



Legislation Text

File #: 20-0319, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute amendments to Commercial Leases and Agreements memorializing the deferment of any rent obligations due on City-owned properties between March 4, 2020 through May 31, 2020, until November 30, 2020, in the General Fund Group, Tidelands Operating Fund Group, Tidelands Area Fund Group, and Airport Fund Group, that are impacted by the COVID-19 emergency, in accordance with Ordinance No. ORD-20-0010. (Citywide)

On March 17, 2020, the City Council took several actions to mitigate the adverse impacts to the community caused by the COVID-19 pandemic, which included directing the City Manager to work with relevant departments to evaluate the feasibility of implementing an economic relief package for working families and small businesses impacted by the COVID-19 pandemic. Further, on March 24, 2020, the City Council adopted Ordinance No. ORD-20-0010 (Ordinance), which temporarily prohibits evictions of residential and commercial tenants due to the COVID-19 emergency and provides affected tenants with a grace period in which tenants can defer rent due during the declared emergency period (March 4, 2020 through May 31, 2020). Tenants have until November 30, 2020 to pay all deferred rent, without any associated late charges (Grace Period); provided certain steps are completed by the affected tenants. The Ordinance requires that affected tenants notify property owners of their inability to make rental payments and provide supporting documentation. Although certain City of Long Beach (City) tenants may already be covered by the Ordinance, the City, in its capacity as Landlord, is taking this action to clarify and confirm the application of the Ordinance to Commercial tenants of City-owned property (City Tenants).

The City currently has approximately 48 commercial leases and agreements (Agreements) for the use and/or tenancy of City-owned property located throughout Long Beach, including in City parks and Tidelands areas, which are administered by the Economic Development and Parks, Recreation and Marine Departments (Departments). The Departments maintain these Agreements for a variety of uses including park/beach concessions, golf at the City's five municipal golf courses, commercial marina leases and agreements, management of the Convention Center, and larger ground leases such as the Queen Mary. Monthly rent payments for all Agreements total approximately \$1,045,000 in the General Fund Group and \$810,000 in the Tidelands Operating and Tidelands Area Fund Groups. Rent obligations vary but can include base rent, percentage rent, and slip fees, and are due monthly, quarterly, or annually. Similarly, the Long Beach Airport (Airport) currently has approximately 72 Agreements for operations associated with general aviation, commercial passenger service, and non-aeronautical uses. Monthly payments for all Airport Agreements total approximately \$963,000 in the Airport Enterprise Fund, which is subject to self-sustaining Federal Aviation Administration (FAA) regulatory policy provisions and grant assurances. Many City Tenants

have experienced financial impacts due to reduced operations or full closures in response to the State, County, and City "Safer at Home" directives related to the COVID-19 pandemic.

The recommended action will allow the City Manager to execute Agreement amendments and any other necessary documents with City Tenants to comply with the Grace Period provision in the Ordinance. This is not a waiver of rent, as rent and slip fee payments are still owed to the City. The payment is only deferred and will be booked as revenue for FY 20, as long as it is received by November 30, 2020. The deferred rent and slip fees for Agreements otherwise due between March 4, 2020 through May 31, 2020 need to be paid by November 30, 2020. The Ordinance, along with this action, only provides City Tenants with up to an extra six months to repay any rent obligation, provided they comply with the noticing and supporting documentation requirements of the Ordinance. While the Ordinance did not specifically discuss slip rental fees, the City is honoring the spirit of the Ordinance for both commercial and private slip tenants of the Long Beach Marinas system. If any City Tenants experience circumstances that require additional or alternative actions, individual items will be brought back to the City Council by the respective Department for consideration on a case-by-case basis once the "Safer at Home" directive has been lifted and the financial impact to each business can be assessed on an individual basis. This recommendation to allow the City Manager to execute amendments to real estate agreements due to financial hardship during the COVID-19 emergency does not apply to enterprise funds managed by the Harbor and Water departments; and, will not apply to agreements that involve other legal, financial, or contractual obligations of the City.

- Leased Premises: Approximately 7,318 rentable square feet of industrial space at 5571 Orange Avenue.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 2, 2020 and by Budget Management Officer Rhutu Amin Gharib on April 6, 2020.

STATEMENT OF URGENCY

City Council action is requested on April 14, 2020, to allow Departments to begin compiling the necessary documentation and backup from City Tenants, and to allow the City Manager to begin executing amendments to Agreements with City Tenants, to provide temporary financial relief to those affected by the COVID-19 pandemic.

City Council action is requested on April 14, 2020.

The estimated monthly rent due from all Agreements totals \$1,045,000 in the General Fund Groups in the Economic Development and Parks, Recreation and Marine Departments, \$810,000 in the Tidelands Operating and Tidelands Area Fund Groups in the Economic Development and Parks, Recreation and Marine Departments, and \$963,000 in the Airport Fund Group in the Airport Department. It is anticipated that the amount for deferment from March 4, 2020 through May 31, 2020 could total as much as \$8 million across the mentioned fund groups. It is unknown how much of this amount will be deferred and whether repayment

will occur in FY 20 or FY 21. Depending on individual circumstance, this deferral seems as if it may have one of three results: either no long-term change in revenue, a gain in revenue by helping a business survive, or a loss in revenue by not collecting from a failing business that would have otherwise been collected on the existing payment schedule. It seems more likely that the City would gain revenue from the deferral rather than lose it, but the overall outcome is not known. If later, the rent or slip fees were deferred beyond November 30, 2020, it would be lost revenue for FY 20 and be recorded as FY 21 revenue. This recommendation has moderate staffing impact beyond the normal budgeted scope of duties to establish a deferred rent program with no penalties in various areas but would be consistent with expected City Council priorities to aid the community in recovering from the COVID-19 crisis. This recommendation may help affected City Tenants maintain local jobs during the COVID-19 crisis, but the exact number is not known.

Approve recommendation.

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