



Legislation Text

File #: 19-0682, **Version:** 2

Recommendation to adopt Specifications No. RFP EP19-028 for the purchase and development opportunity at 925-945 East Pacific Coast Highway, Assessor Parcel Numbers 7210-013-900 and -901 (Subject Property);

Declare the City-owned Subject Property as surplus;

Authorize City Manager, or designee, to execute any and all documents necessary including a Purchase and Sale Agreement (PSA) with Mercy Housing California, Inc., a California nonprofit public benefit corporation, or affiliate (Buyer/Developer), for the sale of the Subject Property in the amount of \$750,000; and

Accept Categorical Exemption CE 19-168. (District 6)

The City of Long Beach (City) currently owns the Subject Property, which measures approximately 15,795 square feet and is prominently positioned at the northwest corner of the intersection of Pacific Coast Highway and Martin Luther King Jr. Avenue (Attachment A). Formerly owned by the Redevelopment Agency of the City of Long Beach (Agency), the Subject Property 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 Central Long Beach Redevelopment Project Area and its guiding documents. As further required in the LRPMP, the Subject Property has been conveyed to the City and is now a City-owned asset.

On March 6, 2016, the City Council authorized the City Manager to execute all documents necessary, including a Purchase and Sales Agreement, with Wood Investments, Inc. a California corporation, or assignee, for the sale of the Subject Property. Subsequently, the sale was not finalized and escrow did not close, resulting in the Subject Property to be advertised through a new RFP. The RFP was advertised in the Long Beach Press-Telegram on November 15, 2018, and 8,373 potential proposers specializing in real estate land and improvements, management, and developers were notified of the RFP opportunity. Of those proposers, 54 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. The RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 28 local, minority, and women-owned business groups. Four proposals were received

on November 14, 2018. Of those four proposers, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), or certified Small Business Enterprises (SBEs), and two were Long Beach businesses (Local).

Local Business Outreach

In an effort to align with the City's local outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the PlanetBids database to download the RFP specifications. Through outreach, 857 Long Beach vendors were notified to submit proposals, of which 12 downloaded and two submitted proposals. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

A selection committee consisting of representatives from the Development Services and Economic Development Departments, along with outside real estate consultants specializing in financial and market analysis reviewed the proposals and interviewed each respondent. The panel unanimously selected the proposal submitted by Mercy Housing California (Buyer/Developer), of Los Angeles, CA, and is recommending that the City Council select the Buyer/Developer as the City's preferred proposer and authorize execution of a PSA for the sale of the Subject Property. The Buyer/Developer's proposed development concept includes apartments for senior affordable housing with a portion reserved for seniors who have experienced homelessness, a community room, a courtyard/recreation area that would be used to build community through classes and events and a Community Resource Center that can be used, in coordination with Long Beach-based community partners, as publicly accessible classroom, office, or medical space. The development concept will incorporate LEED Gold-level sustainable design features and community-driven public art integrated within the building design, which will reflect the rich history of the neighborhood. Consistent with the RFP, the Buyer/Developer recognizes the unique cultural and historical significance of the area and has committed to community outreach and visioning to inform the artistic design of the art components of the project. It is anticipated the development concept will create an estimated 140 temporary and five permanent jobs.

The Buyer/Developer's proposed development concept offers an opportunity to leverage City-owned property into a full block development through the Buyer/Developer's purchase of the adjacent property creating a significant, integrated vision for this integral corner within the central area of Long Beach. Further, the Buyer/Developer's proposed development concept contemplates and supports the goals and objectives in several of the City's guiding documents, including the Central Long Beach Strategic Guide for Development, the Sixth District Master Plan, Everyone Home Long Beach, and the Blueprint for Economic Development, by increasing the number of senior affordable housing units with accompanying amenities in a design that complements the surrounding residential neighborhood.

The Buyer/Developer will provide an Initial Deposit of \$20,000 at opening of escrow. The

Deposit will remain refundable to Buyer/Developer through the Due Diligence Period. The Initial Deposit, which is applicable toward the Purchase Price, 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 following Buyer/Developer's approval of Due Diligence. If the PSA is terminated, any remaining amounts of the Initial Deposit will be returned to Buyer/Developer.

Other general terms and conditions are as follows:

- Seller: City of Long Beach, a municipal corporation.
- Buyer/Developer: Mercy Housing California, Inc., a California nonprofit public benefit corporation.
- Purchase Price: \$750,000.
- Initial Deposit: \$20,000 due at opening of escrow, which will be used to fund outside attorney and consultant costs, if any, during the Entitlement Period. The Initial Deposit will be applicable to the Purchase Price and will remain refundable through the Due Diligence Period.
- Due Diligence Period: 90 days (3 months) from opening of escrow. Buyer/ Developer will accept the property in an as-is condition and release the City from all liability.
- Entitlement and Finance Period: 21 months from opening of escrow to complete the Entitlement and finance process, including Site Plan Review, applications to County and State funding sources and California Environmental Quality Act (CEQA) Analysis.
- Close of Escrow/Start Date: 30 days after completion of Entitlements and receiving a commitment of State and County gap sources necessary to complete the project, but no later than 27 months from opening of escrow.

The Buyer/Developer anticipates 15 months to complete construction. With this schedule, anticipated occupancy would occur in Fall/2022-Winter 2023. 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, requesting parties, qualified housing sponsors, nor any City department has expressed an interest in, or objection to, the sale of the Subject Property. The RFP included a provision that 15 percent of any residential units developed on the Subject Property be subject to a covenant requiring the units to be affordable.

Categorical Exemption CE 19-168 (Attachment B) was completed related to the proposed transaction on June 11, 2019.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on June 11, 2019 and by Budget Analysis Officer Julissa José-Murray on June 25, 2019.

City Council action is requested on July 16, 2019, to ensure the Entitlement period on the Subject Property can occur in a timely manner.

The costs associated with the City's outside attorney and consultant fees, if any, through termination of the PSA or the close of escrow, whichever first occurs, will be reimbursed from the Initial Deposit, provided the Buyer/Developer has previously approved Due Diligence.

Sale proceeds of \$750,000, less escrow and closing fees and recovery of administrative costs, will be remitted to the Los Angeles County Auditor-Controller for distribution to the affected taxing agencies. The net proceeds available for remittance is estimated to be \$645,000. 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, resulting in an estimated \$135,450. Consistent with City Council policy direction, 75 percent of the City's proceeds will be retained for non-recurring economic programs in the former Central Long Beach Project Area, and 25 percent will be retained for non-recurring economic programs with a citywide impact. 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

