



Date: November 10, 2023

To: Thomas B. Modica, City Manager 

From: Bo Martinez, Director of Economic Development 

For: Mayor and Members of the City Council

Subject: **Status of North Village Properties**

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In December 2017, 48 parcels owned by the Successor Agency of the former Redevelopment Agency of the City of Long Beach (City) were sold to the LAB, Inc. (LAB), as part of the dissolution of the redevelopment agency with the intent to create a strong Village Center consistent with the vision and intent of the North Long Beach Redevelopment Project Area and its guiding documents. This memorandum is intended to provide a status update of the development.

### **Legislative and Administrative Background**

With the passage of ABx1 26 in June 2011, and the subsequent California Supreme Court decision upholding ABx1 26 in December of that year, California's Redevelopment Agencies were dissolved effective February 1, 2012. ABx1 26 provided for designation of Successor Agencies to wind down the affairs of dissolved Redevelopment Agencies. On January 17, 2012, the City Council of the City designated the City of Long Beach as Successor Agency to the Redevelopment Agency of the City of Long Beach.

On June 27, 2012, AB 1484 was signed into law. AB 1484 modified various provisions of ABx1 26 relating to Redevelopment Agency dissolution procedures. Chapter 9 of AB 1484 ("Post Compliance Provisions") provides that within six (6) months following issuance of a "Finding of Completion" to a Successor Agency, a Successor Agency shall submit, subject to approval of its Oversight Board, a Long Range Property Management Plan (Plan) to the State of California Department of Finance (DOF). The Successor Agency to the Redevelopment Agency of the City of Long Beach received its Finding of Completion on April 23, 2013 and approval of its Plan on March 10, 2015, and amended on June 24, 2015, allowing the City to proceed with use and disposition.

### **Purpose and Effect of the Long-Range Property Management Plan**

Section 34191 of AB 1484 sets out the goals and objectives to be accomplished in the Plan stating that the purpose of the Plan is to direct the use and manage the disposition of the real properties of the former Redevelopment Agency and shall include an inventory of all properties allocated into four (4) categories, as follows:

1. Government Use: These properties include properties or assets that were or will be constructed for use as roads, parks and park facilities, police or fire stations, libraries and other administrative buildings and were transferred by the Successor Agency to the City, which will retain the property and assets for ongoing governmental use.

2. Enforceable Obligation: These properties would be transferred by the Successor Agency to the City to comply with the enforceable obligations; however, there were no properties categorized as enforceable obligation in the final Plan.
3. Future Development: These properties were acquired for a purpose or project identified in the related redevelopment plan, strategic guide, or other related guiding document. These properties were transferred by the Successor Agency to the City to further the goals and objectives of the redevelopment plan and related guiding documents.
4. For Sale: These properties were acquired for a specific community purpose such as blight removal, elimination of a concentration of crime, accommodation of parking demand, or a change of land use. These properties had not been assembled into developable sites and were to be disposed through traditional marketing practices. These properties were not transferred by the Successor Agency.

Upon approval of the Plan in 2015, properties designated as Government Use or Future Development were transferred to the City while the For Sale properties remained under Successor Agency ownership. There were no enforceable obligation properties in the approved Plan. Disposition efforts commences for the properties categorized as Future Development and For Sale. In compliance with the Surplus Land Act, as codified in 2015, notices of the intent to surplus were issued in June and December 2015. No offers were received allowing properties to be offered through a variety of disposition strategies including competitive solicitations, offerings to previously interested parties, adjoining property owners or tenants, and broker representation and listing.

### **North Village Properties**

On July 21 and September 22, 2015, and subsequently, on August 3 and September 23, 2015, the Successor Agency and the Oversight Board, respectively, approved the sale of 18 For Sale properties in Council Districts 8 and 9 to The LAB, for rehabilitation and development consistent with the North Village development concept, as contemplated in the guiding documents to the North Long Beach Redevelopment Project Area. The State of California Department of Finance (DOF) approved the transactions on September 18, 2015. Subsequent to these approvals, The LAB approached the City with its interest in the Future Development properties in Council District 9, which The LAB and staff both agreed would be integral to a cohesive and integrated North Village development concept. Staff worked with The LAB to assemble the 18 For Sale properties in Council Districts 8 and 9, and the 30 Future Development Properties in Council District 9, into a single Purchase and Sale Agreement (PSA). City Council approved the PSA on August 16, 2016. Terms of the transaction also included a down payment in the amount of \$500,000 and a Promissory Note for the balance of the purchase price (\$6,443,200), allowing the LAB to fund and complete the North Village development concept and achieve a stabilized cash flow, from the which the LAB could refinance and payoff the Promissory Note. If The LAB was unsuccessful, the properties would be surrendered to the City and the City would cancel the Promissory Note.

After City Council approval, the LAB determined that building renovation and tenant improvement work on the For Sale properties would be funded internally, while outside financing would be utilized to fund the development of the Future Development properties, with the priority placed on activating occupancy of the For Sale properties. Due to the capital intensive nature of the

renovation and development, the LAB requested to preserve equity to satisfy the various financial requirements with a reduction in the deposit from \$500,000 to \$50,000. Additionally, to further contribute to the success of the North Village development concept, staff recommended a portion of the North Redevelopment Project Area proceeds from sale be designated to reimburse The LAB for tenant improvements and exterior building renovations in an amount not to exceed \$350,000. Reinvestment into the development concept was consistent with City Council policy direction that 75 percent of the City's share shall be retained for projects within the North Redevelopment Project Area and 25 percent shall be used for City-wide economic development priorities. City Council authorized the recommendations on April 18, 2017.

Upon approval, the LAB pursued renovations to the For Sale properties and entitlements to the Future Development properties. The LAB and staff worked closely together to move various components of the North Village development concept forward through either building permits or entitlement approval, depending on the need of each property. Entitlements for the 24 parcels, referred to as Block C, were approved by the Long Beach Planning Commission on September 2, 2021. The LAB sold the project and repaid a portion of the Promissory Note in May of 2022, with the proceeds being distributed to the taxing entities consistent with the Plan and dissolution law.

While successful in achieving entitlements on Block C, delays and challenges, including the COVID-19 pandemic, hampered any significant progress on the remainder of the properties. As recovery from the pandemic progressed, The LAB refocused efforts to leasing of the For Sale properties, including the property located at 635 South Street, which was identified as a potential site for the North Long Beach Higher Education Center (Center). The Center is a result of efforts by the Long Beach City Council, Long Beach Community College District, Long Beach Department of Economic Development, Pacific Gateway Workforce Investment Network and North Long Beach higher education experts and advocates to establish a higher education presence in North Long Beach, the placement of which at 635 South Street was expected to bolster The LAB's leasing portfolio and further the City's commitment to the success of the overall project. The lease was authorized by City Council at the August 2, 2022, City Council meeting.

Despite continued efforts to bring the North Village Development concept to fruition, progress has been slow, and completion does not appear imminent. For Sale properties are in varied states of progress and development of the vacant Future Development parcels have stalled. Staff worked with the LAB to find an amicable solution to further success with the North Village development concept; however, any additional measures would require significant contribution from the City beyond what has already been provided, resulting in staff recommending the remaining properties be returned to the City and the Promissory Note cancelled. The City also agreed to allow The LAB to sell its interest in 635 South Street to a new owner, allowing that portion of the Promissory Note repaid and proceeds distributed to the taxing entities. While dissolution of the transaction was not the outcome desired, and the pursuit of a comprehensive approach to the North Village development concept with one developer was grand and ambitious, both parties acknowledge dissolving the transaction is in the best interest of not only the City and the LAB but the North Long Beach residents and neighborhoods.

## Equity Lens

Staff recommended a review of District and Citywide priorities as well as identification of programs and policies available to the future disposition of the properties. In addition to compliance with redevelopment dissolution law, the goals and objectives for disposition should not only further goals and objectives already identified in Citywide strategies such as the Economic Blueprint but prioritize outcomes that address disparities through affordable housing, commercial development with neighborhood serving uses and activation of vacant and underutilized properties.

## Next Steps

The properties have yet to be transferred back to the City, but staff expects such transfer to occur soon after due diligence and documentation can be completed. Next steps will be to review priorities for each Council District including those consistent with various City initiatives such as Grow Long Beach, the Economic Blueprint and Everyone Home. The City will be required to comply with the Surplus Land Act which will require a notification of surplus property to certain entities. Changes to the Surplus Land Act were recently signed into law, to be effective January 1, 2024, and a review of proposed changes will be made to ensure the City does not commence any actions that would be considered non-compliant as of January 1, 2024. Once all actions related to the Surplus Land Act are completed, the properties would be listed through either a competitive process or broker representation and listing consistent with the Plan.

If you have any questions, please contact Bo Martinez at (562) 570-5282 or [Bo.Martinez@longbeach.gov](mailto:Bo.Martinez@longbeach.gov).

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