisition, construction, financing, reserves, and other costs. The "A Bond" is fully amortized, with the principal balance to be paid during the bonds' 40-year term. The subordinate "B Bond" is given to the project sponsor, Mid-Block Site DevCo LP, which initiated the proposal. This B Bond, effectively a form of preferred equity, carries a tax-exempt interest rate that is typically 10 percent, and the principal is paid at the eventual sale of the Project.

Plenary has indicated its desire to utilize the draft MIHP to finance the development of the Project and has submitted a detailed project proposal. The proposal has been reviewed by staff and the City's consultant, HR&A. HR&A has prepared analysis providing a detailed review of the proposal, including its potential risks and benefits along with a summary of the proposed housing affordability structure, financing structure, and property tax abatement implications (Attachment B). This structure will increase from 10 percent affordable (required by the project entitlements) to 100 percent middle-income affordable housing (120 RHNA qualified middle-income units and 460 Tax Credit Allocation Committee) qualified middle-income units.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 19, 2022 and Director of Financial Management Kevin Riper on January 20, 2022.

City Council action is requested on February 1, 2022, to allow the developer to assemble financing for the Project.

The Project sponsor is providing funding for staffing and consultant costs associated with this transaction. The residential project will be off the tax rolls once construction is complete, but a host fee is required, and the loss of City property tax is expected to be fully offset for the City by this fee. The Developer has agreed to fully abide by the draft policy on middle-income units proposed by City staff in its report to the City Council on January 18, 2022, which will help in avoiding fiscal impacts. 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.

Approve recommendation.

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DIRECTOR OF DEVELOPMENT SERVICES

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APPROVED:

THOMAS B. MODICA
CITY MANAGER