



## *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: MARCH 5, 2019

ITEM NUMBER: NB-2

**SUBJECT: APPROVE THE ACQUISITION OF REAL PROPERTY LOCATED AT 3175 AIRWAY AVENUE, COSTA MESA, CA 92627 FOR EVALUATION OF USE AS THE CITY'S PERMANENT BRIDGE SHELTER AND OTHER POSSIBLE USES**

**DATE: MARCH 1, 2019**

**FROM: PARKS AND COMMUNITY SERVICES DEPARTMENT**

**PRESENTATION BY: JUSTIN MARTIN, PARKS & COMMUNITY SERVICES DIRECTOR**

**FOR FURTHER INFORMATION CONTACT: JUSTIN MARTIN, PARKS AND COMMUNITY SERVICES DIRECTOR, (714) 754-5065**

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### **RECOMMENDATION:**

Staff recommends that the City Council:

1. Determine the acquisition of the property is categorically exempt from analysis under the California Environmental Quality Act;
2. Approve the acquisition of real property located at 3175 Airway Avenue, Costa Mesa, CA 92627 for evaluation of use as the City's permanent bridge shelter and other possible uses;
3. Authorize the release of all contingency items related to the purchase agreement including the appraisal and inspections;
4. Authorize a funding swap and the related budget adjustments in Attachment 3 which will provide \$4,125,000 in non-General Fund funding for the acquisition and renovation of 3175 Airway Avenue, Costa Mesa, CA;
5. Authorize a budget adjustment appropriating \$4,125,000 in the Capital Improvement Fund for the acquisition and renovation of 3175 Airway Avenue, Costa Mesa, CA;
6. Authorize a budget adjustment appropriating \$3,425,000 in the General Fund using unassigned fund balance for the acquisition 3175 Airway Avenue, Costa Mesa, CA;
7. Authorize the Acting City Manager and City Clerk to execute all real estate purchase documents, disclosures, escrow paperwork and future authorized changes and amendments necessary to close escrow.

## **BACKGROUND:**

Beginning in 2010, Costa Mesa City leadership introduced a course of action to address the needs and impacts of individuals experiencing homelessness in Costa Mesa. Since then, the City has established a Homeless Task Force, adopted a 9-Point Plan to address homelessness, and formed the Neighborhood Improvement Task Force (NITF), known today as the Network for Homeless Solutions (NHS). Despite the strong and collaborative efforts of the NHS, City staff and strategic community partners, people experiencing homelessness still remain in Costa Mesa and more needs to be done to address this issue.

Additionally, in January 2018, the City was named in a lawsuit initiated by OC Catholic Worker and eight plaintiffs who had been encamped at the Santa Ana riverbed. Orange County, the City of Anaheim, the City of Costa Mesa and the City of Orange were named in the lawsuit challenging enforcement of unlawful camping ordinances. The lawsuit was filed in connection with Orange County's actions in clearing the riverbed of more than 400 homeless individuals who had established encampments. The Court has extended the deadline for negotiations several times.

The Court has expected the City to present a solution to provide shelter for those experiencing homelessness. At the current time, 50 additional shelter beds must be provided in Costa Mesa, in addition to 12 that have already been approved for establishment at College Hospital. No enforcement of anti-camping laws can take place until the remaining 50 beds are in operation.

On January 15, 2019, the City Council directed staff to:

1. Negotiate a facility-use/lease agreement with the Church of Nazarene/Lighthouse Church (located at 1885 Anaheim Avenue) for use as a temporary interim bridge shelter;
2. Explore professional shelter operator options and provide a recommended shelter operator to the City Council on February 5, 2019, for the temporary interim and future long-term bridge shelter locations; and,
3. Continue analyzing properties for purchase or lease to be utilized as the City's permanent bridge shelter.

Since then, the City Council has taken several follow-up actions toward providing shelter beds which include:

1. Hosting a Community Open House meeting regarding the City's plan to shelter homeless individuals, which included a table that highlighted the particular geographical area of focus (adjacent to the airport) for a permanent shelter, which more than 200 members of the public attended.
2. Entering into an agreement with professional shelter operator Mercy House to manage the City's temporary and permanent bridge shelters.
3. Entering into a lease agreement with the Lighthouse Church of the Nazarene to utilize a portion of their property for the City's temporary bridge shelter.

The final portion of the long-term shelter solution is the purchase of a property to be utilized as a permanent bridge shelter facility.

## **DISCUSSION:**

In order to end litigation in the OC Catholic Worker case, the City must show significant progress in providing both a temporary and permanent bridge shelter.

Beginning in September 2018, staff began researching potential properties located throughout the City. After extensive research, staff prepared a property list with almost 30 potential properties for consideration.

Staff filtered and ranked the potential properties based upon a selection criterion that included:

1. Appropriate zoning and feasibility and timing of any changes
2. No properties within an office condo project with restrictive use covenants
3. Least impact to surrounding uses and businesses
4. Proximity to schools
5. Proximity to parks
6. Proximity to residential
7. Vacant or Single Tenant to reduce relocation costs
8. Existing building (New Construction would take too long and cost more)
9. Building size: 8,000-12,000 sf.
10. Adequate private parking area, outdoor seating and storage areas.

The selection criterion narrowed the list of 30 properties to one property located on the west side of the City; however, the property was later taken out of consideration due to legal issues arising. The City Council then directed staff to research additional properties for purchase or lease, with a focus in the industrial area located adjacent to John Wayne Airport. Staff researched and analyzed nearly 20 additional properties for purchase/lease as part of this continued property search (Attachment 1). Again, the selection criterion was applied and the property that meets more of the criterion than any other property is 3175 Airway Avenue.

## **ANALYSIS:**

Staff is recommending the purchase of the property located at 3175 Airway Avenue to be considered for future use as the City's permanent bridge shelter.

### Property Facts:

- Existing Industrial Warehouse
- Built in 1973
- Building square footage = 29,816
  - Including approximately 5,510 sf of office built-out, lobby, reception areas, private offices, storage areas, break room, and rest rooms.
- Site Area = 1.34 acres (Concrete sidewalks, Exterior truck well, Landscaping, Asphalt parking lot, Fenced yard area)
- Warehouse area with 24-foot clear height
  - 2 ground level loading doors
  - 3 dock high loading doors

### Pro's:

- The building is sufficiently large to design all the amenities and office space needed to operate a best practice shelter.
- The entrance already has a vehicular gate that would be replaced with a motorized, 6-foot-high screened gate if we move forward.
- Area behind the screened vehicular gate is large enough for parking and shuttle turn-around.

- The building has two addresses, meters and separate entrances. The proposal to be evaluated is to divide the building, roughly in half, and lease the additional space to a tenant for approximately \$200,000 a year which will offset some of the operating costs of the shelter.
- Closest residential area = 2,050 feet away
- Closest school = 2,300 feet away
- Closest park = 2,900 feet away
- Owner/User is selling the property on the open market and does not require relocation funds paid by the City.
- Property is not part of an office condo project and has no restrictive covenants on use.
- The purchase price is equal to the appraised value.

The Planning Commission considered a General Plan conformity report per Government Code Section 65402 for the acquisition of the 3175 Airway Avenue property during its February 25, 2019 meeting. Three members of the public spoke in opposition. The Commission adopted a Resolution by a vote of 5-0 that 1) adopted the staff report for the purposes of reporting to City Council on General Plan conformance; 2) found that the proposed acquisition of real property at 3175 Airway Avenue is in conformance with the City of Costa Mesa General Plan; and 3) found that it is not subject to the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061 (b)(3), General Rule exemption (Attachment 2).

It has been determined by staff that the 3175 Airway Avenue property has the least amount of impacts to the greater community out of all the properties analyzed. With the professional shelter management plan that will be implemented by Mercy House, operations of a shelter are believed to be non-impactful to the adjacent businesses, but all impacts will be fully evaluated before moving forward with any build-out.

To inform the local businesses that are immediately adjacent to the property, staff met on two separate occasions to review the design and operation plan for the City's shelter. Staff answered questions related to temporarily and permanently sheltering the homeless and provided a completion date of first quarter 2020. These meetings resulted in a very positive conversation with important feedback gained by both staff and the business representatives. Should this site ultimately be developed into a bridge shelter, one neighboring business wants to explore hiring some of the clients and a neighboring private college mentioned the potential to volunteer nursing students to provide minor medical care for those experiencing homelessness.

**ENVIRONMENTAL DETERMINATION:**

The acquisition of the subject property and this report have been reviewed for compliance with the California Environmental Quality Act, the CEQA Guidelines, and the City's environmental procedures. CEQA Guidelines Section 15061(b)(3) (General Rule) states that when it can be seen with certainty that there is no possibility that an action will have a significant effect on the environment, that activity is not subject to CEQA. The acquisition of existing property with existing structures will not have any effect on the environment. Ownership will change; however, no physical changes are proposed or authorized with the purchase. Therefore, it can be seen with certainty that there is no possibility of significant environmental effects of the actions taken herein are not subject to CEQA. CEQA Guidelines Section 15332 (In-Fill Development Projects) would also appear to exempt the acquisition of this developed property of less than 10 acres from CEQA review.

It should be noted that the use of the property will be subject to a separate discretionary action and CEQA compliance review in connection therewith. The full extent of the future use, design, and operations of the property are not yet ripe for evaluation. Potential environmental impacts will be evaluated in connection with any necessary discretionary permits and/or other discretionary action regarding this site.

**ALTERNATIVES CONSIDERED:**

Staff has been researching and analyzing potential properties located throughout the City since September 2018. After extensive research and analysis of nearly 50 properties, staff believes that the 3175 Airway Avenue property is the best option for purchase and further evaluation.

The City Council may choose to not move forward with the purchase of the 3175 Airway Avenue property, and direct staff to continue researching and analyzing additional properties; however, additional properties that meet the City’s unique needs are challenging to find and may not be available for quite some time.

**FISCAL REVIEW:**

Acquisition

The acquisition costs of the property located at 3175 Airway Avenue total \$6,925,000. In an effort to utilize funds other than the General Fund, staff has identified \$3,300,000 in projects currently budgeted in the Capital Improvement Fund (Fund 401) which can be paid for using Park Development Fees. (Available Park Development Fees through June 30, 2019 are estimated at \$3,900,000). In addition, the Costa Mesa Senior Center Fence project totaling \$200,000 has been deemed unnecessary due to the temporary shelter opening in April therefore staff recommends defunding this project. The detail of these projects is included below.

Jack Hammett Sports Complex	\$ 1,000,000	Funding swap to Park Fees
Lions Park Playground	2,010,000	Funding swap to Park Fees
Fairview Park Master Plan Habitat	490,000	Funding swap to Park Fees
Various Parks Rehab Parking Lots	50,000	Funding swap to Park Fees
Bicycle Racks City Facilities	50,000	Funding swap to Park Fees
Costa Mesa Senior Center Fence	200,000	Remove appropriation
<b>Total Funding Changes</b>	<b>\$ 3,800,000</b>	
Acquisition of Proposed Property	\$ 3,500,000	
Free up funding to reprogram project for renovation costs (see below)	300,000	City Hall 1 <sup>st</sup> Floor* under CIP (Fund 401)
<b>Total</b>	<b>\$ 3,800,000</b>	

This will provide \$3,500,000 in non-General Fund money for the acquisition of the proposed property. The remaining \$3,425,000 will be paid for using unassigned fund balance in the General Fund. This will reduce the projected fund balance in the General Fund as of June 30, 2019 to \$47,107,399. As previously discussed, staff are actively looking for outside sources to fund the General Fund portion of the acquisition costs and will be proposing a funding plan to replenish the reserve balances as a part of the proposed Fiscal Year 2019-20 budget.

Site Improvements

In anticipation of the site improvement costs associated with this property, staff are also looking for opportunities to leverage outside funding for these costs. The development of homeless

shelters is an eligible expense under the Community Development Block Grant (CDBG) program, a federally funded program under the U.S. Department of Housing and Urban Development. In order to leverage this funding to the fullest extent, staff recommend reprogramming \$625,000 currently budgeted using CDBG to other funds including the Park Development Fees Fund (Fund 208) and the Capital Improvement Program Fund (Fund 401). The detail of these projects is included below.

Jack Hammett Sports Complex	\$ 275,000	Funding swap to Park Fees
Shalimar Park Improvements	50,000	Funding swap to Park Fees
*City Hall 1st Floor ADA Improvements	300,000	Funding swap to CIP Fund
<b>Total</b>	<b>\$ 625,000</b>	

This has an added benefit of allowing us to consolidate the costs for this program under one project rather than three. The CDBG program has onerous compliance requirements involved, which do not apply to other funding sources. It would be more efficient to meet these compliance requirements on one project instead of three. In addition, staff estimates that approximately \$475,000 in CDBG funding will be available for the site improvements in Fiscal Year 2019-20. In total, this would provide an estimated \$1,100,000 in non-General Fund money for the site improvements.

If approved, staff will process the proposed budget adjustment (Attachment 3) for acquisition and the site improvement costs and will begin the additional work necessary to reprogramming the CDBG funds for the site improvement costs.

**LEGAL REVIEW:**

The City Attorney’s Office reviewed and approved this report.

**CONCLUSION:**

Staff recommends that the City Council:

1. Determine the acquisition of the real property located at 3175 Airway Avenue, Costa Mesa, CA 92627 is categorically exempt from analysis under the California Environmental Quality Act;
2. Approve the acquisition of real property located at 3175 Airway Avenue, Costa Mesa, CA 92627 for evaluation of use as the City’s permanent bridge shelter and other possible uses;
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7. Authorize the Acting City Manager and City Clerk to execute all real estate purchase documents, disclosures, escrow paperwork and future authorized changes and amendments necessary to close escrow.

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**JUSTIN MARTIN**  
Parks & Community Services Director

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**KELLY A. TELFORD, CPA**  
Finance Director

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**TAMARA S. LETOURNEAU**  
Assistant/Acting City Manager

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**KIMBERLY HALL BARLOW**  
City Attorney

- ATTACHMENTS:
1. [Additional Properties Considered for Property Purchase/Lease](#)
  2. [Planning Commission Resolution of General Plan Conformance](#)
  3. [Proposed Budget Adjustment](#)

DISTRIBUTION:

- Acting City Manager
- City Attorney
- City Clerk
- Staff