



Date: April 20, 2015
To: State Legislative Committee Members
From: Patrick H. West, City Manager *P.H.W.*
Subject: **SB 562 (Lara): Long Beach Sponsored State Legislation – Civic Center Project**

Introduction

As a part of the 2015 State Legislative Session, the City of Long Beach is sponsoring SB 562. Authored by Senator Ricardo Lara, this bill clarifies existing State law and codifies established legal opinions that enable public-private partnerships. For more information on SB 562, please see attached for the City's support letter, fact sheet, and bill text.

Background

The Long Beach City Hall and Main Library are seismically deficient. Under the public-private partnership model, the City has an opportunity to use existing budget to fund the construction of a new Civic Center, potentially at no additional cost to the taxpayer over what is currently paid, adjusted for inflation. This financing mechanism will allow the City to address public health and safety concerns in the earliest possible timeframe, and without significantly impacting the City's General Fund or requiring a tax increase.

Summary

SB 562 merges existing State law applicable to lease-leaseback public-private partnerships, and State law applicable to Design-Bid-Finance-Operate-Maintain public-private partnerships, and applies this hybrid public-private partnership model to the Long Beach Civic Center Project. While the Long Beach Civic Center Project is a viable project without SB 562, the passage of this bill will provide greater project stability and potentially result in a greater allocation of resources towards the tangible benefits of the Long Beach Civic Center Project.

Next Steps

This bill has been assigned to the Senate Governance and Finance Committee. The hearing is May 6. Long Beach will publicly testify in support of this bill, and advocate for its passage throughout the Legislative Session.

If you have questions or comments, please contact Diana Tang, Manager of Government Affairs at (562) 570-6506.

cc: Mayor and Members of the City Council
Charles Parkin, City Attorney
Laura Doud, City Auditor
Tom Modica, Assistant City Manager
Arturo Sanchez, Deputy City Manager
Mike Conway, Director of Economic and Property Development
Amy Bodek, Director of Development Services
Diana Tang, Manager of Government Affairs
Jyl Marden, Assistant to the City Manager
Mike Arnold and Associates



MAYOR ROBERT GARCIA
CITY OF LONG BEACH

April 14, 2015

The Honorable Ricardo Lara
California State Senate
California State Capitol, Room 5050
Sacramento, CA 95814

Re: Support for Senate Bill 562 (Lara) Long Beach Civic Center Project

Dear Senator Lara:

On behalf of the City of Long Beach, thank you for introducing SB 562 (Lara). This bill is specific to the Long Beach Civic Center Project, which is being built under a Project Labor Agreement (PLA) and in partnership with Plenary-Edgemore. SB 562 will provide greater project stability for our groundbreaking public-private development.

Building upon the modernization that is happening in downtown Long Beach, the City of Long Beach has embarked on a path towards a new Long Beach Civic Center. The public portions of the project include a new seismically safe Long Beach City Hall, Port of Long Beach Headquarters and Main Library. The private portions of the project include transit-oriented mixed-used developments, high-rise condominiums and retail. All new developments will be built on 15.87 acres of land in downtown Long Beach and in accordance with the City's award winning Downtown Plan (Plan). Developments that meet Plan requirements are able to utilize an expedited Program Environmental Review (PEIR) process, which reduces the cost and time associated with entitlement, and ultimately project delivery.

As exciting as it is to be revitalizing the City's urban core, it is even more exciting to be doing so under a public-private partnership model. Public-private partnership project delivery models are relatively new. Therefore, these innovative projects benefit from special, clarifying legislation. As was the case with the State's Long Beach Courthouse, the City of Long Beach is requesting clarifying legislation that would apply to the Long Beach Civic Center Project. SB 562 merges existing State law applicable to lease-leaseback public-private partnerships, and State law applicable to Design-Bid-Finance-Operate-Maintain public-private partnerships. Nothing in this bill falls outside the scope of existing law.

SB 562 (Lara) Long Beach Civic Center – SUPPORT

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Given these reasons, the City of Long Beach is proud to sponsor SB 562 (Lara). The legislation will provide greater project stability for the Long Beach Civic Center Project, which in turn will create jobs, revitalize downtown Long Beach and result in seismically safe government buildings that will be used to serve public needs.

Thank you for your continued support of Long Beach.

Sincerely,



Mayor Robert Garcia
City of Long Beach

cc: The Honorable Janet Nguyen, State Senate, 34th District
The Honorable Isadore Hall, III, State Senate, 35th District
The Honorable Anthony Rendon, State Assembly, 63rd District
The Honorable Mike Gipson, State Assembly, 64th District
The Honorable Patrick O'Donnell, State Assembly, 70th District



FACT SHEET: LONG BEACH CIVIC CENTER SB 562 (LARA) PUBLIC PRIVATE PARTNERSHIPS

April 2015

Introduction

SB 562 merges existing State law applicable to lease-leaseback public-private partnerships, and State law applicable to Design-Bid-Finance-Operate-Maintain public-private partnerships, and applies this hybrid public-private partnership model to the Long Beach Civic Center Project (Project), which is being built under a historic Project Labor Agreement (PLA) and in partnership with Plenary-Edgemore.

Problem

Public-private partnership project delivery models are relatively new. Therefore, innovative projects that use this delivery model benefit from special, clarifying legislation. As was the case in building the State's Long Beach Courthouse, the City is requesting authorizing legislation for the Long Beach Civic Center Project.

The Long Beach Civic Center Project delivery model is a hybrid of: (1) a lease/leaseback development public-private partnership authorized by Government Code Section 37380 and 37395 (and applicable case law), and (2) a design, build, finance, operate and maintain (DBFOM) public-private partnership authorized by Government Code Section 5956.4. The proposed Project very closely resembles a lease/leaseback structure, but it also has components of a design, build, finance, operate and maintain (DBFOM) structure as well. The DBFOM components are essential to the Project because it allows the City to maintain a "degree of control" over the operations of the Project in order for it to qualify as an authorized lease/leaseback transaction. Nothing in the Long Beach Civic Center Project delivery model falls outside the scope of existing State law or applicable case law.

Solution

State legislation is requested to merge the hybrid lease/lease back and DBFOM structure that Long Beach is using for the Civic Center Project. Both structures exist in State law already, SB 562 simply puts the components of each into one section of code for the Civic Center Project.

Background

The Long Beach City Hall and Main Library have been found to be seismically deficient. Under the P3 model, the City has the opportunity to use existing budgeted dollars that are currently spent on maintenance and offsite leases to fund the construction of a new Civic Center, potentially at no additional cost to the taxpayer over what is currently paid, adjusted for inflation. The P3 model is the same mechanism that was used successfully to design, build, finance, operate, and maintain the State's newest Courthouse. This financing mechanism will allow the City to address public health and safety concerns in the earliest possible timeframe, and without significantly impacting the City's General Fund or requiring a tax increase.

The public portions of the project include a new seismically safe Long Beach City Hall, Port of Long Beach Headquarters and Main Library. The private portions of the project include transit-oriented mixed-used developments, high-rise condominiums and retail. All new developments

will be built on 15.87 acres of land in downtown Long Beach and in accordance with the City's award winning Downtown Plan (Plan). Developments that meet Plan requirements are able to utilize an expedited Program Environmental Review (PEIR) process, which will reduce cost and time associated with entitlement, and ultimately allow for faster project delivery.

Project Labor Agreement

As exciting as it is to be revitalizing the City's urban core, it is even more exciting to be doing so under the most expansive Project Labor Agreement (PLA) in the State of California. On April 7, 2015, the Long Beach City Council unanimously voted to approve a five-year PLA with the Los Angeles/Orange Counties Building and Construction Trades Council. This PLA applies to projects costing more than \$500,000 and requires trade unions selected for project contracts to exert their "best efforts" to hire 40 percent local residents. Local residents are considered those who reside in Long Beach ZIP codes as a first tier, and extend to those living in nearby cities and finally those in the remaining portions of Los Angeles County and Orange County. Additional focus is placed on hiring disadvantaged and veteran workers.

Current Situation

The City of Long Beach and Port of Long Beach are moving forward with the entitlement process with Plenary-Edmore. All entities are now in the process of determining specific project components.

Contact Information

City of Long Beach
Diana Tang, Manager of Government Affairs
(562) 570-6506
Diana.Tang@longbeach.gov

AMENDED IN SENATE APRIL 14, 2015

SENATE BILL

No. 562

Introduced by Senator Lara

February 26, 2015

An act to add Chapter 15 (commencing with Section 5975) to Division 6 of Title 1 of the Government Code, relating to infrastructure financing.

LEGISLATIVE COUNSEL'S DIGEST

SB 562, as amended, Lara. Infrastructure financing: City of Long Beach Civic Center.

The Local Agency Public Construction Act prescribes procedures for contracting by local public agencies, including specific provisions for cities.

Existing law permits a governmental agency to solicit proposals and enter into agreements with private entities for the design, construction, or reconstruction by, and may lease to, private entities, for specified types of fee-producing infrastructure projects. Existing law permits these agreements to provide for the lease of, or ownership of, infrastructure facilities owned by a governmental entity, but constructed by a private entity, to that private entity for a period of up to 35 years.

This bill, notwithstanding the act and any other law, would authorize the City of Long Beach to contract and procure a project for the revitalization and redevelopment of the Long Beach Civic Center, as defined, in accordance with prescribed procedures for ~~qualification, solicitation,~~ proposal evaluation, and contract award. The bill would authorize the lease of *all or a portion of* the project to, or ownership by, a private entity or entities, for a term of up to ~~65~~ 50 years. The bill would make a statement that a special law is necessary and that a general

law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique and special circumstances surrounding the existing Long Beach Civic Center, and the need to immediately, quickly, and efficiently develop the project, and to resolve property issues potentially delaying the project.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

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

3 (a) The City of Long Beach has experienced an increasing
4 demand to fund infrastructure repairs, replacements, and new
5 improvements.

6 (b) The existing civic center is nearing the end of its useful life
7 and contains significant seismic deficiencies that the City of Long
8 Beach seeks to address as soon as feasibly possible to ensure the
9 public's health and safety.

10 (c) The City Council of the City of Long Beach seeks to address
11 public health and safety in the earliest possible timeframe and
12 understands that the development of a new Long Beach Civic
13 Center using the public-private partnership procurement process
14 presents the most expedient route to protecting the safety of its
15 employees in and visitors to the civic center.

16 (d) The public-private partnership procurement process has
17 demonstrated precedence for the expedient, efficient, and
18 economical delivery of projects, through the delivery of the Long
19 Beach Courthouse, which was completed under budget and ahead
20 of schedule.

21 (e) The ability to utilize private sector investment capital is
22 essential to the *timely* development of a cost-effective and
23 ~~time-sensitive~~ *long-lasting* Long Beach Civic Center.

24 (f) A public-private partnership procurement method provides
25 the City of Long Beach with an alternative and optional procedure
26 for developing a new civic center that can provide a cost-effective
27 benefit to the City of Long Beach by shifting the liability and risk
28 for cost containment, project completion, and life-cycle
29 maintenance to a private entity.

1 SEC. 2. Chapter 15 (commencing with Section 5975) is added
2 to Division 6 of Title 1 of the Government Code, to read:

3
4 CHAPTER 15. LONG BEACH CIVIC CENTER
5

6 5975. As used in this chapter:

7 (a) "Best interests of the city" means a procurement process
8 that is determined by the city to ~~reduce the project delivery~~
9 ~~schedule and total cost of the project~~ *provide the best value and*
10 *an expedited delivery schedule* while maintaining a high level of
11 quality workmanship and materials.

12 (b) "Best value" means a value determined by objective criteria
13 that ~~may include, but are not limited to,~~ *shall include a combination*
14 *of price, financing costs, features, functions, performance, life-cycle*
15 *costs, experience, and other criteria deemed appropriate by the*
16 *city. maintenance costs and abatement offsets, and development*
17 *experience.*

18 (c) "Business entity" means a partnership, corporation, or other
19 legal entity that is able to provide appropriately licensed
20 contracting, architectural, engineering, financial, operations,
21 management, facilities maintenance, and other services for
22 development of a new *Long Beach Civic Center.*

23 (d) "City" means the City of Long ~~Beach.~~ *Beach and its*
24 *departments, including, without limitation, the Harbor Department.*

25 (e) "*Long Beach Civic Center*" means *the area bounded by*
26 *Broadway, Pacific Avenue, Ocean Boulevard, and Magnolia*
27 *Avenue, containing approximately 14.98 acres, and the parcel on*
28 *the south side of 3rd Street between Pacific Avenue and Cedar*
29 *Avenue, containing approximately 0.89 acres.*

30 (f)

31 (f) "Private entity" means an individual, business entity, or
32 combination of individuals and business entities.

33 (g) "*Private portion of the project*" means *those parcels of land*
34 *within the Long Beach Civic Center to be conveyed to a private*
35 *entity and developed as residential, retail, hospitality, institutional,*
36 *or industrial facilities.*

37 (h)

38 (h) "Project" means the revitalization and redevelopment of the
39 Long Beach Civic Center, ~~which is bounded by Broadway, Pacific~~
40 ~~Avenue, Ocean Boulevard, and Magnolia Avenue, containing~~

1 approximately 15.87 acres, and may include additional property
2 as deemed necessary by the city for the project. *Center with a new*
3 *city hall, port headquarters, public library, and public park, and*
4 *residential, retail, hospitality, institutional, and industrial facilities.*

5 (i) "Public portion of the project" means those parcels of land
6 within the Long Beach Civic Center to be developed as a city hall,
7 port headquarters, public park, public library, or other government
8 facilities.

9 (g)

10 (j) "Public-private partnership" means a cooperative arrangement
11 between the public and private sectors, built on the expertise of
12 each partner, that best meets the city's needs through the
13 appropriate allocation of resources, risks, and rewards for the
14 purposes of, and, including, but not limited to, studying, planning,
15 designing, constructing, developing, financing, operating,
16 maintaining, or any combination thereof, the project.

17 5976. (a) ~~Notwithstanding any provision of the Public Contract~~
18 ~~Code or any other law, the~~ The city may contract and procure the
19 project pursuant to this chapter.

20 (b) ~~The city may use a request for qualifications process to~~
21 ~~prequalify and shortlist the number of private entities that will be~~
22 ~~allowed to submit proposals. The request for qualifications shall~~
23 ~~generally describe the project, the private entity's necessary~~
24 ~~qualifications and responsibilities, and the procurement process.~~

25 (e) ~~The city shall gather information and prepare a solicitation~~
26 ~~package for a public-private partnership, which shall generally~~
27 ~~describe an approved process for methods of project delivery,~~
28 ~~including a project description and requirements, process and~~
29 ~~submission requirements, evaluation criteria, or any other~~
30 ~~information deemed necessary by the city to describe adequately~~
31 ~~the project requirements and procurement process.~~

32 (d)

33 (b) The city shall evaluate the *project proposals it solicits and*
34 *receives* and ~~make its determination by choosing~~ *choose* the private
35 entity or entities whose proposal is, or proposals are, judged as
36 providing the best value in meeting the best interests of the city
37 and meeting the objectives of the project. The city retains the right
38 to hold and enter into a negotiation process with selected private
39 entities in performing the evaluation and making its determination.
40 *city.* The city may enter into a public-private partnership through

1 ~~a lease-purchase, concession agreement, design-build agreement,~~
2 ~~design-build-finance agreement, project agreement,~~
3 ~~lease-leaseback, or other appropriate agreements, with one or more~~
4 ~~private entities for delivery of the project. The city may retain the~~
5 ~~right to select all or any portion of any proposal or reject any or~~
6 ~~all proposals as determined in the best interests of the city.~~
7 *agreements combining one or more major elements of the forgoing*
8 *agreements, with one or more private entities for delivery of the*
9 *project. The city shall retain the right to terminate the project prior*
10 *to project award should the city determine that the project is not*
11 *in the best interests of the city or should the negotiations with the*
12 *private entity or entities otherwise fail.*

13 (e)

14 (c) The contract award for the project shall be made to the
15 private entity or entities whose proposal or proposals are
16 determined by the city, in writing, to be the most advantageous by
17 providing the best value in meeting the best interests of the city
18 and meeting the objectives of the project. *city.*

19 (f)

20 (d) The negotiation process shall specifically prohibit practices
21 that may result in unlawful activity, including, but not limited to,
22 rebates, kickbacks, or other unlawful consideration, and shall
23 specifically prohibit city employees from participating in the
24 selection process when those employees have a relationship with
25 a person or business entity seeking a contract under this chapter
26 that would subject those employees to the prohibition of Section
27 87100. ~~Other than these criteria, the city is not subject to any other~~
28 ~~provisions of the Public Contract Code or this code that relates to~~
29 ~~procurement for the project.~~

30 (g) ~~Notwithstanding any provision of this code, upon issuance~~
31 ~~of an award for the project, the city shall publicly announce its~~
32 ~~award, identifying the private entity or entities to whom the award~~
33 ~~is made, along with a written decision supporting its award and~~
34 ~~stating the basis of the award. All~~

35 (e) All documents related to the project shall be subject to
36 disclosure under the California Public Records Act (Chapter 3.5
37 (commencing with Section 6250) of Division 7), except those
38 exempted from disclosure under that act.

39 5977. (a) The project is subject to compliance with the
40 California Environmental Quality Act (Division 13 (commencing

1 with Section 21000) of the Public Resources Code). Neither the
2 act of selecting a private entity, nor the execution of an agreement
3 with the private entity, shall require prior compliance with the act.
4 However, appropriate compliance with the act shall thereafter
5 occur before project construction commences.

6 (b) The public portion of the project, at all times, shall be owned
7 by the city, unless the city, in its discretion, elects to provide for
8 ownership of the project by the private entity through a separate
9 lease agreement during the term of the agreement. Notwithstanding
10 Section 5956.6 or any other provision of this code, the agreement
11 shall provide for the lease of *all or a portion of* the project to, or
12 ownership by, the private entity or entities, for a term up to ~~65~~ 50
13 years. In consideration therefor, the agreement shall provide for
14 complete reversion of the *public portion of* the project to the city
15 at the expiration of the lease or transfer term.

16 (c) *The private portion of the project shall not be financed or*
17 *developed by the public-private partnership or otherwise using*
18 *public or tax-exempt financing.*

19 (e)

20 (d) The plans and specifications for the project shall comply
21 with all applicable governmental design standards for that particular
22 infrastructure project. The private entity studying, planning,
23 designing, constructing, developing, financing, operating,
24 maintaining, or any combination thereof, the project shall utilize
25 private sector firms for studying, planning, designing, constructing,
26 developing, financing, operating, maintaining, or any combination
27 thereof, the project. However, a facility subject to this chapter and
28 leased to a private entity, during the term of the lease, shall be
29 deemed to be public property for purposes of identification,
30 maintenance, enforcement of laws, and for purposes of Division
31 3.6 (commencing with Section 810). All public works constructed
32 pursuant to this chapter shall comply with Chapter 1 (commencing
33 with Section 1720) of Part 7 of Division 2 of the Labor Code.

34 5978. The provisions of this chapter are severable. If any
35 provision of this chapter or its application is held invalid, that
36 invalidity shall not affect other provisions or applications that can
37 be given effect without the invalid provision or application.

38 5979. The Legislature finds and declares that a special law is
39 necessary and that a general law cannot be made applicable within
40 the meaning of Section 16 of Article IV of the California

- 1 Constitution because of the unique and special circumstances
- 2 surrounding the existing Long Beach Civic Center, and the need
- 3 to immediately, quickly and efficiently develop the project, and
- 4 to resolve property issues potentially delaying the project.

O