



Legislation Text

File #: 20-0077, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary for a Proposed Lease, with an Option to Purchase, by and between the City of Long Beach and Centro C.H.A, Inc., a California 501(c)(3) corporation, for City-owned property located at 1850-1862 Atlantic Avenue for youth workforce development, civic leadership, inclusive entrepreneurship training, and community services. (District 6)

The City of Long Beach (City) currently owns the property located at 1850-1862 Atlantic Avenue, Assessor Parcel Number 7210-016-904 (Subject Property) (Attachment A). The Subject Property is approximately 14,663 square feet, and improved with a 4,800-square-foot building, a playground, and an adjacent parking lot. The Subject Property was previously purchased for a total of \$800,000, utilizing the Refuse and Recycling Fund. At the time of purchase, the proposed use was the development of an educational environmental recycling demonstration depot. Because the original intended use was later determined to be infeasible, the City has explored alternative public benefit uses for the Subject Property, which would require the Refuse and Recycling Fund to be compensated for its original purchase of the Subject Property. In 2017, the City entered into a lease agreement with the Jenni Rivera Love Foundation (Foundation) for the provision of childcare and cultural programming at the Subject Property. However, costs associated with security, maintenance, and retrofit resulted in the Foundation terminating the agreement and returning the property to the City. Since then, the City has been absorbing significant unbudgeted monthly costs for maintenance and security to prevent break-ins and further deterioration of the Subject Property.

On June 18, 2019, the City Council authorized the execution of a Letter of Intent (LOI) with Centro C.H.A., Inc. (Centro C.H.A.), to develop a Lease with an Option to Purchase (Lease) for the Subject Property. Subsequently, the City and representatives from Centro C.H.A. met, pursuant to the terms of the LOI, to conduct due diligence, assess costs for tenant improvements, explore zoning requirements, and to facilitate Centro C.H.A.'s interest in leasing the property to provide initiatives and programs consistent with the City's Blueprint for Economic Development.

The proposed Lease for City Council consideration provides an opportunity to activate a currently dormant property while expanding inclusive workforce development, civic leadership, health education, violence prevention, mentoring, inclusive entrepreneurship, community service, leadership activities, and other supportive services to the surrounding community. A Proposed Lease has been negotiated containing the following major terms and provisions:

- Lessor: City of Long Beach, a municipal corporation.

- Lessee: Centro C.H.A. Inc., a California 501(c)(3) corporation.

- Leased Premises: Approximately 14,663 square feet of land, including a 4,800-square-foot building, at 1850-1862 Atlantic Avenue.

- Effective Date: January 1, 2020 upon execution by the City and the Lessee.

- Initial Lease Term: Lease will be for ten years commencing upon the issuance of a Certificate of Occupancy for the Subject Property.

- Options to Renew: Lessee will have three options to renew for a period of five years each.

- Early Termination Period: Lessee will have the right to terminate the Lease within 120 days of the Effective Date if the necessary capital and tenant improvements are determined to be cost-prohibitive.

- Rent: Base rent (Rent) will be \$13,983 per quarter, in arrears, for the Initial Lease Term. Lessee shall receive abated Rent for the first 12 months from the date of the issuance of a Certificate of Occupancy. The Rent may be further offset quarterly by the value of below market community services provided at the Subject Property on a non-cumulative basis. As an example, if leased space is provided to the City or other community-serving organization at a discounted rate, the amount that is considered below market can be applied toward Rent on a quarterly, in arrears, non-cumulative basis. Similarly, if services (e.g., legal, training, childcare, etc.) are provided to the community at a discounted rate, the amount that is considered below market value can be applied toward rent on a quarterly, in arrears, non-cumulative basis. Rent for each renewal option exercised will be adjusted by the cumulative change in the Consumer Price Index (CPI) and, once determined, will be fixed for each, then current, renewal option term.

- Use: The Leased Premises shall be used to provide programs and services which increase opportunities through youth workforce development, civic leadership, health education, violence prevention, mentoring, inclusive entrepreneurship, community service, leadership activities, and other supportive services.

- Capital Improvements: Lessee will be responsible for all design, permitting, capital improvements, and development of the Leased Premises including the maintenance, repair, and replacement of the improvements throughout the Initial Lease Term and any Renewal Options.
- Utilities and Maintenance: Upon the expiration of the Early Termination Period (120 days after Effective Date of Lease), Lessee will be responsible for all utilities, security, and routine maintenance of the Leased Premises. Lessor will be responsible for capital repairs to the Leased Premises and its existing major systems and components, including its walls, foundation, and roof. In no event, will the Lessor be responsible for maintenance of Capital Improvements completed during the Initial Lease Term. To ensure a smooth transition to the Lessee, the City will continue to provide property maintenance and security at the site while finalizing the Lease and during the Early Termination Period.
- Option to Purchase: The Lease includes an option to purchase the Leased Premises at a price of \$800,000, which may be exercised only within the Initial Lease Term of ten years.

Categorical Exemption CE 19-169 was completed related to the proposed transaction on June 18, 2019 (Attachment B).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 8, 2020 and by Budget Manager Grace H. Yoon on January 10, 2020.

City Council action is requested on January 21, 2020, to ensure that occupancy and development of the Subject Property can occur in a timely manner.

No rental revenue will be received by the City until 12 months following the issuance of the Certificate of Occupancy for the Subject Property. After that time, the annual revenue for the remaining lease term will be an amount up to \$55,932 and will accrue to the Refuse and Recycling Fund Group in the Public Works Department. Any reduction of rent for eligible programs provided by the Lessee will be approved by the Economic Development Department (ED) and offset by the release of Successor Agency property sale proceeds (25 percent Citywide share), designated for economic development purposes, from the General Fund Group in ED. Currently, there is no approved budget for these potential costs. Therefore, staff will return to the City Council to appropriate these funds, if necessary. The rental amount is increased by inflation at the beginning of each renewal period and not further adjusted during either the initial period or renewal periods.

Operating and maintenance costs will be covered by both the Lessor and Lessee at various stages of the agreement. The City will continue to maintain the site for at least 120 days after the Effective Date of the Lease to ensure the security and maintenance of the Subject

Property during the transition of ownership. During this time, staff anticipate that the City will incur costs estimated at \$125,000 for security, utilities, property maintenance, administrative costs, and other responsibilities associated with preparing the site for transfer. Although services related to the preparation and disposition of the site during this period will be managed by ED, costs will accrue to the Refuse Fund in PW, as needed. Currently, there is no approved budget for these anticipated one-time costs. As such, staff will return to the City Council to appropriate these funds as needed. The Lessee will assume responsibility for operations and maintenance costs at the end of the Early Termination Period. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. The local job impact associated with this recommendation includes 20 temporary jobs and 17 permanent jobs generated from services provided at this facility.

Approve recommendation.

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JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

THOMAS B. MODICA
ACTING CITY MANAGER