



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Administrator

SUBJECT: Resolution Approving the 30-year ground lease between the City of Commerce and Silverado Management.

MEETING DATE: June 18, 2019

RECOMMENDATION:

1. The City Council will consider for adoption the proposed Resolution approving the Agreement to enter into a Ground Lease for approximately 1.8 acres of the 10.62 acre parcel, located at 6233 Telegraph Road, between Silverado Management and the City of Commerce, for Land in the City of Commerce, California, and authorize the Mayor to sign the agreement on behalf of the City.
2. Authorize the City Manager to prepare the appropriate amendments to the Purchase and Sale Agreement between the City of Commerce and Craig Realty Group and Wash-Tel, in order to accommodate the Ground Lease.

BACKGROUND:

Pursuant to ABX1 26 (as subsequently amended and codified in Health & Safety Code § 34170 et seq., the "Dissolution Law") enacted in June 2011, the Commerce Community Development Commission (the "Commission"), and all other redevelopment agencies ("RDA") throughout the state, were dissolved as of February 1, 2012. Pursuant to Health & Safety Code § 34175(b), on February 1, 2012, the real property and other assets of each dissolved RDA were transferred to the ownership and control of their "successor agency." Health and Safety Code § 34173(g) requires each successor agency to dispose of such properties and to unwind the affairs of the dissolved redevelopment agencies. The City of Commerce has elected to take on the duties of the successor agency to the Commission (the "Successor Agency"), and by operation of law, the Successor Agency currently owns the land formerly owned by the Commission. Pursuant to Health and Safety Code § 34191.5, within six (6) months after receiving a Finding of Completion from the Department of Finance ("DOF"), each successor agency was required to submit for approval to its oversight board and the DOF, a Long-Range Property Management Plan ("LRPMP") that addresses the disposition and use of the real properties of the respective former RDA. The Dissolution Law mandates that a LRPMP identify that former RDA properties must be used or dispersed in one of the following ways: (1) to fulfill an enforceable obligation; (2)

retention for future development, including possible sale of the property; (3) retention of property for governmental use; (4) of liquidation / sale.

On May 23, 2018, the Successor Agency approved a Resolution approving the Agreement of Purchase and Sale and Joint Escrow Instructions between the Successor Agency to the Commerce Community Development Commission and the City of Commerce, for a parcel of approximately 10.62 acres (462,607 sq. ft) acres located off Telegraph Road and Washington Blvd and specifically identified as APN 6336-010-908 (the “Land”) and subsequently selling the parcel to Wash-Tel Commerce LLC (Wash-Tel) with the understanding that a portion of the land will include a public facility component.

ANALYSIS:

The proposed development includes the construction of a Public Safety/City Hall Facility that would house the city’s law enforcement personnel which is currently the sheriff’s department and other City public safety staff that would serve the City of Commerce and other areas in the region. In addition, the project would encompass City Hall functions such as Administration and other Departments as deemed applicable. The construction and operation of a city public facility on the Land is contemplated as part of the zoning associated with future development of the subject property, as well as the Commission’s redevelopment implementation plans and the City’s General Plan. It would also satisfy a vital public service need of the community.

The Concept

1. The Successor Agency sold a 10.62-acre parcel to the City for \$1. The City is in the process of finalizing a Development Agreement with the Wash-Tel and Craig Realty Group Citadel LLC for the 10.62-acre parcel.
2. The City designated 1.8 acres for the construction of a Public Safety Facility that would serve as a Los Angeles County Sheriff’s Station given that the City currently contracts with the sheriff’s for law enforcement services. However, the City is considering increasing the size of the parcel to approximately 4.5 acres to accommodate additional City Hall functions.
3. The City would sell the remaining 8.82 acres to the Wash-Tel and Craig Realty Group Citadel LLC for the price of \$8,325,847.50. If the City increases the parcel size, then the remaining acreage will be sold to the Wash-Tel and Craig Realty Group Citadel LLC for the same per sq. ft cost.
4. The City would apply the sale proceeds to the construction of the City Public Safety/City Hall Facility.
 - a. Preliminary Space Programming for the proposed Public Safety Facility -- approximately 20,000 sq. ft. (subject to change)
 - b. Preliminary Space Programming for the City Hall function – approximately 70,000 sq. ft. (subject to change).
 - c. The proposed City Hall office building could potentially share the space with another user, which would significantly lower the lease cost for the City.

Project Delivery System

As part of the DOF approval for the transfer of property to the City for \$1, the City must build a Public Facility on the 10.62-acre parcel within two years of the property transfer. Considering the time constraint imposed by the DOF, the City is contemplating a construction delivery system that incorporates speed and cost effectiveness. A Lease-Lease Back system, would allow the City to lease the proposed Public Safety/City Hall site to a contractor for a said amount, if the lease contract requires the contractor to construct, or provide for the construction of, a building to be used by the City, so long as the title to the building would vest in the City's name at the end of the lease. The contractor will then build the facility and lease it back to the City for up to said years. After the lease period, the ownership rights in real property will revert back to the City.

A 30-year ground lease ("Ground Lease") is being proposed for approximately 1.8 acres of the 10.62-acre parcel. The City would ground lease the 1.8 acres to Silverado Management and Holding Company ("Tenant"). The Ground Lease establishes the framework, but not any obligation, for the City to enter into a "Master Lease" with the Tenant pursuant to which the Tenant would construct, and lease to, the City, Sheriff's Department, and any other shared user, facilities specified by those parties. The Tenant may not use the Ground Lease property for any other purpose. All the terms and conditions of a Master Lease are subject to the approval of the City and Tenant, and the terms of the transaction would be returned to City Council for consideration and approval. If the parties do not reach agreement on a Master Lease by June 30, 2020 (which either party may extend until December 31, 2020), then the City may terminate the Ground Lease any time thereafter. This will ensure that the 1.8-acre property is not burdened by the Ground Lease if the City and the Tenant are unable to reach agreement upon the development of the subject property.

Validation for the Public Safety/City Hall Concept

- **Current East Los Angeles Station** -- LASD has a great logistical need for the housing of personnel. ELA station was not designed to accommodate the large staffing needs it is currently addressing, as they currently house personnel for 3 contract cities, unincorporated East LA, additional administrative, detective, and support staff, Operation Safe Streets ("OSS") and Community Oriented Services ("COPS") Bureaus. In addition, having a Station logistically located within the City boundaries would make for more efficiency and effectiveness in responding to City concerns.
- **The Sheriff's Department Community Partnership Bureau (CPB)** could be relocated to the Commerce facility. CPB is currently responsible for providing the following county wide services: Homeless Services Team, Youth Services, Mental Evaluation Team, and a number of other teams with county wide responsibilities.

The CPB captain and operations staff could be housed at the facility, along with ancillary personnel from the Homeless Services Team, and Metal Health Evaluation Team.

The Homeless Services Team works in collaboration with service providers, patrol stations, other county Departments, and community-based organizations to connect the homeless population with resources, assistance and housing options, consistent with the County's Homeless Initiative. Additionally, Homeless Services Team Deputies provide a safe environment for homeless outreach workers to contact and provide services for the homeless population in Los Angeles County in certain situations. Also, the Homeless Services Team ensures the Los Angeles County Homeless Encampment Protocol is followed and coordinates the proper resources for outreach during homeless encampment clean ups. The team is also present during any cleanup operation conducted by the County involving the removal of personal property of the homeless, to ensure the rights of the homeless population are preserved. The Mental Health Evaluation Team (MET) Deputies along with a mental health professional (DMH clinician) respond to patrol deputies' requests to assist in handling calls involving mentally ill citizens in order to evaluate the person's mental health, provide appropriate transportation and place them in an appropriate mental health care facility. MET deputies provide follow up/support services for the mentally ill citizen and their families. They respond to critical incidents (eg., suicides, school shootings, natural disasters, mass casualty incidents) providing critical incident stress management and to barricaded incidents providing supplemental tactical and crisis intervention to defuse potentially volatile situations. Furthermore, MET deputies train LASD personnel and other law enforcement agencies on recognizing and handling the mentally ill. They also network and collaborate with mental health agencies, judicial agencies and assist family members in gaining LPS Conservatorship by giving court testimony regarding the mental health of that individual.

- **Preservation of the Region's Economic Base and New Economic Realities -** Public safety is an important aspect of a region's balanced economic vitality strategy -- preserving (and potentially enhancing) quality of life. It is difficult for there to be economic prosperity and social cohesion without a good degree of safety. The inclusion of a station in this specific area will enhance the efficiency and effectiveness of public safety in the Telegraph Road Commercial/Entertainment Corridor, allowing for a collaborative and active approach to provide for and encourage the type of economic activity that will provide stability for the local economy, as well as the vitality of the entire region.
- **Public transport security** refers to measures taken by a mass transit system to keep its passengers and employees safe, to protect the carrier's equipment, and to make sure other violations do not occur. This includes the enforcement of various rules and regulations, human and video surveillance, the deployment of a transit police force, and other techniques.

With the potential extension of the Metro Gold Line through Commerce (backside of the Citadel and Casino -- The Atlantic Below-Grade Concept provides a more direct connection between East Los Angeles and Washington Boulevard, serving a vibrant

regional commercial center located in the City of Commerce and supporting the historically and culturally important commercial center in East Los Angeles at Whittier Boulevard), the close proximity of the station would enhance public safety measures needed to reinforce the positive perception of public transit.

As highlighted above, the Commerce Sheriff's Station purpose would be to provide efficient and effective use of public safety resources for matters that span beyond the borders of Commerce, while promoting cooperation between multitudes of agencies in addressing security countywide. In addition, the Metro Gold Line will require significant parking and the contemplated parking structure can serve to meet those needs.

- **City Hall Functions** – Staff has been in the process of conducting a needs assessment, that will determine the current and future needs of City Hall. The current City Hall brings space planning challenges, which have made it difficult to make City Hall an effective and efficient service provider. In addition, the existing City Hall has environmental constraints that have significantly increased the cost of performing necessary upgrades. Certainly, moving to a new site would allow for us to be more efficient and effective in delivering services to the City's residential and business community.

ENVIRONMENTAL ANALYSIS

The California Environmental Quality Act (CEQA, Section 21000, et seq. of the California Public Resources Code), requires that the potential environmental effects of projects that will have a physical impact on the environment be analyzed prior to their construction. State CEQA Guidelines Sections 15060(c)(3), 15061(b)(3), and 15378 exempts projects that have no potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City Council action involves determining the proposed Agreement to enter into a 30-year ground lease ("Ground Lease") for approximately 1.8 acres of the 10.62-acre parcel, located at 6233 Telegraph Road, between Silverado Management and the City of Commerce. The City Council action will not directly authorize the acquisition of the property or construction of any project. Therefore, this action will not have a direct effect on the environment. As such, the City Council action qualifies for this exemption and no further environmental review is required.

ALTERNATIVES:

1. Approve staff recommendation
2. Decline staff recommendation and provide further direction

FISCAL IMPACT:

This action will not incur a fiscal impact. Staff will continue to work with the respective parties to analyze the potential cost associated with the Public Safety/City Hall facility.

RELATIONSHIP TO STRATEGIC GOALS:

This report before the Council is not applicable to any specific 2016 Strategic Plan Guiding Principle; however, it is related to the following Strategic Focus Area: Create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues.

Recommended by: Rene Bobadilla, Assistant City Manager
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Edgar P. Cisneros, City Manager

ATTACHMENTS:

1. Resolution
2. Ground Lease Agreement