

November 17, 2020

R-67

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary, including an Agreement for Acquisition of Real Property and Escrow Instructions (Agreement), with Jasman Hospitality, Incorporated, a California corporation (Seller), for the purchase of certain real property located at 1725 Long Beach Boulevard, Assessor Parcel Number 7269-019-049 (Subject Property), in an amount not to exceed \$21,720,000;

Accept the Categorical Exemption SE-20-092;

Increase appropriations in the Health Fund Group in the Health and Human Services Department by \$15,337,400, offset by grant revenues; and,

Increase appropriations in the General Fund Group in the Economic Development Department by \$21,720,000, offset by a transfer of grant revenues from the Health Fund Group and Community Development Grants Fund Group. (District 1)

DISCUSSION

On July 16, 2020, the State of California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for approximately \$600 million in grants as part of the Homekey Program (Homekey). The program is a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness and impacted by the COVID-19 pandemic by partnering with local entities to acquire and rehabilitate a variety of housing types, including, but not limited to, hotels, motels, vacant apartment buildings, and residential care facilities.

Of the \$600 million in Homekey grant funds, \$550 million is derived from the State's direct allocation of the federal Coronavirus Aid Relief Funds (CRF) and \$50 million is derived from the State's General Fund to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites. As a result, any award from the CRF funds must be expended by December 30, 2020, while General Fund funds must be expended by June 30, 2022. On October 20, 2020, the City Council adopted a Resolution to accept and expend grant funding from the HCD, in an amount not to exceed \$36,000,000 for the acquisition and operation of an existing hotel and conversion into interim housing options for persons experiencing homelessness. Additional funding to support acquisition efforts in the amount of \$6,050,000 have been identified from other grant programs including the Homeless Emergency Aid Program (HEAP), the Federal Emergency Solutions Grant (ESG), Community Development Block Grant (CDBG), and the State's Coronavirus Aid, Relief, and Economic Security (CARES) Act allocation.

The City has identified a property located at 1725 Long Beach Boulevard, Assessor Parcel Number 7269-019-049 (Subject Property) (Attachment A), as a potential site for Homeless Services Housing. The Subject Property is approximately 34,740 square feet and is improved with a 102-room hotel, known as the Best Western of Long Beach. The property owner has agreed to sell the Subject Property to the City for \$21,660,000, approximately 8 percent above the fair market value, as determined by an independent appraisal. An additional amount up to \$60,000 will be expended for acquisition costs, appraisal, environmental investigation, and escrow and closing fees. The acquisition would begin to fill a crucial gap in the City's Homeless Services. The proposed 102 units represent 6.4 percent of the unsheltered population identified in the Long Beach 2020 homeless count and will ensure more effective transitions into permanent housing.

After acquisition and minor renovation, the Subject Property would be temporarily operated by an on-call property management firm, leveraging the Long-Beach Multi-Service Center (MSC) and the Long Beach Continuum of Care (CoC) to provide wraparound services. A competitive Request for Proposals (RFP) will be issued for ongoing site management and wraparound services provision from local providers with experience in operating housing programs focused on supporting people experiencing homelessness with multiple special needs.

Interim staffing for operations at the Subject Property are anticipated to be \$4,000,000 for the first two years and will be funded, with a high degree of certainty, but no guarantee, through the Homeless Housing, Assistance and Prevention (HHAP) grant from the Business, Consumer Services and Housing Agency Homeless Coordinating and Financing Council (HCFC) and the ESG from the Department of Housing and Urban Development (HUD). Utilities and maintenance are expected to be an additional \$275,000 annually and may need to be funded by the City using existing resources. Further, the Subject Property was built in 1992 with the most current replacement of furniture and fixtures in 2018. The Subject Property is considered to be in good condition, but an in-depth building assessment will need to be completed. As a result, regular maintenance and potentially significant major maintenance may be needed. No funding has been identified for major costs. After the initial two years of operations, it is anticipated, but not assured, that alternative interim housing will be identified and the Subject Property may be available for disposition. While the City may sell the Subject Property in the future, the conditions of the grant will require a long-term affordability covenant on the property that will restrict future operations to interim or permanent affordable housing. Given the uncertainty of future market conditions, the sale of the Subject Property may result in a sale at or below cost and it is uncertain whether the sale for non-traditional housing purposes or to a for-profit entity would be permitted or require proceeds from the sale to be returned to the granting agencies. Further, there is no guarantee that the City will be in a position to recoup any costs incurred for interim maintenance or repairs.

The conversion of motels to interim and supportive housing is statutorily exempt from environmental review pursuant to Public Resources Code Section 21080.50. Additionally, the Legislature, in approving the Project Homekey program, made specific findings that such funding and projects were exempt from environmental review. Alternatively, the project involves the conversion of an existing structure, which is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301. The acquisition of the Subject Property has been reviewed under CEQA and Statutory Exemption SE-20-092 (Attachment B) was issued for this action.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 28, 2020 and by Director of Financial Management John Gross on November 1, 2020.

TIMING CONSIDERATIONS

City Council action is requested on November 17, 2020, to ensure the acquisition of the Subject Property can occur by the Project Homekey deadline of December 30, 2020.

FISCAL IMPACT

The total acquisition cost of the Subject Property will not exceed \$21,720,000. Of the total cost, \$21,660,000 will fund the purchase of the Subject Property and an additional \$60,000 will be expended for acquisition-related costs. An additional amount of up to \$310,000 will be needed for startup expenses related to the project and will be funded by the Health Department using existing HEAP grant funds. Funding sources known to be available to purchase the Subject Property are as follows:

Department	Amount	Funding Source
Health and Human Services	\$15,337,400	HCD Project Homekey Grant
Health and Human Services	\$390,000	HEAP Grant
Health and Human Services	\$1,000,000	State CARES Act allocated for Homeless Services
Development Services via Health	\$3,600,000	Federal CARES Act - ESG
Development Services	\$1,392,600	CDBG-CV3
Total:	\$21,720,000	

Annual operating costs, which include staffing, for the first two years, in the amount of \$4,000,000 are expected, with a high degree of certainty (but not a guarantee), to be funded through the HHAP grant from HCFC and the ESG from HUD. An additional annual amount of \$275,000 is anticipated for utilities and routine maintenance. As funding for these costs has not been identified, the General Fund would likely need to pay for these costs by reducing other services. It is also possible that other operating costs within the Health Department may be reduced to support the operation at the Subject Property. If there are unexpected operating or maintenance costs, or the grant funding is inadequate, the costs would need to be funded either by reducing other General Fund or Health Fund costs or, if the costs are one-time likely from General Fund emergency reserves or Health Fund funds available, if any.

After the initial two years of operations, the Subject Property may be sold for the same or other similar purposes. It is uncertain whether the market or grant requirements would support this but there is a potential financial impact if the market or granting requirements do not allow the City to recoup property equity or maintenance costs. If there is no market or the City decides to keep the property, the ongoing operating costs and maintenance costs may be substantial and difficult to fund and, if other funding sources are not found, may need to come from reductions in lower priority General Fund or Health Fund operations. If the City has to absorb losses on the sale, that funding may need to come from General Fund emergency reserves if there are no operating reserves by that time or from any surplus if the City has one.

The following requests for budget adjustments are necessary to appropriate the funding of the proposed purchase as described above:

- Increase appropriations in the General Fund Group in the Economic Development Department by \$21,720,000 for the purchase of the Subject Property, including acquisition-related costs, offset by a transfer of grant revenues in the amount of \$16,727,400 from the Health Fund Group in the Health and Human Services Department, and \$4,992,600 from the Community Development Grants Fund Group in the Development Services Department.
- Increase appropriations in the Health Fund Group in the Health and Human Services Department by \$15,337,400, offset by State Homekey Program grant revenues to transfer to the Economic Development Department for the purchase of the property.

This recommendation has significant staffing impact beyond the normal budgeted scope of duties although it is consistent with existing City Council priorities. The staff effort to open the former hotel to interim housing is expected to create significant conflicts among top priority projects as there are so many competing priorities due to the pandemic, the budget situation, and staff resources.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT



OSCAR ORCI
DIRECTOR OF
DEVELOPMENT SERVICES



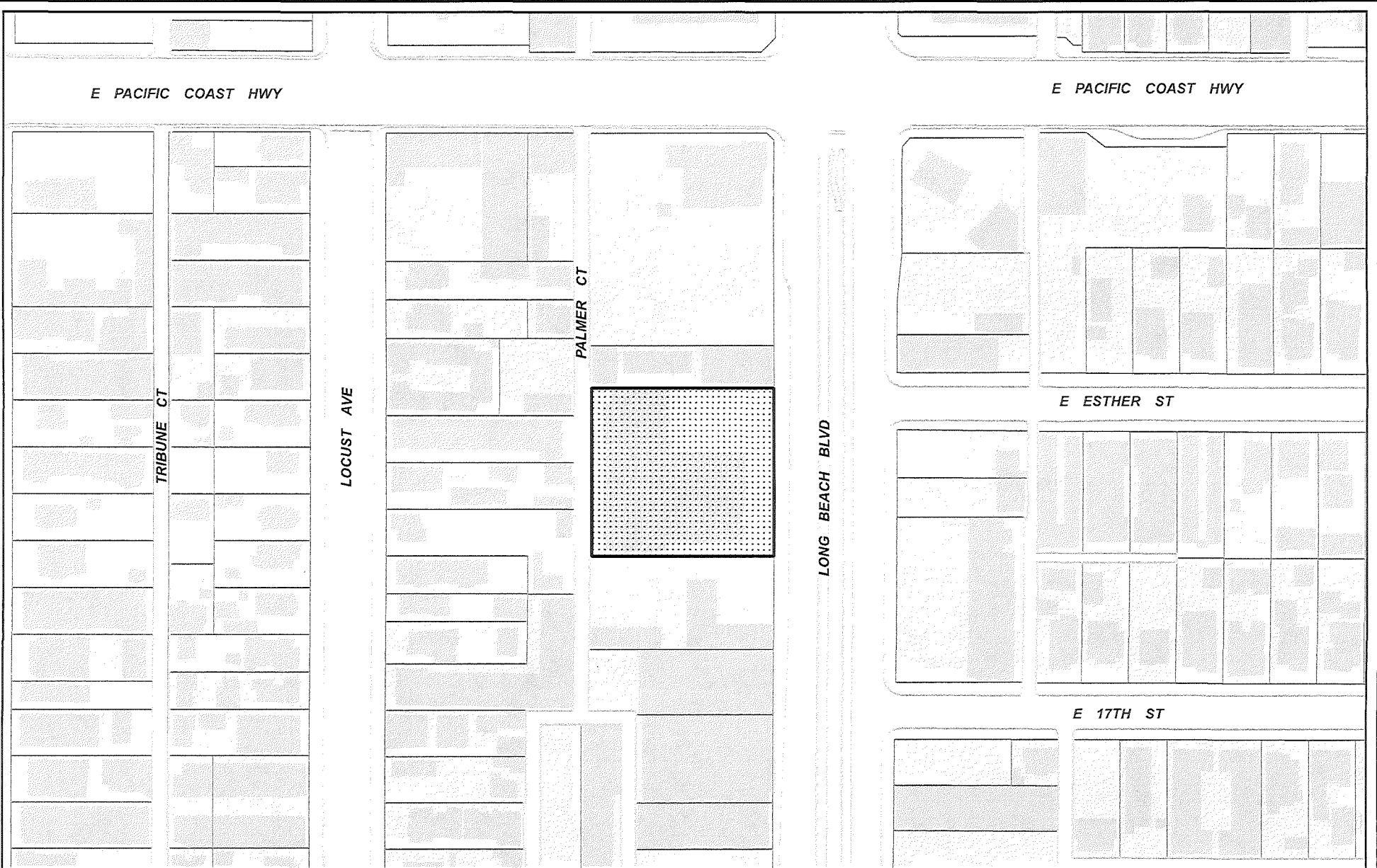
KELLY COLOPY
DIRECTOR OF HEALTH AND HUMAN SERVICES

ATTACHMENTS: A: SUBJECT PROPERTY
B: STATUTORY EXEMPTION

APPROVED:

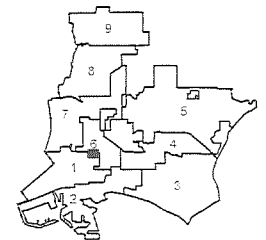
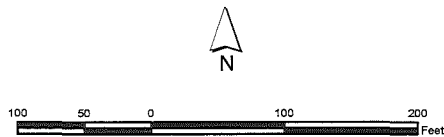


THOMAS B. MODICA
CITY MANAGER



Subject Property:
1725 Long Beach Blvd
Council District : 1

Attachment A



CEQA Notice of Exemption

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

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

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

Exemption Number: SE-20-122

Project Title (Application Number): Land Acquisition of 1725 Long Beach Boulevard (Project Homekey)

Project Location – Specific: 1725 Long Beach Boulevard (APN: 7269-019-049)

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

Description of Nature, Purpose and Beneficiaries of Project:

The project scope includes the acquisition of and existing hotel for the conversion into 102 units of transitional housing. The proposed conversion would require only minor updates to the building to meet code standards. No new square footage would be constructed as part of this project.

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

Person or Agency Carrying Out Project: 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: 15301, Existing Conditions
- Statutory Exemption. State code number: Sec 21080.50 of Public Resources Code; Sec 50675.1.2 of the Health and Safety Code

Reasons why project is exempt:

The project involves the acquisition of an existing structure for the purposes of conversion of the existing structure, which is categorically exempt under CEQA Guidelines Section 15301 (Existing Conditions). Only minor updates to the building would be required and no new square footage would be added. Furthermore, the project would meet the requirements provided under Sec 21080.50 of Public Resources Code (Senate Bill 450 [2019]) and Sec 50675.1.2 of the Health and Safety Code (AB 83 [2020]). See attached for the documenting the applicability of the Public Resources Code and Health and Safety Code to the Project Homekey Grant Application (SE-20-092)

Lead Agency

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

Signature:  Date: 10/23/2020 Title: Planner

Attachment B

**CALIFORNIA ENVIRONMENTAL QUALITY ACT
STATEMENT OF SUPPORT
STATUTORY EXEMPTION
1725 Long Beach Boulevard
Application No. SE-20-092
August 12, 2020**

The project includes the conversion of an existing hotel at 1725 Long Beach Boulevard into 100 units of transitional housing (Proposed Project). The proposed project will provide transitional housing units administered by the City of Long Beach to serve homeless individuals and those in danger of becoming homeless. This project is the local implementation of the statewide Project Homekey effort. The proposed conversion would require only minor updates to the building to meet code standards. No new square footage would be constructed as part of the project. The Proposed Project would meet the requirements provided under Sec 21080.50 of Public Resources Code (Senate Bill 450 [2019]) and Sec 50675.1.2 of the Health and Safety Code (AB 83 [2020]) as described below:

Sec 21080.50 of Public Resources Code (Senate Bill 450 [2019])

Senate Bill 450, Umberg (2019), until January 1, 2025, exempts from the California Environmental Quality Act (CEQA) projects related to the conversion of a structure with a certificate of occupancy as a motel, hotel, residential hotel, or hostel to supportive or transitional housing, as defined, that meet certain conditions. Because the lead agency would be required to determine the applicability of this exemption, this bill would impose a state-mandated local program.

SECTION 1. The Legislature finds and declares both of the following:

- (a) An interim motel housing project makes only minor interior or exterior alterations to a structure certified for occupancy as a motel, hotel, residential hotel, or hostel, to facilitate the use of the structure as supportive or transitional housing.**
- (b) Upon the termination of the use for supportive or transitional housing, the use of the structure reverts back to that authorized by the certificate of occupancy in effect before the project.**

SEC. 2. Section 21080.50 is added to the Public Resources Code, to read:

21080.50. (a) For purposes of this section, the following definitions apply:

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(1) “Interim motel housing project” or “project” means the conversion of a structure with a certificate of occupancy as a motel, hotel, residential hotel, or hostel to supportive or transitional housing, and the conversion meets one or both of the following conditions:

(A) It does not result in the expansion of more than 10 percent of the floor area of any individual living unit in the structure.

The proposed conversion would require only minor updates to the building to meet code standards. No new square footage would be constructed as part of the project. The project would not result in the interior or exterior expansion of more than 10 percent of the floor area of any individual living unit in the structure.

(B) It does not result in any significant effects relating to traffic, noise, air quality, or water quality.

The project would not include the physical expansion of the existing structure that would result in direct impacts related to traffic, noise, air quality, or water quality on the subject site. Minor updates to the existing structure would be required for code compliance, but construction activities associated with remodeling an existing building would not result in significant effects on the environment.

The conversion of hotel rooms to transitional housing would result in similar operations as the existing hotel use, as hotels are a form of temporary residential lodging. The proposed conversion would not result in operational impacts related to traffic, noise, air quality, or water quality.

Sec 50675.1.2 of the Health and Safety Code (AB 83 [2020])

Assembly Bill 83 (2020), until January 1, 2025, adds a statutory exemption from the California Environmental Quality Act (CEQA) specific projects.

Pursuant to AB 83, the following CEQA statutory exemption has been added to Health and Safety Code Section 50675.1.2:

(a) Notwithstanding any other law, the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) shall not apply to any project, including a phased project, funded pursuant to Section 50675.1.1 if all of the following requirements, if applicable, are satisfied:

(1) No units were acquired by eminent domain.

The acquisition of property would not include the exercise of eminent domain.

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(2) The units will be in decent, safe, and sanitary condition at the time of their occupancy.

The proposed conversion would require minor updates to the building to meet code standards. As such, the units will be in decent, safe, and sanitary condition at the time of their occupancy.

(3) The project proponent shall require all contractors and subcontractors performing work on the project to pay prevailing wages for any rehabilitation, construction, or alterations in accordance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

As a condition of this project, the City will require all contractors and subcontractors performing work on the project to pay prevailing wages.

(4) The project proponent obtains an enforceable commitment that all contractors and subcontractors performing work on the project will use a skilled and trained workforce for any rehabilitation, construction, or alterations in accordance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code.

As a condition of this project, the City will obtain an enforceable commitment that all contractors and subcontractors performing work on the project will use a skilled and trained workforce for any rehabilitation, construction, or alterations in accordance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code

(5) The project proponent submits to the lead agency a letter of support from a county, city, or other local public entity for any rehabilitation, construction, or alteration work.

The City of Long Beach (City) is the project proponent. The City supports the proposed rehabilitation, construction, or alteration work.

(6) Any acquisition is paid for exclusively by public funds.

The entire acquisition will be paid for exclusively by public funds. Funding for the project consists of Project Homekey funds from California Department of Housing and Community Development, as well as Emergency Solutions Grant (ESG), Homeless Emergency Assistance Program (HEAP), Cares Act and other funds administered by the City of Long Beach.

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(7) The project provides housing units for individuals and families who are experiencing homelessness or who are at risk of homelessness.

The project would meet the definition of transitional housing and the housing units would be accessible to individuals and families who are experiencing homelessness or who are at risk of homelessness. This project targets two populations: it seeks to rapidly house those experiencing street homelessness and it seeks to serve as a transition from those exiting congregate shelter housing while awaiting suitable permanent housing.

(8) Long-term covenants and restrictions require the units to be restricted to persons experiencing homelessness or who are at risk of homelessness, which may include lower income, and very low income households, as defined by Section 50079.5, for no fewer than 55 years.

A covenant will be recorded that requires the units to be restricted to persons experiencing homelessness or who are at risk of homelessness, which may include lower income, and very low income households, as defined by Section 50079.5, for no fewer than 55 years.

(9) The project does not increase the original footprint of the project structure or structures by more than 10 percent. Any increase to the footprint of the original project structure or structures shall be exclusively to support the conversion to housing for the designated population, including, but not limited to, both of the following:

The proposed conversion would require only minor updates to the building to meet code standards. No new square footage would be constructed as part of the project. The project would not result in the interior or exterior expansion of more than 10 percent of the floor area of any individual living unit in the structure.

(A) Achieving compliance with local, state, and federal requirements.

As noted above, there would be no expansion of the project structure or structures.

(B) Providing sufficient space for the provision of services and amenities.

As noted above, there would be no expansion of the project structure or structures.

(b) If the lead agency determines that a project is not subject to the California Environmental Quality Act pursuant to this section, and the lead agency determines to approve or to carry out that project, the lead agency shall file a notice of exemption with the Office of Planning and Research and the county

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clerk of the county in which the project is located in the manner specified in subdivisions (b) and (c) of Section 21152 of the Public Resources Code.

(c) This section shall only apply to a project for which the initial application to the city, county, or city and county where the project is located was submitted on or before April 30, 2021.

(d) This section shall be repealed on July 1, 2021.