



City of Long Beach
Working Together to Serve

Office of Dee Andrews
Council Member, Sixth District
Memorandum

Date: April 20, 2010
To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
From: Dee Andrews, Councilmember Sixth District
Rae Gabelich, Councilmember Eighth District
Subject: AGENDA ITEM: Kroc Center Red Team

DISCUSSION

The Salvation Army entered into a Memorandum of Understanding (MOU) with the City of Long Beach on January 1, 2006 for the development of a community center known as the Kroc Center. The site is located one block north of PCH at Walnut Avenue on approximately 19 acres at what is currently referred to as Hamilton Bowl. This is a storm water retention basin for the County of Los Angeles Flood Control District. The City of Long Beach currently maintains a lease with the County to operate the property as a park.

In order to construct the Kroc Center there will be considerable investment in the storm water system. The cost of reconfiguring the storm water system is estimated at \$5 million (\$750,000 to import, relocate and compact the new building pads). This reconfiguration of the storm water system is being done for two reasons. The first reason is that in order for a Kroc Center to be built, according to the terms of the foundation, the Salvation Army must have a Fee Simple title to the underlying land. The second, and more practical matter, is to prevent flooding on the center of the property. The remaining 11.8 acres of land will be used for athletic fields and parking and will be leased by the Salvation Army from the City/County.

Beyond the social benefits the proposed Kroc Center will provide much needed economic benefits. They include, but are not limited to:



Job creation, increasing property values, increased tax base, increased economic activity for surrounding community, academic achievement and reduction in crime rates.

It is expected to take more than two years to build all the elements of the Kroc Center on the property. An estimated 600 construction jobs will be needed to develop the site. The Long Beach Kroc Center will employ 175 to 210 people once it opens.

The San Diego Association of Governments (SANDAG) conducted a 2008 study of the Economic Impact of the Kroc Center located in San Diego. It concluded:

From an economic perspective, the Kroc Center employs 50 full-time employees, summer camp staff, and additional part-time and on-call staff for the total of approximately 340 staff members. These jobs result in approximately \$3 million in payroll and a direct value of more than \$6.1 million in economic activity for the region during the year.

The \$6.1 million in "direct" economic activity of the Kroc Center supports other local industries. As a result of its day-to-day operations, the Kroc Center "indirectly" generates nearly \$533,000 in annual payroll and nearly \$1.8 million in additional economic activity at other local companies. This \$1.8 million can be considered the result of the goods and services that the Kroc Center purchases from local vendors. Overall, an estimated 14 jobs, paying an average of \$39,000 per year, are generated locally by the economic activity of the Ray and Joan Kroc Corp Community Center. These jobs, with total payroll in excess of \$500,000 per year, would not exist without the economic activity generated by the Kroc Center.

Other Kroc Centers have seen a drop in crime where the centers are located. The positive impact of a Kroc Center in a community is significant and continues to grow years after it has stabilized.

According to a 2006 study commissioned by the Salvation Army and conducted by Brailsford & Dunlavey/Heery International here are some of the highlights:

- o Nearly 30% of those individuals within the one-mile radius of the Long Beach Kroc Center are living at or below the poverty level. For those individuals and families that do have jobs, 64% of them earn less than \$35,000 annually. Another 46% of the population is not currently in the work force.
- o 26% of individuals living in a one-mile radius of the proposed site do not own a car or vehicle. Because of its close proximity, the Long Beach Kroc Center will be easily accessible to these individuals. In 2006, 48 percent of Long Beach households earned less than \$35,000 per year, while just 40 percent of total California households earned less than \$35,000 per year.
- o 37% of individuals within a one-mile radius are under the age of 18. These individuals currently have no quality athletic or recreation facilities within walking distance.
- o Approximately a half-million people live within a 5-mile radius of the Long Beach Kroc Center, including 140,000 senior citizens. The Long Beach Kroc Center will provide social, recreational and aerobic activities for senior citizens and also multi-generational classes that will group together senior citizens and Long Beach youth.
- o 32% of children in Long Beach live at or below the poverty level.
- o 21% of 16-24 year olds are high school dropouts.
- o 19% of all youth (including those with and without high-school diplomas) are not employed and not in school.

- o Within a one mile radius of the proposed Kroc Center, there is a population of nearly 74,000 individuals. Among this 74,000, roughly 78% are of an ethnicity that is not Caucasian (34% Hispanic, 21% Asian, and 14% African-American).
- o Given the recent economic decline, these numbers have certainly increase. In June, the Press-Telegram reported that Long Beach unemployment is at an estimated 12.5% compared to neighboring cities Seal Beach (6.4%) and Torrance (5.7%)
- o The public benefit of the Long Beach Kroc Center extends much further than just Long Beach, though. While the primary audience for the Long Beach Kroc Center will be the Long Beach community, the Kroc Center will also serve Signal Hill and cities north of Long Beach such as Lakewood, Norwalk and Cerritos.
- o The Ray and Joan Kroc Corps Community Center will provide the residents of Long Beach, Signal Hill and surrounding communities the opportunity to have access to world-class facilities for education, recreation and the arts. In keeping with the mission of The Salvation Army, the facility will provide programs and services that encourage positive life-changing experiences.

The Facility:

- o The Long Beach Kroc Center will contain an auditorium with flexible multi purpose rooms including a computer lab and room for music instruction. It will also contain extensive classroom space, a state-of-the-art Olympic-level aquatics center with multiple pools; a gymnasium complex, elevated jogging track, and a weight and fitness area.



- o On Kroc Center grounds there will be multi-purpose fields that will provide ample space for outdoor activities and sports. This will include fields for sports leagues (soccer, football, baseball) as well as passive activities including picnics, outdoor reading, events and cultural festivals
- o The Long Beach Kroc Center will contain state-of-the-art educational components that will focus on the arts such as music and drama. There will be dedicated space for homework centers.
- o The Long Beach Kroc Center also has established mutually beneficial partnerships with the Long Beach Unified School District, Long Beach City College, and California State University. These partnerships will incorporate the best curriculum

and teachers/professors of the educational partners with world-class facilities of the Long Beach Kroc Center.

- o The strong alliance with Long Beach City College will be enhanced by the location of the main entrance of LBCC's Pacific Campus and the Kroc Center. This location, a few hundred yards north of PCH, will align with the east entrance to the Campus. The linkage will be further strengthened by the design of the crosswalk and entryways to the east and west of Walnut.
- o Here is a list of other features that will be included within the Kroc Center.
 - 450-seat Performing Arts Center
 - 30 Classrooms
 - Drop-in Day Care
 - Toddler Play Area
 - Art Studios
 - Lecture Halls
 - Kitchen
 - Library
 - Four Indoor Basketball Courts
 - Outdoor Walking Paths
 - 1,000-seat Outdoor Amphitheater



- o The Long Beach Kroc Center project is a \$120M+ project with nearly \$100M already allocated to the project from Kroc Center funds and Salvation Army reserves.
- o Improvements to adjacent sidewalks and existing and proposed bus stops will be made and a new traffic signal will be placed at the intersection of Rose Avenue and Pacific Coast Highway, which is one of the proposed entrances to the new facility.
- o The recent recession has left more families in need of affordable access to fitness, recreation and other programs to improve their lives. The Long Beach Kroc Center

wants people of all means to be able to use the center and will have membership discounts and scholarships available for low-income residents.

Overcoming Obstacles to Get to the Finish Line:

There are two obstacles we need to overcome in order to make this dream of the Kroc Center a reality.

- Successful completion of the land transfer and Developer agreement in place. This needs to be accelerated and a final agreement needs to be in place.
- In order for the Kroc Foundation to release the funds needed to build the Kroc Center, it is stipulated there needs to be local involvement and commitment from the community to the Center. Currently the Salvation Army needs to reach an \$18 million goal.

We are proposing the City of Long Beach create a KROC CENTER RED TEAM for the purpose of overcoming these two obstacles.

The Red Team is a mechanism that the City of Long Beach and other cities use to attract new, and retain existing, businesses. The C-17 Red Team approach was innovative in the national attention focused on this issue, and in the broad scope of activity. Red Team participants range from local government to county, state and federal governments as well as private industry.

“The C-17 Red Team demonstrated a model for successful collaboration with other private and public sector entities to support a threatened economic asset for the City and region. It used a variety of communication devices – private and public – to advance the project, including op-eds, advertisements, letters, City Council study sessions, visits by elected officials, web site information, DVDs and public events. According to the Washington Post, Michael E. O’Hanlon, a senior fellow at the Brookings Institution, Long Beach’s approach was noteworthy. ‘You usually only see these types of heroics involved when a baseball stadium is at stake,’ he said.”
- February 26th, 2007 CALED Award of Excellence report

The City of Long Beach created a C-17 Red Team to address the elimination of the C-17 Boeing program. The Red Team included representatives from the City, private industry, utilities, regional nonprofits, the County, the State and Congressional representatives.

The Kroc Center Red Team’s purpose would be to: coordinate a public awareness campaign on the value of having the Kroc Center in our city; clear the way and expedite, post haste, all issues regarding the land, transfer and lease; help find public and private financial support to reach the threshold of the \$18 million needed to trigger the funding of the Center. We need to leverage our relationships with other government entities at the federal, state and local levels.

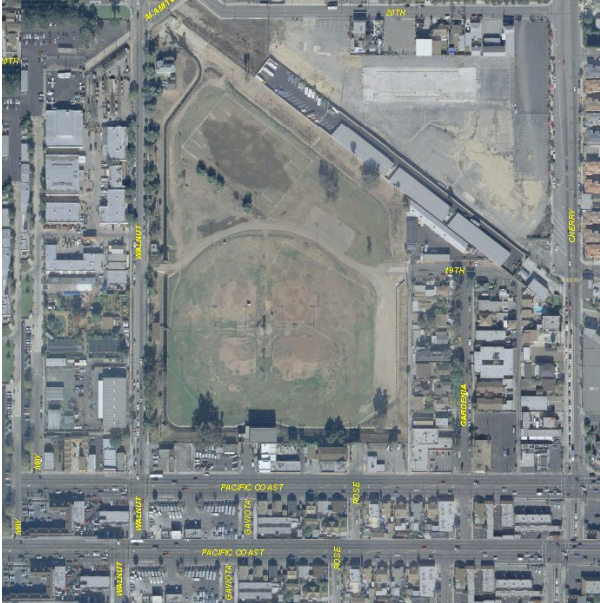
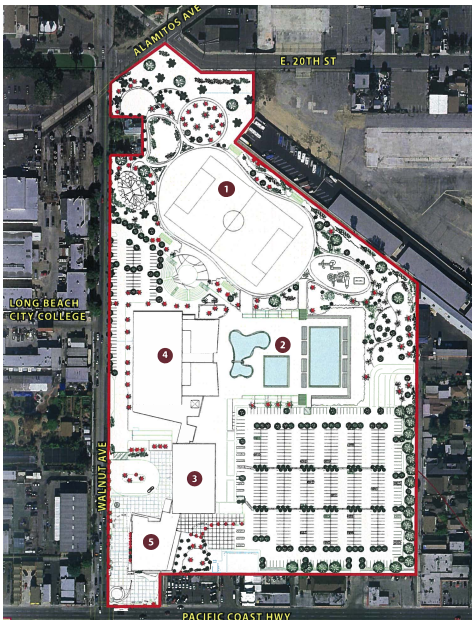
All Hands On Deck:

Every needed department needs to be involved with the goals. It has been almost four and a half years since the MOU was signed. This MOU needs to turn into a Disposition and Development Agreement (DDA). A development agreement provides the developer (Kroc Center) with a level of certainty about the land use requirements. It will also give the confidence and assurances needed by the Kroc Center to attract more potential donors, because the project parameters and details are in writing.

We need to explore all financing opportunities with this project and explore different funding sources and possible revenue generation for the center. This document only suggest two of what we hope will be many funding and revenue generators for the Kroc Center. The Red Team can disregard the suggestions but their mission is to develop adequate funding and revenue sources to make this project a go.

Possible Revenue Sources for the Kroc Center:

A) As you can see from the illustration below with the overlay of the Kroc Center, there is a strip of commercial land estimated in value at around \$7 million. It has been discussed by the Redevelopment Agency Board & staff, and the City Manager that this land would be acquired by the Redevelopment Agency. We would not want \$120 million project derailed because of adjacent blighted businesses.



There is no reason why this strip of land fronting the proposed Center along Pacific Coast Highway could not be acquired and developed for amenities that will support this Center. Parents of the students will a place to buy Coffee, or sandwiches at a nearby shop. The commercial center could have viewing corridors to the Kroc Center site. This Development could be a financial revenue stream to the Center with a Land Lease or joint venture with a developer.



B) There is a large parking structure that will generate revenue. We need to explore the possibility of working with the Kroc Center to bond this portion of the development and have the revenue pay for the bonds. Colleges, as well as cities, use this method. There are other funding sources besides traditional bonding, such as capital from insurance companies that need to invest their reserves. This is a very cheap resource to finding a project like this. 100% of project capital with no capital investment or lease payments required during the design and construction of the parking lot.

RECOMMENDATION

Request the City Manager to create a Kroc Center Red Team utilizing all departments necessary for the purpose of:

- Creating a public awareness campaign on the value of having the Kroc Center in our city.
- Expedite the resolution of all remaining issues regarding the land transfer and lease property. Successful completion of the land transfer and Developer agreement needs to be in place no later than September of 2010
- Help find solutions and support to reach the fundraising threshold of the \$18 million needed trigger the funding of the Center.



City of Long Beach Memorandum
Working Together to Serve

REQUEST TO ADD AGENDA ITEM

Date: April 16, 2010
To: Larry Herrera, City Clerk
From: Councilmember Dee Andrews, Sixth District
Councilmember Rae Gabelich, Eighth District
Subject: Request to Add Agenda Item to Council Agenda of April 20, 2010

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Request the City Manager to create a Kroc Center Red Team utilizing all departments necessary for the purpose of:

- Creating a public awareness campaign on the value of having the Kroc Center in our City.***
- Expedite the resolution of all remaining issues regarding the land transfer and lease property. Successful completion of the land transfer and developer agreement need to be in place by September 2010.***
- Help find solutions and support to reach the fundraising threshold of \$18 million to trigger the funding of the Kroc Center.***

Council District	Authorizing Councilmember	Signed by
1	Robert Garcia	[Signature]
8	Rae Gabelich	[Signature]
6	Dee Andrews	[Signature]

Attachment: Staff Report dated April 20, 2010

CC: Office of the Mayor