



Legislation Text

File #: 20-0718, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary to submit a grant application to the U.S. Economic Development Administration, Public Works and Economic Adjustment Assistance Program, for improvements to City-owned property at 1850-1862 Atlantic Avenue, and accept said grant, if awarded, in an amount up to \$3 million, for creation of the Centro C.H.A. Workforce Development Center; and

Authorize City Manager, or designee, to execute a Memorandum of Understanding with Centro C.H.A., Inc., in connection with the grant and the administration thereof. (District 6)

On June 18, 2019, the City Council authorized the execution of a Letter of Intent (LOI) with Centro C.H.A., Inc. (Centro C.H.A.), in connection with the tenancy and potential option to purchase City-owned property at 1850-1862 Atlantic Avenue (Subject Property). Shortly thereafter, the City and Centro C.H.A. began the process of space planning for the Subject Property, at the completion of which, it was determined that approximately \$3.6 million would be needed to develop the Subject Property to enable Centro C.H.A. to continue its provision of initiatives and programs consistent with its mission, while expanding upon its workforce development efforts.

On January 21, 2020, the City Council authorized Lease and Option to Purchase No. 35521 (Lease), for the tenancy of the Subject Property for a period of ten years and an option to purchase. Subsequent to executing the Lease, Centro C.H.A. was approved for a loan (Loan) from the Los Angeles County Development Authority (LACDA) for approximately \$1.1 million, which will allow for the purchase of the Subject Property and provide for an initial capital outlay to improve the Subject Property. Thus, On April 8, 2020, Centro C.H.A. notified the City of its intent to exercise the purchase option in the Lease.

While the purchase of the Subject Property is ongoing, Centro C.H.A. has expressed interest in applying for a Public Works and Economic Adjustment Assistance grant (Grant) from the U.S. Economic Development Administration (EDA). The grant, if awarded, would allow Centro C.H.A. to receive up to \$3 million in Federal matching funds (Federal Match) to facilitate improvements to the Subject Property and allow for the creation of the Centro C.H.A. Workforce Development Center. As the City is still fee owner of the Subject Property, EDA requires that the City become a co-applicant on the Grant.

Grant requirements are extensive and may require project and construction management, Grant administration, and reporting during the useful life of the Subject Property (Grant Period). Additionally, EDA requires it maintain a security interest in the Subject Property

during the Grant Period. Should Centro C.H.A. become noncompliant on any of the provisions of the Grant, EDA could foreclose on the Subject Property resulting in a loss of the Subject Property to either the City or Centro C.H.A, whichever entity is property owner at the time of foreclosure. In addition to potential property foreclosure, Grant noncompliance could result in the City being liable for the repayment of the Federal Match during the entire Grant Period, whether the City retains ownership of the Subject Property or not. To that end, a Memorandum of Understanding (MOU) will be used to memorialize the responsibilities of the City and Centro C.H.A. in connection with the Grant.

The MOU will contain the following major provisions:

- Co-Applicant: Centro C.H.A., Inc., a 501 (c)(3) corporation.

- Co-Applicant: City of Long Beach, a Municipal Corporation.

- Indemnification: Centro C.H.A. will indemnify, and hold harmless the City, its officials and employees, from any liability resulting from Centro C.H.A.'s failure to comply with any and all Grant requirements.

- Grant Administration and Costs: Centro C.H.A. will bear all costs in connection with the Grant. Further, Centro C.H.A. will be solely responsible for performing all aspects of the administration of the Grant, including reporting.

- Security Interest: The City acknowledges that EDA will need to maintain a security interest in the Subject Property for the useful life of the improvements and could be subject to foreclosure by the EDA if the Grant is in noncompliance. In addition, LACDA may also need to subordinate to EDA on the Subject Property, to collateralize the Loan, which would only occur if Centro C.H.A. utilizes the Loan to complete the purchase of the Subject Property.

The City intends to rely on the MOU indemnification and does not intend to monitor compliance with the Grant terms.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 16, 2020 and by Finance Director John Gross on July 15, 2020.

City Council action is requested on August 4, 2020, to allow to submittal of the Grant application and execution an MOU in a timely manner.

In the event of grant noncompliance during the grant period, the City, as co-applicant, could potentially be liable for the Federal Match, which could total up to \$3 million. It is not clear how meaningful an indemnification by Centro C.H.A. is, if Centro C.H.A has insufficient

assets or insurance. Further, the City could lose the Subject Property to foreclosure; however, this would only be applicable if the City and Centro C.H.A. do not complete the sale of the Subject Property. 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.

[Enter Body Here]

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER