

MEMORANDUM

DATE: January 17, 2024

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President *CK*

SUBJECT: Acquisition of Property Located at 1131 E. Wardlow Road (District 5)

RECOMMENDATION:

Recommendation to approve the acquisition of the property located at 1131 E. Wardlow Road for a purchase price of \$5,475,000 using PLHA funds; and

Authorize the President or designee to execute any and all documents necessary to initiate and complete the acquisition of this property.

DISCUSSION

The property at 1131 E. Wardlow Road consists of two adjacent parcels totaling 28,431 square feet and is improved with a vacant 17,625 square feet commercial building that previously served as a grocery store, and a surface parking lot. The property is located at the northwestern corner of E. Wardlow Road and Cerritos Avenue in the California Heights neighborhood. The property is in a “High Resource” region on the Tax Credit Allocation Committee Opportunity Map, meaning it has been identified as an area most likely to support positive economic, education, and health outcomes for low-income families. A site map is attached for reference (Attachment A). The property owner has entered into a Purchase and Sale Agreement (PSA) with West Hollywood Community Housing Corporation (WHCHC) in the amount of \$5,475,000.

On November 15, 2023, the Long Beach Community Investment Company (LBCIC) approved a funding award of up to \$7,000,000 and authorized an Agreement to Negotiate Exclusively (ENA) with WHCHC for the development of an affordable rental housing project on the property (Project) (Attachment B). The purpose of the ENA was to give the LBCIC and WHCHC time to work exclusively to determine whether the Project is physically and financially feasible. Initial discussions between City staff and WHCHC have identified an urgent need to complete the site acquisition to keep the Project moving forward.

The PSA between the owner and WHCHC will expire on April 5, 2024, and the owner has indicated that they are not amenable to extending the term of the agreement. If the acquisition does not close by the expiration date, the Project does not move forward and the rare opportunity to develop affordable housing in this High Resource area is missed. Building affordable housing in a High Resource area is essential to increasing access to

high opportunity areas for families with children. High Resource areas have characteristics that have been shown by research to have a positive long-term effect on children, such as the quality of local public schools. The property owner is amenable to transferring its PSA from WHCHC to the LBCIC and City staff is recommending that the LBCIC acquire the property now, using Permanent Local Housing Allocation (PLHA) funds, then transfer ownership to WHCHC after the remaining funding sources have been secured. This approach (1) makes the Project more competitive in its funding applications; and (2) helps the LBCIC meet a critical funding deadline as described below:

1. Federal and State funding programs for affordable housing development are extremely competitive. Applications for projects that are developed on property that has been declared exempt surplus land by the local jurisdiction score more points on their applications. This declaration can be achieved as a routine matter if the LBCIC acquires the property directly.
2. In 2017 Senate Bill 2 (SB 2), created a dedicated revenue source and directs the California Department of Housing and Community Development (HCD) to use revenue from SB 2 to provide financial assistance to local governments for eligible housing-related projects. PLHA program funds are awarded annually over a five-year period. The first award to the City of Long Beach (City) was for \$2,900,000 in 2019, with a deadline to expend these funds by March 1, 2024. As expenditure deadlines are statutory, HCD is not able to extend the deadline and if the PLHA funds are not expended by the deadline, the \$2,900,000 will have to be returned to HCD. The LBCIC previously committed the 2019 funds to an unrelated project, The Armory Arts Collective, which failed to secure sufficient development funds in time to meet our expenditure deadline. To avoid having to return these PLHA funds to HCD, the LBCIC will need to expend these funds by March 1, 2024, and the proposed WHCHC Project is the only project in our pipeline that is able to accomplish this. The remaining \$2,575,000 needed to complete the acquisition will be funded with PLHA funds awarded in 2020 that have not yet been committed to a specific project.

City staff recommends approval of the acquisition of the property. If approved, City staff will complete the purchase of the property and begin the process of declaring the property to be exempt excess surplus land. Should WHCHC not be able to satisfy the terms of the ENA, the LBCIC will solicit a new developer partner to develop the Project. The proposed acquisition supports the implementation of Housing Element Program 1.6 (Affordable Housing Development Assistance) and is therefore supported by City staff.

SUGGESTED ACTION:

Approve recommendations.

CK:MS:SM:ks

Attachment:

Attachment A – Site Map

Attachment B – November 15, 2023 Staff Report