

December 7, 2021

**R-37**

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Adopt Specifications No. RFP ED20-041 for the development of exempt surplus City-owned property commonly known as the former Long Beach Armory, located at 854 East 7<sup>th</sup> Street, Assessor Parcel Number 7274-019-900 (Subject Property);

Authorize the City Manager, or designee, to execute all documents necessary, including a Purchase and Sale Agreement (PSA) with Gundry Partners, LP, doing business as Howard CDM, of Long Beach, CA, or affiliate (Buyer/Developer), for the sale of the Subject Property in the amount of \$5,150,000;

Authorize the City Manager, or designee, to negotiate and execute a 55-year Residual Receipts Loan Agreement in the amount of \$5,150,000 to Buyer/Developer for the purchase of the Subject Property for the purpose of developing affordable housing; and,

Accept and approve categorical exemption CE 21-147. (District 1)

**DISCUSSION**

Long Beach Armory, located at 854 East 7th Street, occupies a .91-acre parcel bounded by Seventh Street, Gumbiner Park, Cobre Way, and Mars Court (Attachment A). The Subject Property consists of a 3-story, 26,530-square-foot Armory building (Armory Building) and a 12,000-square-foot parking lot. Built in 1930, the Subject Property served as the Long Beach Armory, one of ten armories built by the California Army National Guard (CA ARNG) between World Wars, until it was decommissioned in April 2018, and the CA ARNG relocated to the Joint Forces Training Base in Los Alamitos. Ownership of the Subject Property then reverted to the City of Long Beach (City) and has since remained vacant. The Subject Property is widely considered to be an essential part of local military history and historically significant. It is also in need of significant repairs and maintenance before it can be reoccupied.

**Request for Proposals**

On May 8, 2020, the City posted Request for Proposals No. RFP ED20-041 (RFP) seeking qualified respondents to enter into a long-term lease and development opportunity to activate, develop, and restore the Subject Property consistent with Local, State, and Federal statutes for historically significant resources. The RFP was advertised in the Long Beach Business Journal on May 12, May 26, June 9, June 23, July 7, and July 21, 2020. Additionally, 371 potential proposers specializing in leasing and development opportunities were notified of the

RFP opportunity. Of those potential proposers, 35 downloaded the RFP via the City's electronic bid system. In addition, the RFP document was made available from the Purchasing Division, located on the sixth floor of City Hall, and the Division's website at [www.longbeach.gov/purchasing](http://www.longbeach.gov/purchasing). An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 35 local, minority-owned, and women-owned business groups. One proposal was received by the July 29, 2020 closing date. The proposal was not from a Minority-owned Business Enterprise (MBE), Women-owned Business Enterprise (WBE), or Small Business Enterprise (SBE); however, the proposal was considered to be from a Long Beach business (Local).

The sole proposal was submitted by Buyer/Developer, on behalf of, and in tandem with, its partners Pacific 6 and St. Anthony High School, for a fee purchase of the Subject Property and subsequent development of the Armory Arts Collective, an 86-unit workforce market-rate housing and performing arts complex. The proposal contemplated adaptive reuse and restoration of the Armory Building, including 11,400 square feet of offices, meeting rooms, and studios; a 7,043-square-foot performing arts center and gallery space; and, an 8,258-square-foot performing arts garden. Additionally, the proposal contemplated ground-up development of the existing parking lot into a mix of one-bedroom and studio market-rate housing, 40 units of which would be at 60 percent of area median income (AMI).

A panel consisting of representatives from Development Services and Economic Development Departments, City Attorney's Office, and outside real estate consultants specializing in financial and market analysis, reviewed the proposal and interviewed the Buyer/Developer. The proposal was evaluated based on the following criteria: (1) scope of the proposed development; (2) demonstrated experience in development/management of similar projects; (3) financial strength of the Buyer/Developer team members; (4) number of jobs created and sustained; (5) evidence of financial capability to develop the project; (6) demonstrated capability to plan and construct development projects in a timely fashion; (7) demonstrated capability to maintain real property and to adhere to applicable codes, Ordinances, and covenants; (8) inclusion of sustainability/green building elements; and, (9) demonstrated public benefit, consistent with the goals of education, arts, historic preservation, and economic development.

The Buyer/Developer's proposed development concept contemplated and supported most of the goals and objectives outlined in the RFP. However, the proposal contemplated a fee purchase of the Subject Property rather than the requested long-term lease which triggered additional steps in the disposition process, including compliance with the State's Surplus Land Act (SLA). Therefore, the panel recommended executing a 90-day Exclusive Negotiating Agreement (ENA) with the Buyer/Developer to negotiate issues associated with the purchase proposal, and determine whether the Buyer/Developer proposal could be made viable.

On February 2, 2021, the City Council authorized ENA No. 35865 with Buyer/Developer to facilitate further negotiation and allow the City time to move the project forward in compliance with the SLA. Subsequently, the Buyer/Developer revised its proposal to include developing a 64-unit, 100 percent affordable housing development, various improvements to Gumbiner Park, and adaptive reuse of the Armory building to accommodate arts-focused uses. The ENA

was subsequently extended while the City completed all the steps necessary to comply with the SLA process.

### **Surplus Land Act**

On October 5, 2021, the City Council adopted Resolution No. RES-21-0119 (Resolution), which declared the Subject Property as Exempt Surplus Land, pursuant to Government Code Section 5422(f)(1)(A). The Resolution was then transmitted to the State Department of Housing and Community Development (HCD) for review and determination. On November 9, 2021, HCD notified the City that it had reviewed the Resolution and affirmed that the Subject Property would be considered Exempt Surplus Land, provided the property is transferred to provide affordable housing pursuant to Government Code Section 37364. Upon receiving HCD affirmation, staff finalized negotiations with the Buyer/Seller on a Purchase and Sale Agreement (PSA) for the Subject Property.

### **Historical Designation**

Due to the Subject Property association with World War II and early-twentieth-century state-owned armories period of construction, and it has retained the integrity of its Art Deco style of architecture, the Subject Property is eligible for listing in the National Registry of Historic Places (NHRP). Accordingly, the Buyer/Developer will be required to undertake the steps necessary to pursue designation of it as such after completion of construction and permanent loan closing.

### **Gumbiner Park**

The Buyer/Developer has expressed a desire to partner with the City to improve, maintain, and program Gumbiner Park, located at 628-662 Martin Luther King Jr Avenue (Park), which abuts the Subject Property. Given Park proximity to the Subject Property, and given the current issues with security and blight due to Park passivity, the Buyer/Developer has proposed the inclusion of synergistic programming and improvements to activate and enhance the Park for the enjoyment of area residents and Park patrons. To that end, the City and Buyer/Developer have agreed to codify this programming and enhancements with a Cooperative Agreement or similar, the execution of which the City will make a condition to the close of escrow. Terms and conditions of the Cooperative Agreement will be brought back to the City Council at a future meeting for consideration.

### **Purchase and Sale Agreement**

The City and Buyer/Developer have negotiated a purchase price of \$5,150,000 for the purchase of Subject Property that will be paid to the City through a 55-year Residual Receipts Loan (Acquisition Loan), which is a loan that is repaid with the surplus cash of the project after all obligations from construction and financing the project have been disbursed. The Acquisition Loan will bear a 3 percent simple annual interest rate. At the time of closing, the City and Buyer/Developer will execute loan documents memorializing the City loan to the Buyer/Developer in the amount of the purchase price; therefore, the City will not receive cash at the time of closing for the sale of the Subject Property and instead will receive payments

from Residual Receipts, if any, which are paid on an annual basis beginning the year first following the date the project is completed and ready for occupancy and each year thereafter through the 55-year term of the loan. Payments are typically applied towards accrued interest and thereafter to the principal.

Further, the Buyer/Developer has applied for additional funding from the City Housing and Neighborhood Services Bureau to assist with development of an Affordable Housing Development Loan, which is pending award and subject to approval by the Long Beach Community Investment Company. The Acquisition Loan will be contingent upon approval of the Affordable Housing Development Loan and any additional financing the Buyer/Developer has applied for through State and County funding. Once financing has been secured, and the transaction closes escrow, the Acquisition Loan will be placed in a junior position behind the Affordable Housing Development Loan and any additional funding, if so required, and will not be repaid until the all other loans are paid in full. All monitoring and compliance activities will be handled through the administration of the Affordable Housing Development Loan.

Other general terms and conditions of the Purchase and Sale Agreement are as follows:

<u>Seller:</u>	City of Long Beach, a municipal corporation.
<u>Buyer/Developer:</u>	Gundry Partners, LP, doing business as Howard CDM, or affiliate.
<u>Purchase Price:</u>	\$5,150,000.
<u>Due Diligence Period:</u>	90 days (3 months) from the opening of escrow. Buyer/Developer will accept the property in an as-is condition and release the City from all liability.
<u>Entitlement, Permitting, and Finance Period:</u>	18 months from the opening of escrow to complete any entitlement items, obtain approved building permits, and complete two rounds of County and State funding applications and awards.
<u>Close of Escrow:</u>	60 days following full funding and permitting.
<u>Construction Activities:</u>	Shall commence 90 days after the Close of Escrow.
<u>Post Closing Obligations of the Subject Property:</u>	Buyer/Developer shall pursue historical designation and Cooperative Agreement related to Gumbiner Park.

The Buyer/Developer anticipates 18 months to complete construction. With this schedule, anticipated occupancy would occur in Spring of 2024. The timelines provided above are anticipated timelines, and extensions may be reasonably granted upon review and determination by the City Manager.

A Categorical Exemption, CE 21-147 (Attachment B), was completed related to the proposed transaction on November 19, 2021.

This matter was reviewed by Deputy City Attorney Rich F. Anthony on November 17, 2021 and by Budget Operations and Development Officer Rhutu Amin Gharib on November 16, 2021.

TIMING CONSIDERATIONS

City Council action is requested on December 7, 2021, to allow the City to open escrow and development to occur in a timely manner.

FISCAL IMPACT

The City will receive no immediate proceeds from the sale of the Subject Property. It is anticipated that the City will begin to receive payments in the General Fund Group from the 55-year Residual Receipts Loan once all financial obligations have been met including repayment of the Affordable Housing Development Loan, but the amount and timing of when payments may start, is unknown at this time. Although timing is unknown, the City anticipates to receive full payment of the loan as the Buyer/Developer will agree to make a balloon payment for any remaining unpaid balance at the end of year 55. The City and Buyer/Developer will negotiate a Cooperative Agreement or similar, to improve, maintain, and program Gumbiner Park. Terms and conditions of the Cooperative Agreement will be brought back to the City Council at a future meeting for consideration. The recommended action will eliminate the current carrying costs for the Subject Property, in the amount of about \$25,000 per month, which is unbudgeted. Savings is anticipated upon the close of escrow which is anticipated in Summer 2023. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There may be an increase in temporary construction, trades, and laborer jobs associated with this recommendation, but the exact number is unknown at this time.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



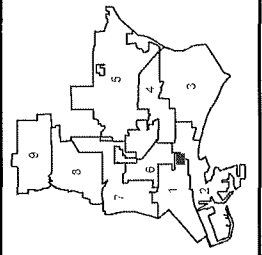
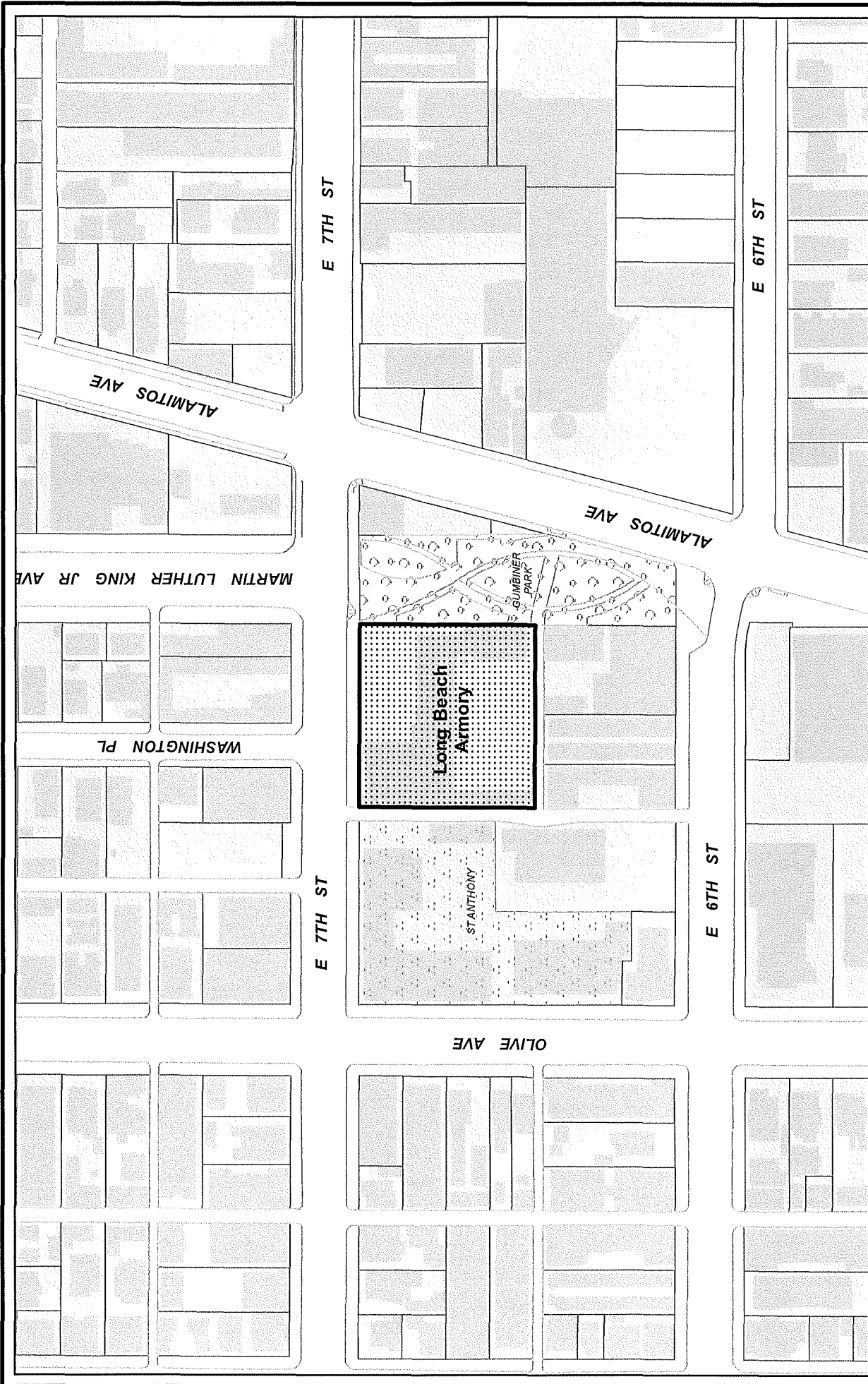
JOHN KEISLER  
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER

Attachments: A – Subject Property  
B – Categorical Exemption 21-147



# Attachment A

**Subject Property:**  
 854 E 7th St  
 Council District : 1



TO:  Office of Planning & Research  
1400 Tenth Street, Room 121  
Sacramento, CA 95814

FROM: Department of Development Services  
411 W. Ocean Blvd, 3<sup>rd</sup> Floor  
Long Beach, CA 90802

L.A. County Clerk  
Environmental Fillings  
12400 E. Imperial Hwy., Room 1201  
Norwalk, CA 90650

Exemption Number: CE-21-147

Project Title (Application Number): Long Beach Armory Purchase and Sale Agreement

Project Location – Specific: 854 East 7th Street (APN: 7274-019-900)

Project Location – City/County: **City of Long Beach, Los Angeles County, California**

Description of Nature, Purpose and Beneficiaries of Project:

Purchase and Sale Agreement for the City-owned property at 854 E. 7th St., commonly known at the former Long Beach Armory (APN: 7274-019-900) for the adaptive reuse of the former Armory building and ground up construction of a new affordable housing development.

Public Agency Approving Project: **City of Long Beach, California**

Person or Agency Carrying Out Project: Long Beach Economic Development Department, Mary Torres

Exempt Status: **(Check One)**

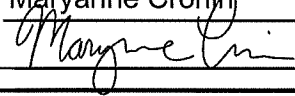
- Ministerial (Sec 21080(b)(1); 15268);
- Declared Emergency (Sec 21080(b)(3); 15269(a));
- Emergency Project (Sec 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: 15312, Surplus Government Property Sales
- Statutory Exemption. State code number: \_\_\_\_\_

Reasons why project is exempt:

The surplus government property sale would not include land nor a project located in an area of statewide, regional, or areawide concern identified in Section 15206(b)(4). The property is fully developed under existing conditions and does not have significant values for wildlife habitat or other environmental purposes. Furthermore, the proposed adaptive reuse and affordable housing project for the site is declared a ministerial action under Senate Bill 35. There is no discretionary entitlement required as part of reuse and/or development of the subject property.

**Lead Agency**

Contact Person: Maryanne Cronin Contact Phone: (562) 570-5683

Signature:  Date: 11/19/21 Title: Planner