



Legislation Text

File #: 19-0593, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute a Letter of Intent (LOI) between the City of Long Beach and Centro C.H.A, Inc., a California 501(c)(3) corporation, for the development of a lease agreement with the option to purchase City-owned property at 1850-1862 Atlantic Avenue, for youth workforce development, civic leadership, inclusive entrepreneurship training, and community services. (District 6)

The City of Long Beach (City) currently owns the property at 1850-1862 Atlantic Avenue, Assessor Parcel Numbers 7210-016-904 (Subject Property) (Attachment A). The Subject Property is approximately 14,663 square feet and improved with a 4,800-square-foot building, a former playground, and an adjacent parking lot. The Subject Property was previously purchased for a total of \$800,000, utilizing Refuse/Recycling Funds. At the time of purchase, the proposed use was the development of an educational environmental recycling demonstration depot. Since then, the property has remained vacant and requires substantial tenant improvements to make the property usable for public benefit.

Representatives from Centro C.H.A., Inc. (Centro C.H.A.), have expressed interest in leasing the property to provide initiatives and programs consistent with their mission. City Council approval is requested to enter into a Letter of Intent (LOI) with Centro C.H.A., for a period of up to 120 days, to ensure Centro C.H.A. may expend the funds necessary to complete construction plans, bids, and loan applications to secure financing necessary for the tenant improvements required to occupy the Subject Property.

Centro C.H.A. is a grassroots community organization that advances the well-being of underrepresented, low-income Hispanic children, youth, and families within Long Beach. The stated mission of Centro C.H.A. is to increase the quality source of programs and services that are dedicated to improving the social-economic development of low-income youth and their families in Long Beach.

Centro C.H.A. offers a variety of services that increase opportunities through health education, violence prevention, housing assistance, mentoring, youth workforce development, community service and leadership activities. Since 2002, Centro C.H.A. indicates that it has contributed over \$11 million in community benefits to the City:

- \$83,737 in transportation assistance;
- \$392,882 in comprehensive workforce wraparound services;
- \$132,945 in housing assistance for 132 individual families;

- \$7,763 in utilities assistance to 44 individual families;
- \$363,315 in job training and employment placement services to 1,243 eligible youth participants;
- \$1.5 million in violence reduction and family development services, impacting over 70,000 children, youth, and families; and,
- \$1.4 million in legal, workforce, job training, and language services to 2,493 eligible residents.

The lease or sale of the Subject Property would provide an opportunity to reactivate a currently dormant property while ensuring vital services and programs are provided to the surrounding community. A Proposed Lease would contain the following major terms and provisions and would return to the City Council for final approval no later than 120 days from the execution of the LOI:

- Lessor: City of Long Beach, a municipal corporation.
- Lessee: Centro C.H.A. Inc., a California 501 (c)(3) corporation.
- Leased Premises: Approximately 14,663 square feet of land, including a 4,800-squarefoot building, at 1850-1862 Atlantic Avenue.
- Initial Lease Term: Lease would be for ten years commencing within five days of execution of the Lease.
- Options to Renew: Lessee would have two options to renew for a period of five years each.
- Early Termination: Lessee would have the right to terminate the Lease within 90 days of the commencement date if the necessary capital and tenant improvements are determined to be cost-prohibitive.
- Rent: Base rent would be established by appraisal of fair market rent. The rent may be further offset monthly by the value of below market community services provided at the Subject Property on a non-cumulative basis. As an example, if leased space is provided to the City or other community-serving organization at a discounted rate, the amount that is considered below market can be applied toward rent on a monthly, noncumulative basis. Similarly, if services (e.g., legal, training, childcare, etc.), are provided to the community at a discounted rate, the amount that is considered below market value can be applied toward rent on a monthly, non-cumulative basis. Rent for each option period exercised would be adjusted by the cumulative change in the CPI and, once determined, would be fixed for each option term.

- Use: The Leased Premises must be used to provide programs and services that increase opportunities through youth workforce development, civic leadership, health education, violence prevention, mentoring, inclusive entrepreneurship, community service, leadership activities, and other supportive services.
- Capital Improvements: Lessee would be responsible for all design, permitting, capital improvements, and development of the Leased Premises including the maintenance, repair, and replacement of the improvements throughout the Initial Lease Term. Evidence of construction drawings, construction bids, and evidence of secured financing for tenant improvements would be required before final approval of the Lease.
- Option to Purchase: The Lease would include an option to purchase at a value of \$800,000, which must be exercised within the Initial Lease Term.

This matter was reviewed by Assistant City Attorney Michael J. Mais and by Budget Management Officer Rhutu Amin Gharib on June 13, 2019.

City Council action is requested on June 18, 2019, to ensure the proposed Tenant may expend the funds necessary to complete construction plans, bids, and loan applications to secure financing necessary for the tenant improvements required to occupy the Subject Property.

There is no fiscal impact associated with the execution of the LOI. If negotiations between parties are successful, staff will return with a Proposed Lease and a full analysis of the fiscal impact for review and approval by the City Council. 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.

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER