



Legislation Text

File #: 19-0092, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary, including a Purchase and Sale Agreement (PSA), with Eddie N John #1, LLC, a California limited liability company, and Youna Kim, a Sole Proprietor dba Eddie's Liquor #1 (collectively "Seller"), for the purchase of certain real property located at 6841-6845 Atlantic Avenue, Assessor Parcel Numbers 7116-019-029 and -036 (Subject Property), in the amount not to exceed \$9,591,540;

Authorize City Manager, or designee, to execute all documents necessary for a Lease between the City of Long Beach and Eddie's Liquor #1, for the use of the Subject Property;

Adopt Negative Declaration ND-02-19; and

Increase appropriations in the General Fund (GF) in the Economic Development Department (ED) by \$9,591,540, offset by the sale proceeds from the Broadway Block Site B and transfer of HEAP grant revenue from the Health Fund (SR 130). (District 9)

On July 24, 2018, Ninth District Councilmember Rex Richardson introduced, and the full City Council approved, an item requesting a City staff report on revenue options to address local homelessness and housing shortages in Long Beach. On August 21, 2018, City staff returned to the City Council with a report on a strategy to create additional affordable housing and improve prevention and response to homelessness in Long Beach, including current efforts, potential new funding sources, and enhanced approaches to reduce homelessness and improve housing opportunities. Multiple actions were recommended by City staff and approved by the City Council, including an analysis detailing a strategy for identifying a potential dedicated local revenue source for the development of permanent supportive housing and comprehensive prevention service; and, a plan to use recently received State funding toward the purchase of a facility that would be utilized as a year-round homeless shelter, focusing on Winter Shelter sites previously used by the City as well as others.

On November 13, 2018, the City Council authorized the City Manager to execute an agreement to receive and expend grant funding from the Business, Consumer Services and Housing Agency Homeless Coordinating and Financing Council (HCFC), in the amount of \$9,387,420 for Homeless Emergency Aid Program (HEAP), Continuum of Care allocation. HEAP funding, offered through the State's FY 19 budget, provides \$500 million in one-time funds to enable local jurisdictions to provide immediate emergency assistance to individuals experiencing homelessness. Of the amount awarded, \$8 million is designated for a year-round shelter and has been appropriated in the Health Fund in the Health and Human Services Department. Additionally, the City recently closed escrow for the sale of the

Broadway Block Site Bat 200-232 Long Beach Boulevard. Of the total amount anticipated to be received for Broadway Block Site B property, \$1,591,540 is available and recommended for the acquisition of the property located at 6841-6845 Atlantic Avenue, Assessor Parcel Numbers 7116-019-029, and -036 (Subject Property) (Attachment A).

The City has identified the Subject Property as a potential site for the development of a state of the art village-style campus for homeless services, beginning with the establishment of a year-round shelter. In addition, the purchase of the property will allow City staff to begin work with the community and to seek additional funding for the development of the Subject Property and the surrounding area, consistent with the North Long Beach Open Space Plan, the adjacent Edison right-of-way, and linkages to the Los Angeles Riverwalk.

The Subject Property is approximately 99,534 square feet and is improved with 3 commercial/industrial buildings totaling 28,084 square feet. The Seller has agreed to sell the Subject Property, as well as the Seller-operated business, Eddie's Liquor #1, to the City for an all-inclusive amount not to exceed \$9,491,540, which includes land and improvements, liquor license, furniture, fixtures and equipment, inventory, goodwill, and compensation for relocation benefits. In addition to the all-inclusive purchase price, an additional amount of up to \$100,000 will be expended for acquisition costs, including appraisal, environmental investigation, and escrow and closing fees.

As part of the acquisition, a Lease has been negotiated allowing the Seller to occupy the liquor store and appurtenant storage space (Attachment B) at a rental rate of \$6,000 per month effective at the close of escrow through January 5, 2020. The Lease will provide \$42,967 in rental income and will allow the Seller to reduce inventory. At the termination of the Lease, the City has agreed to have a third party conduct an inventory review and the City will compensate the Seller accordingly in an amount not to exceed \$400,000, which is included as part of the all-inclusive PSA. Consequently, the Seller will quitclaim its interest in all remaining inventory, furniture, fixtures and equipment, and liquor license.

Acquisition of the Subject Property as an all-inclusive settlement is prudent when the Subject Property is required, the settlement amount is reasonable, and is in the public interest. Per the action taken by the City Council on August 21, 2018, the Subject Property will immediately provide space needed for a year-round shelter, and allow City staff to begin working with the community and partner agencies to identify funding to develop and operate a village-style homeless services campus. The all-inclusive purchase price is a less costly alternative to a judicial resolution and potential litigation costs.

The acquisition of the Subject Property has been reviewed under the California Environmental Quality Act (CEQA). In accordance with the Guidelines for implementation of CEQA, an Initial Study/Negative Declaration (IS/ND) (ND-02-19) was prepared for this action (Attachment C). The IS/ND was made available for a 31-day public review and comment period that began on August 6, 2018 and ended on September 5, 2018. One written comment letter was received from the County Sanitation Districts of Los Angeles County.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 23, 2019 and by Budget Analysis Officer Julissa Jose-Murray on January 25, 2019.

City Council action is requested on February 5, 2019, to ensure the acquisition of the Subject Property can occur in a timely manner.

The total acquisition cost of the property will not exceed \$9,591,540. Of the total cost, an amount not to exceed \$9,491,540 will fund an all-inclusive purchase of the Subject Property and an additional \$100,000 will be expended for acquisition-related costs. Funding for the purchase has been identified in the amount of \$8,000,000, which is appropriated in the Health Fund (SR 130) in the Health and Human Services Department (HE), offset by HEAP grant funding. As mentioned previously, staff recommends funding the \$1,591,540 remainder amount needed for the purchase from the proceeds of the recently closed sale of the Broadway Block Site B. The Broadway Block Site B site was originally thought to be wholly-owned by the Successor Agency and proceeds were planned to be allocated consistent with City Council policy direction, 75 percent for the City's for non-recurring economic programs in the former Downtown Project Area, and 25 percent for non-recurring economic programs with a Citywide impact. It has since been determined that 52 percent of the Broadway Block Site B was owned by the City, and not the Successor Agency. This change in ownership is anticipated to result in additional funds being remitted to the General Fund. Future tenant improvements to the Subject Property would be subject to a separate future approval process with costs expected to be up to \$3,400,000 from County Measure H funds.

An appropriation increase for the remaining amount of \$9,591,540 is requested in the General Fund (GF) in the Economic Development Department (ED), offset by a transfer of \$8 million in HEAP grant funds from the Health Fund (SR 130) and \$1,591,540 in proceeds from the City-owned portion of the Broadway Block Site B. If for any reason the City does not receive funds from the County for the City-owned portion of Broadway Block Site B, \$1,591,540 from the proceeds due from County for the sale of the Successor Agency property will be used to cover the remaining purchase price balance of the Subject Property. Additionally, lease revenue in the amount of \$6,000 per month will accrue to the General Fund (GF) in the Economic Development Department (ED). There is no job impact associated with this action.

Approve recommendation.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

KELLY COLOPY
DIRECTOR OF HEALTH AND HUMAN SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER