



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
March 2, 2021

TOPIC: Homeless Navigation Center Lease at 1815 Carnegie Avenue

AGENDA TITLE

Approve Lease Agreement with DYER 18 LLC for Homeless Navigation Center (Non-General Fund)

RECOMMENDED ACTION

1. Authorize the City Manager to execute a 15-year Lease Agreement with DYER 18 LLC for a 29,503 square-foot industrial building located at 1815 Carnegie Avenue (APN 430-021-02) for a homeless navigation center, including improvements, with the option to purchase beginning in Year Two.
2. Authorize the City Manager to execute any/all future agreements required by County, State or Federal agencies for the use of HEAP, HHAP, PLHA, ESG, HHAP COVID-19, ESG-CV and any/all other homeless-related funds available.

DISCUSSION

On June 16, 2020, the City of Santa Ana entered into an agreement for the development, construction, and operation of a year-round homeless shelter and navigation center in the City of Santa Ana at 1815 Carnegie Avenue, Santa Ana, CA 92705 ("Carnegie site").

Specifically, the City Council authorized a two-year operator agreement, with eight, one-year renewal options, for \$4,000,000 in one-time costs for tenant improvements and structural work, \$591,289 for one-time start-up costs, and \$3,155,367 for on-going operational costs per year with an annual consumer price index (CPI) adjustment of 1.5%, for a total not-to-exceed amount of \$38,099,351 over ten years.

During May and June 2020 negotiations, the operator submittal included an itemization of Tenant Improvements estimated to be \$4,000,000 and were approved via a Request for Proposals (RFP) process. During late 2020, it became apparent that the original estimate for tenant improvements escalated to an amount exceeding \$13,000,000.

City staff determined that the developer/operator had produced non-satisfactory deliverables and/or non-performance in breach of the agreement, warranting termination.

While unwinding the agreement, staff began working toward Plan B—splitting the project into two components. Component One would be for the property owner to initiate the building improvements and lease the same improved building to the City. Component

Two would involve the City seeking a new operator of the navigation center. The operator would be decided based upon a future Request for Proposals (RFP) process.

To implement Plan B, the City would become the Lessee of the Carnegie site under the following terms:

Property Lease Terms	
Lessee	City of Santa Ana
Lessor	DYER 18 LLC
Term	15 years
Base Rent	\$61,666 monthly (\$2.09 sq. ft.)
Security Deposit	\$200,000
Amount Due at Execution	\$261,666
Annual Rent Adjustment	3% (effective 7/1/2021)
Purchase Option	\$9.2M in Year 2 @ 50% of CPI
R.S.P. relocation	Reduction by \$1,000,000 for relocated Regulatory Safety Permit
Tenant Improvements (TI) Terms	
Retainer	10% (\$850,000)
Costs of Work	Approx. \$8.5M including prevailing way
Contingency	10% (\$850,000)

Approval of the lease commences construction toward an April 30, 2021 opening date. The proposed lease and lease addendum are attached as an exhibit.

Future Actions

The City's selected operator (procured via RFP) will be presented to City Council within the next month and will outline all costs of services related to the operation of the Carnegie Navigation Center.

FISCAL IMPACT

Funds for the initial start-up of the agreement, tenant improvements and lease are currently available in the FY 2020-21 budget:

Fiscal Year	Accounting Unit-Account	Fund Description	Accounting Unit, Account Description	Amount
FY 20-21 (March-June)	12218700-69135	Homeless Emergency Aid Program (HEAP)	HEAP Grant, Payment to Subagent	\$913,462.00
FY 20-21 (March-June)	12218710-69135	Emergency and Health Grants	HHAP-COVID, Payment to Subagent	\$125,771

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FY 20-21 (March-June)	12218715-69135	Emergency and Health Grants-HHAP-1	HHAP, Payment to Subagent	\$5,665,769
FY 20-21 (March-June)	13518789-69135	Emergency Solutions Grant-Coronavirus	ESG-CV, Payment to Subagent	\$246,664
FY 20-21 (March-June)	15818700-69135	Permanent Local Housing Allocation	PLHA, Payment to Subagent	\$2,660,000
			Total	\$ 9,611,666

The amounts listed in each of the funds are approximate and may vary slightly. Should tenant improvements continue into FY 2021-22, funds will be carried forward and expended in FY 2021-22.

Fiscal Year	Accounting Unit-Account	Fund Description	Accounting Unit, Account Description	Amount
FY 21-22 (July-June)	13518789-69135	Emergency Solutions Grant-Coronavirus *	ESG-CV, Payment to Subagent	\$747,392
FY 21-22 (July – June)	15818700-69135	Permanent Local Housing Allocation	PLHA, Payment to Subagent	174,600
			Total	\$921,992

Fiscal Year	Accounting Unit-Account	Fund Description	Accounting Unit, Account Description	Amount
FY 22-23 (July-June)	15818700-69135	Permanent Local Housing Allocation	PLHA, Payment to Subagent	\$949,651
			Total	\$949,651

EXHIBIT(S)

1. Lease including Addendum

Submitted By: Steven A. Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager