



Legislation Text

File #: 23-0638, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute any and all documents necessary including a Purchase and Sale Agreement and Escrow Instructions with the Long Beach Rescue Mission Foundation, Inc., a California public benefit corporation (Seller), or its assignee, for the purchase of certain real property located at 702 West Anaheim Street, Assessor Parcel Number 7271-005-009, in an amount not to exceed \$7,500,000;

Accept the Categorical Exemption CE 23-080; and

Increase appropriations in the General Fund Group in the Economic Development Department by \$7,500,000 for acquisition cost, offset by \$3,750,000 funding to be received from the County of Los Angeles Chief Executive Office, \$1,000,000 from General Fund Group funds available and \$2,750,000 transfer of Measure A funding from the Capital Projects Fund Group. (District 1)

On December 13, 2022, the City Council adopted a Resolution declaring a shelter crisis, suspended applicable zoning provisions, and authorized the City Manager to execute a Lease between MWN Community Hospital, LLC for the use of 1720 Termino Avenue as the Winter Shelter for the 2022-2023 Program year. The Winter Shelter program operated through April 30, 2023.

On January 10, 2023, the City Council adopted a Resolution proclaiming the existence of a local emergency caused by conditions or threatened conditions of homelessness within Long Beach, allowing the City of Long Beach (City) to facilitate requests to other local, State, and/or Federal jurisdictions, request the Governor and State Legislature to declare a state of emergency and direct resources to support local jurisdictions, and allow the City Manager, or designee, to take preventative measures necessary to protect persons and property within the scope of the local emergency.

In response to the local emergency and the winddown of the 2022-2023 Winter Shelter Program, City staff identified the availability of privately-owned property located at 702 West Anaheim Street (Subject Property) (Attachment) which had been listed for sale by the property owner, Long Beach Rescue Mission Foundation, Inc. (Seller). The Subject Property, which had been utilized in the past as a homeless shelter, was made available to the City for short-term use in response to the ongoing emergency declaration on homelessness and the pending closure of the Winter Shelter at 1720 Termino Avenue. To that end, a short-term Lease (Lease) with the Seller was negotiated under the emergency orders for the City to use the Subject Property as an emergency shelter from April 26, 2023 through July 31, 2023,

while the Seller pursued the sale of the Subject Property.

The City has been in regular communication with Los Angeles County (County) about partnership opportunities to address the homelessness emergency. On January 31, 2023, the City sent a letter to the County CEO, Fesia Davenport, and the Board of Supervisors requesting assistance to strengthen coordination of emergency resources, expand opportunities for affordable housing and shelter in the region, expand mental health services, distribute funding more equitably, and streamline service delivery between the City and County. With the support of Supervisor Janice Hahn and CEO Davenport, the County has agreed to provide funding assistance in the amount of half the acquisition and half the rehabilitation for a total funding support not to exceed \$6.5 million of a permanent facility for shelter and homeless services.

The Subject Property, which measures approximately 51,832 square feet and includes 26,957 square feet of buildings with appurtenant parking, had been listed on the market. Given the former and current use as shelter space as well as the partnership from the County to assist with a permanent facility, the City submitted an offer and the Seller agreed to sell the Subject Property to the City for the purchase price of \$7,200,000. An additional amount of \$300,000 will be expended for acquisition costs, environmental investigation, and escrow and closing fees. Further, to assist the Seller with the transition of moving facilities, the City will lease back a portion of the Subject Property, which includes three ancillary storage buildings measuring approximately 5,629 square feet, for an initial period of 90 days, with an option to extend upon mutual agreement.

In addition to acquisition costs, an additional amount not to exceed \$5,700,000 will be needed to provide upgrades to the facility including Heating, Ventilation and Air Conditioning (HVAC) Systems, plumbing systems, and sewer capacity. The Subject Property contains existing contamination with impacts to soil, soil vapor and groundwater. Remediation activities have included the implementation of a soil vapor extraction system, augmentation of the system through an air-sparge system and routine monitoring and reporting to the Los Angeles Regional Water Quality Control Board (LARWQCB). Remediation activities have significantly reduced contaminants from 1994 to present; however, the City conducted an Indoor Air Quality Assessment to ensure indoor air is stable for short-term occupancy. It should also be noted that a previous owner of the Subject Property has been named as a responsible party and has been conducting remediation operations. The City expects the responsible party to continue remediation actions until the remediation is complete. In the unlikely event the responsible party stops performing remediation then City could be liable for continued remediation as property owner. Existing contamination and remediation activities are not expected to affect proposed operations at the Subject Property.

Shelter operations will continue to be provided by the selected operator for the 2022-2023 Winter Shelter program year, First to Serve Ministries, Inc. (Program Provider), which provides the following services: intake, shelter for individuals, case management, showers, and three daily meals. The Program Provider will further provide security and transportation

assistance for people as they come and go from the shelter location. Case management services are focused on linking participants to additional programs to establish improved health and economic sufficiency. Participants in the emergency shelter are also able to access additional specialized services through the Multi-Service Center, such as medical care, benefits assistance, employment services, brief therapy, and mail.

The Long Beach Health and Human Services Department (Department) will continue to coordinate and serve as a liaison between the City, the Program Provider and the County to ensure the delivery of services and will jointly determine which government entity will be responsible for procuring and executing a contract for a longer-term service provider. The Department will report back to City Council upon this determination.

To facilitate the acquisition of the Subject Property for an emergency shelter, a Purchase and Sale Agreement and Escrow Instructions (Agreement) was negotiated by the Economic Development Department. The Agreement contains the following major terms and provisions:

Seller: Long Beach Rescue Mission Foundation, a California public benefit corporation.

Buyer: City of Long Beach, a municipal corporation.

Subject Property: Approximately 51,832-square-foot parcel containing 26,957 square feet of buildings and appurtenant parking located at 702 West Anaheim Street.

Use: Temporary housing and shelter program.

Purchase Price: \$7,200,000.

Repairs/ Improvements: An additional amount not to exceed \$5,700,000 will be expended to provide upgrades to the facility including Heating, Ventilation and Air Condition Systems, mechanical systems and sewer capacity.

Seller Occupancy: Upon the close of escrow, the Seller will retain the use of approximately 5,629 square feet of ancillary buildings for 90 days.

The acquisition of the Subject Property has been reviewed under the California Environmental Quality Act and Categorical Exemption CE 23-080 was issued for this action.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on June 7, 2023 and by Budget Management Officer Nader Kaamoush on June 8, 2023.

City Council action is requested on June 13, 2023, to ensure the City can proceed with the acquisition in a timely manner.

The total acquisition cost of the property will not exceed \$7,500,000. Of the total cost, an amount not to exceed \$7,200,000 will fund the purchase of the Subject Property with an additional \$300,000 will be expended for acquisition-related costs. The County of Los Angeles Chief Executive Office has agreed to fund half the acquisition in the amount of \$3,750,000. The remaining \$3,750,000 for the acquisition cost will be funded by \$1,000,000 of anticipated FY 23 General Fund surplus and \$2,750,000 transfer of Measure A funding in the Capital Projects Fund Group currently set aside for this purpose of homelessness infrastructure support.

Additional funding in the amount of \$5,700,000 million is anticipated to be needed in FY 24 for tenant improvements costs. The remaining \$2,750,000 of the \$6,500,000 County funding contribution will be credited towards the tenant improvements. The additional \$2,950,000 needed will be funded from \$1,250,000 of Measure A funds in the Capital Projects Fund Group previously set aside for homelessness infrastructure support, and \$1,700,000 of Measure A contingency funding currently earmarked in the Measure A out-year plan. Staff will be returning to City Council as part of the FY 24 Budget process to appropriate funding to support the improvements for the permanent site.

Once improvements are complete to the subject property, a preventative maintenance plan in the amount of \$60,000 annually is recommended to preserve the improvements. This will add to future General Fund Group structural costs that will need to be included as part of a future budget development process, unless other structural offsets are identified.

Staff will also be returning to City Council as part of the FY 24 Budget process to appropriate funding to support the operations of the permanent site, which will also be supported with County and LAHSA funding. The initial funding will be proposed on a one-time basis in FY 24 as staff works to identify additional funding opportunities if available. This recommendation has no 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.

BO MARTINEZ
DIRECTOR OF ECONOMIC DEVELOPMENT

KELLY COLOPY
DIRECTOR OF HEALTH AND HUMAN SERVICES

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APPROVED:

THOMAS B. MODICA
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