



Legislation Text

File #: 16-0617, **Version:** 1

Recommendation to adopt Specifications No. RFP EP16-130 for the purchase and development opportunity at 200-232 Long Beach Boulevard, Assessor Parcel Numbers 7281-017-902, -903 and a portion of -900 (Subject Property);

Declare the City-owned Subject Property as surplus;

Authorize City Manager, or designee, to execute any and all necessary documents, including a Purchase and Sale Agreement with Broadway Block, LLC, a California limited liability company, or affiliate, for the sale of the Subject Property in the amount of \$7,850,000; and

Accept Categorical Exemption CE 16-159. (District 2)

The City of Long Beach (City) currently owns the Subject Property located at 200-232 Long Beach Boulevard, prominently positioned at the northeast corner of the intersection of Broadway and Long Beach Boulevard (Exhibit A). The Subject Property is approximately 50,000 square feet and is temporarily used as a parking lot. A portion of the Subject Property was formerly owned by the Redevelopment Agency of the City of Long Beach (Agency), and was included in the Successor Agency's Long Range Property Management Plan (LRPMP), which was approved by the State of California Department of Finance (DOF) on March 10, 2015 and amended on June 24, 2015. The Subject Property has been categorized with a permissible use of "Future Development," allowing for the disposition of the Subject Property through a Request for Proposals (RFP) process for development consistent with the vision and intent of the Downtown Long Beach Redevelopment Project Area, its guiding documents and the Downtown Plan. As further required in the LRPMP, the Subject Property has been conveyed to the City and is now a City-owned asset. A portion of the property was acquired through funds from the sale of tax-exempt bonds. A portion of these bonds may need to be redeemed upon conveyance of the Subject Property.

The RFP was advertised in the Long Beach Press-Telegram on April 8, 2016, and 7,183 potential proposers specializing in purchase and development opportunities were notified of the RFP opportunity. Of those proposers, 66 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at: www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority and women-owned business groups. Five proposals were received on June 17, 2016. Of those five proposals, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), or Small Business Enterprises (SBEs), and two were Long Beach businesses (Locals).

Local Business Outreach

In an effort to align with the City's outreach goals, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the Bids Online database to download the RFP specifications. Through outreach, 757 Long Beach vendors were notified to submit proposals, of which 17 downloaded and one submitted a proposal. The Purchasing Division is committed to perform outreach to local businesses to expand the vendor pool.

DEVELOPMENT CONCEPT

A panel consisting of representatives from the Departments of Development Services and Economic and Property Development and an outside real estate economic consultant, Keyser Marston Associates, reviewed the five submittals. The panel unanimously selected the proposal submitted by the Buyer/Developer, and is recommending that the City Council select the Buyer/Developer as the City's preferred proposer and authorize execution of a PSA for sale of the Subject Property. The development concept proposed by the Buyer/Developer is consistent with the Downtown Plan, provides a unified masterplan that assimilates and cohesively develops a full half block in Downtown, providing residents and visitors with amenities that enhance urban living, promote cultural engagement, expand shopping opportunities, enrich the dining experience and integrates the California University system into the Downtown urban fabric. Project renderings and site plans are attached as Exhibit B.

One of the specific goals of the LRPMP is to "Provide priority opportunities for acquisition and development to adjoining landowners, tenants, or other businesses and business owners within the former Redevelopment Project Area." Additionally, the LRPMP goals promote partnerships with other land owners, including the City, in assembly of land, negotiation of development agreements, entitlement efforts and end use objectives. On November 3, 2015, the City Council authorized the sale of the half block northerly adjacent to the Subject Property to Buyer/Developer. Buyer/Developer's acquisition of the Subject Property would further the goals of the LRPMP by facilitating land assembly, and promoting enhanced, synergistic and thoughtful development opportunities. These unified development opportunities include:

- Distribution of density over a larger footprint, allowing for appropriate massing in context of historic structures and neighboring developments;
- Integration of the historic Acres of Books property into a unified full block development, providing supporting cultural and retail opportunities that create a collaborative urban fabric; and,
- Consolidation of parking, improving functionality and efficiency.

The Buyer/Developer has partnered with California State University, Long Beach, specifically the Graduate School of Fine Arts (University), to jointly identify, define and dedicate a residential component and ground floor with mezzanine creative office space for use by the University, its students and professors. The Buyer/Developer has allocated a portion of residential units as affordable for University students and, in addition to dedicated and prominent creative office space, an adjacent courtyard for the University's use for student galleries, performing arts, receptions, exhibitions and other University-related activities. This relationship with the University will bolster the East Village's reputation as a regional hub of creativity.

The development concept submitted by the Buyer/Developer for the Subject Property envisions a seven story residential structure containing 141 units including student housing, 12,285 square feet of commercial space (3,200 square feet of University space, 5,212 square feet of retail space, 3,873 square feet of flex space) and 6,200 square feet of outdoor networking and meeting space. The parking requirement for the proposed development is 190 parking spaces.

The Buyer/Developer proposes to integrate this development with the property on the northerly adjacent half block. This will be accomplished physically by creating pedestrian Paseos and Courtyards, and by activating the westerly half of the Acres of Books building with a 3,400 square-foot restaurant, and the easterly half of the building with a 6,600 square-foot market, totaling 10,000 square feet of retail space. Tracking the integrated development further north to 3rd Street, the Buyer/Developer proposes a 21 story, 234-unit residential tower, including an additional 11,459 square feet of commercial space (4,375 square feet of retail space, 5,773 square feet of creative space, and 1,311 square feet of space for Art Exchange). The parking requirement for this development is 321 parking spaces.

The combined development concept includes 375 residential units, 5,773 square feet of creative office space, 3,873 square feet of flex space, 19,587 square feet of retail space (including the Acres of Books building), 6,012 square feet of loft space, 1,311 square feet of Art Exchange space and 3,200 square feet of University space. The parking requirement for the combined development is 511 parking spaces. The Buyer/Developer proposes to provide 524 parking spaces, 13 spaces more than required by code. As proposed, onsite parking meets or exceeds code required parking.

Onsite parking is provided in a two-level subterranean garage and a one and a half level, abovegrade structure that parallels the interior alley and is screened from street view. Access to the garages is from the alley only, eliminating the need for access from the adjacent streets. Tandem and valet parking alternatives will be considered during the design review process.

The above described development concept will undergo an entitlement process including Site Plan Review, will be subject to review under the California Environmental Quality Act (CEQA) and will further be contingent upon the Planning Commission and City Council approvals.

Job creation and economic impact of the development concept is significant. During construction, direct and indirect temporary jobs are estimated at 990. Permanent jobs are estimated at 80 full-time and 60 part-time. Additionally, it is anticipated that the new residential developments will generate spending in the local economy. The Bureau of Labor Statistics estimates that 28 percent of a family's gross income is spent on food, entertainment, apparel and other retail needs. The majority of this spending is done at the local level. The 375 residential units are anticipated to reflect a total family gross income of \$37 million, or nearly \$100,000 per household on average. Of this, approximately \$10 million (28 percent) is estimated to be spent annually, mostly at the local level.

PURCHASE AND SALE AGREEMENT

The Buyer/Developer is a joint venture between Ratkovich Properties, LLC, Urbana, LLC, and The Owl Companies. The Buyer/Developer and their team members have extensive experience in development, redevelopment, historic adaptive re-use, and operation and management of mixed use projects throughout California. The Buyer/Developer estimates total development costs of \$154 million, which is the highest development cost of the five proposals.

The Purchase Price proposed for the Subject Property is \$7,850,000, or \$157 per square foot. This price was the highest price offered for the property and the development concept presented by the Buyer/Developer offers the best value for the City.

The Buyer/Developer shall provide an Initial Deposit of \$200,000 at opening of escrow. The Initial Deposit will be used by the City to pay for its outside attorney and third-party consultants' reasonable fees, if any, and such other costs as the City and the Buyer/Developer agree will be paid from the Initial Deposit. If the PSA is terminated, any remaining amounts of the Initial Deposit shall be returned to the Buyer/Developer. At the close of escrow, any remaining amounts of the Initial Deposit shall be applied to the Purchase Price.

Other general terms and conditions are as follows:

- Seller:
- Buyer/Developer:

City of Long Beach, a municipal corporation. Broadway Block, LLC, a California limited liability company.

- Purchase Price:

\$7,850,000.

- Initial Deposit

\$200,000 due at opening of escrow, which will be used to fund outside attorney and consultant costs, if any, during the Entitlement Period.

- Due Diligence Period:

90 days (3 months) from opening of escrow.

The Buyer/Developer will accept the property in an asis condition and release the City from all liability.

- Entitlement Period:

Up to 365 days (12 months) from opening of escrow to complete the entitlement process, including Site Plan Review, and CEQA analysis.

- Close of Escrow/Start Date:

30 days after completion of Entitlements, but no later than 18 months from opening of escrow.

The Buyer/Developer anticipates 24 months to complete Project construction. With this schedule, anticipated occupancy would occur in the Fall 2020. The timelines provided above are anticipated timelines and extensions may be required.

In compliance with Government Code Section 54220 (Chapter 621, Statutes of 1968), on June 1 and December 8, 2015, staff notified the State of California (State) that the Successor Agency was declaring all Future Development and Sale of Property parcels as surplus. Further, in accordance with past practice, a memorandum was circulated to all City Departments to determine their interest in, or objection to, declaring any parcel surplus. To date, neither the State nor any City Department has expressed an interest in, or objection to, the sale of the Subject Property. A Categorical Exemption, CE 16-159 (Exhibit C), was completed related to the proposed real estate transaction on June 23, 2016.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on June 29, 2016 and by Revenue Management Officer Julissa Jose-Murray on June 28, 2016.

City Council consideration of this Project is requested on July 12, 2016, to ensure that development on the Subject Property can occur in a timely manner.

The costs associated with the City's outside attorney and consultant fees, if any, up to \$200,000, through termination of the PSA or the close of escrow, whichever first occurs, will

be reimbursed from the Initial Deposit. Sale proceeds of \$7,850,000, less escrow, legal, closing fees and recovery of administrative costs, will be remitted to the Los Angeles County Auditor-Controller for distribution to the affected taxing agencies. If required under the terms of tax-exempt bonds issued for the acquisition of a portion of the Subject Property, proceeds will first be used to redeem the bonds. If repayment of bonds is not required, the net proceeds available for remittance is estimated to be \$6,594,000. The County will distribute the net proceeds to the affected taxing agencies based on their share of the 1 percent tax rate. The City's share is approximately 21 percent of the net sale proceeds. Consistent with City Council policy direction, 75 percent of the City's proceeds shall be retained for non-recurring economic programs in the former Downtown Project Area, and 25 percent shall be retained for non-recurring economic programs with a Citywide impact.

Approve recommendation.

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