



Legislation Text

File #: 22-1112, **Version:** 1

Recommendation to authorize City Manager or designee, to execute any and all documents necessary, including an Agreement for Acquisition of Real Property and Escrow Instructions (Agreement), with H.B., LLC, a California limited liability corporation (Seller), for the purchase of certain real property located at 5950 Long Beach Boulevard, Assessor Parcel Number 7307-017-002, in an amount not to exceed \$16,500,000; and

Accept the Categorical Exemption CE-22-143. (District 9)

On September 9, 2021, the State of California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for approximately \$1.45 billion in grants as part of the Homekey Program (Homekey) Round 2. The program continues a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness or at risk of homelessness and impacted by COVID-19, by partnering with local entities to acquire and rehabilitate a variety of housing types. Eligible grant activities include the acquisition or rehabilitation of motels and hotels in support of those experiencing homelessness.

Upon notification of the potential availability of Homekey funds and considering the extensive need for interim and permanent housing opportunities within the City of Long Beach (City), the City's Affordable Housing Workgroup, comprised of representatives from the City Manager's Office, Development Services, Health and Human Services, and Economic Development Departments, discussed possible opportunities to leverage these funds, including utilizing Homekey Round 2 funds toward the acquisition or master lease, and operations of an existing motel into interim housing, similar to the previous acquisition of the former Best Western location with Homekey Round 1 funds.

On April 19, 2022, the City Council authorized an agreement with the Department of Housing and Community Development (HCD) relating to the Homekey grant application and award of grant funds for the acquisition and conversion of a motel property. Several sites were identified as potential opportunities and City staff commenced due diligence activities to comply with grant requirements, including appraisals, inspections, and gauging owner interest in participating through either purchase and sale agreement, lease, or an Exclusive Negotiation Agreement (ENA).

Property Acquisition

On May 10, 2022, the City Council authorized ENAs with various sites, one of which was

5950 Long Beach Boulevard, Assessor Parcel Number 7307-017-002 (Subject Property) (Attachment A). The Subject Property is approximately 68,126 square feet and is improved with a 78-room motel, known as the Luxury Inn of Long Beach. The property owner has agreed to sell the Subject Property to the City for \$16,500,000. An additional amount up to \$100,000 will be expended for acquisition costs, escrow and closing fees. The acquisition would assist to fill a crucial gap in the City's Homeless Services housing needs.

On July 28, 2022, the City was notified that it was awarded \$24,979,145 for the proposed conversion of the Subject Property into 78 units of interim or temporary housing for people experiencing homelessness. The total Homekey Capital Award funding the acquisition and renovation of the property is \$21,252,813. Of this award, \$15,600,000 was awarded with no local match requirement and will be used towards the purchase price of the Subject Property. The remaining \$5,652,813 from the award is available as a one-to-one match from the City. The remaining \$1 million required to complete the purchase will come from the match required portion of the Award in the amount of \$500,000 and a \$500,000 match from the City using funds set aside in FY 22 for anticipated capital acquisition costs. As required by the Homekey Program, the City will record a 15-year covenant restricting use of the property to interim housing for people experiencing homelessness. The Homekey Award also includes an operating subsidy totaling \$3,726,332 for the first three years of operations, which will be used to offset the ongoing operational and maintenance costs, discussed further in the fiscal impact.

Once acquired, City staff will conduct an in-depth building assessment and execute any needed renovations or upgrades to the Subject Property to ensure effective use as interim housing. The cost of immediate facility renovations will be funded through the Homekey Capital Award, one-to-one match portion, as well as a required match from the General Fund Group in the Citywide Activities Department. These renovations may include repairs and upgrades to the laundry and common areas, HVAC and electrical system, roof, and individual room upgrades (including flooring, ADA upgrades, electrical upgrades, AC units, furniture and fixtures, and painting).

Site Operations

A competitive Request for Proposals (RFP) will be issued for site management and supportive services to select a qualified service provider with experience in operating housing programs focused on supporting people experiencing homelessness with multiple special needs. This service provider will work in collaboration with the Long Beach Continuum of Care to provide services.

The conversion of motels to interim and supportive housing is statutorily exempt from environmental review pursuant to Public Resources Code Section 21080.50 (SE-22-051) (Attachment B). 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 the California Environmental Quality Act (CEQA) Guidelines Section 15301. The acquisition of the Subject Property has been reviewed under CEQA and a Categorical Exemption CE-22-143 (Attachment C) was issued for this action.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on September 2, 2022, and by Director of Financial Management Kevin Riper and Budget Operations and Development Officer, Rhutu Amin Gharib on September 8, 2022.

EQUITY STATEMENT

The City has incorporated the Equity Toolkit into this recommendation as requested by the City Council on April 21, 2020. This recommendation will assist people experiencing homelessness in Long Beach by providing stability in a non-congregate interim housing model.

City Council action is requested on September 13, 2022, to ensure the acquisition of the Subject Property can proceed expeditiously.

The total amount of the Homekey Capital Award for the acquisition and facility renovations of the Subject Property is not to exceed \$21,252,813. In FY 23, the Health and Human Services Department will return to City Council to accept, expend and appropriate the grant award. As the cost of the acquisition, facility renovations, and ongoing maintenance are unbudgeted, the Health and Human Services and Economic Development Departments will also return to City Council to authorize an appropriation adjustment in FY 23.

Of the \$21,252,813, \$16,500,000 will cover the purchase of the Subject Property and an additional \$100,000 will be expended for acquisition-related costs, escrow, and closing fees, for a total of \$16,600,000. The intended funding sources to purchase the Subject Property in FY 23 will be budgeted in the Economic Development Department as follows:

Amount	Funding Source
\$15,600,000	Transfer from Health Fund Group in the Health and Human Services Department (Homeless Services Bureau), offset by HCD Homekey Program grant revenue (No Match Required)
\$500,000	Transfer from Health Fund Group in the Health and Human Services Department (Homeless Services Bureau), offset by HCD Homekey Program grant revenue (Matching Portion)
\$500,000	General Fund Group Match
\$16,600,000	Total

The remaining \$5,652,813 in the Homekey Capital Award is available as a one-to-one match from the City. City staff estimates \$4,700,000 will be needed to bring the Subject Property into operating condition, based on preliminary inspections. The intended funding sources in FY 23 will use the match portion of the Award to support facility renovations as follows:

Amount	Funding Source
\$2,350,000	Health Fund Group in the Health and Human Services Department (Homeless Services Bureau), offset by HCD Homekey Program grant revenue (Matching Portion)
\$2,350,000	General Fund Group Match
\$4,700,000	Total

The City of Long Beach's Homekey Award also includes an Operating Subsidy, totaling \$3,726,332, that will subsidize the first three years of operations and maintenance of the site. Operations at the site are anticipated to cost approximately \$1,900,000 per year and will be funded by the Homekey Program Operating Subsidy and the City's General Fund Group. In FY 23 the total operations and maintenance costs amount to \$1,900,000 of which, \$1,310,000 is from the Operating Subsidy and the remaining \$589,000 from the General Fund Group. Staff will return to Council to request an appropriation increase for these costs in a future budget adjustment letter.

The operating costs for the Subject Property will need to be considered in the development of the FY 24 General Fund Group budget and future fiscal years. The operating costs for FY 24 and FY 25 are also projected at \$1,900,000 per year, with the Operating Subsidy providing \$1,310,000 and \$1,105,532, respectively and the General Fund Group subsidizing \$589,000 and \$794,468, respectively. Future year operating costs, specifically FY 26 through FY 29 will likely need to be absorbed within the General Fund Group.

The Health Department will return to City Council at a later date to award the contract to the selected service provider for property management, residential supervision, and supportive services at the facility and necessary appropriation. As a requirement for the Homekey Program grant funds, the City must adopt a covenant restricting the use of the property to interim housing for people experiencing homelessness for 15 years and would need to support the funding of these operations for the duration. Ongoing or significant major maintenance may be required through the 15 years of operation. No additional funding has been identified for major ongoing repairs or maintenance, but City staff will work to identify additional funding opportunities should there be a need for major maintenance.

This recommendation has a minimal staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHNNY M. VALLEJO
ACTING DIRECTOR OF ECONOMIC DEVELOPMENT

KELLY COLOPY
DIRECTOR OF HEALTH AND HUMAN SERVICES

APPROVED:

THOMAS B. MODICA
CITY MANAGER