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# Innovative Public-Private Partnership for the New Long Beach Civic Center

By Seth Merewitz

The City of Long Beach is moving forward with plans to tear down the city's existing Civic Center and build a more than \$530 million city hall, library, park and port headquarters using a groundbreaking public-private procurement and financing method not widely utilized in California for projects of this type.

Developer Plenary-Edgemore Civic Partners — a conglomerate of real estate, construction and design companies — will pay for the project upfront. The City and Port of Long Beach will repay costs to design, build and operate the facilities, plus interest, over 40 years.

Control of public buildings and land will revert to the City and Port at the end of the term.

The "P3" procurement process was also used recently by the state Judicial Council of California to build the \$390-million Gov. George Deukmejian Courthouse in Long Beach. The court, the first in the state to be built as a private-public partnership, opened in 2013. The state will repay costs over a 35-year period.

The two projects signal an acceptance of the public-private procurement method, which shifts much of the financial risk from the public agency to the private entities for the design, construction, financing, operation and maintenance of the facility.

The importance of this project is significant for the future success of P3's by cities and counties across California. California lawmakers also appear to be favorable of the financing method.

Late last year, Gov. Jerry Brown signed SB 562—the Long Beach Civic Center Bill — into law. The bill makes it simpler for the Long Beach Civic Center project to move ahead by placing various sections of state and case law governing the "P3" process into a single section of law.

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The bill combines regulations pertaining to lease-leaseback and design-bid-finance-operate-maintain public-private partnerships into a hybrid law specific to the Long Beach project.

The project could legally move ahead without SB 562. However, since this procurement process has not been used for a city hall-specific project, the new legislation was designed to reduce the risk of legal challenges by allowing the City to invest more heavily in the tangible elements of the project rather than the upfront finances.

The current city hall, main library and old courthouse, all of which are seismically deficient, will be demolished to make way for the new development. In their place, the project plans for two 11-story buildings for the new port headquarters and city hall. Both buildings will have underground parking and will house a 73,000-square-foot civic plaza between them.

Plans also include construction of a new library, park and a transit-oriented, mixed-use tower. A hotel may also be built on the site. The City is scheduled to begin demolition of the courthouse in March with construction following in July. Construction is expected to be finished in late 2018.

The project could generate nearly 4,000 jobs.

Project plans were designed to keep the city's annual civic center maintenance and operating costs approximately the same amount as currently budgeted. Annual payments will be between \$16 and \$18 million, which includes \$14.7 million in operational costs, plus service fees covering interest.

The City is also contributing approximately \$11 million toward construction costs. Much of that money will come from a lease revenue bond that will be repaid from revenues generated from a city-owned parking garage. Plenary-Edgemore Civic Partners will contribute \$8 million at the financial close.

To fund the project, the developer expects to finalize a \$238 million taxable, privately placed, 43-year note this month. That will be combined with a \$213 million bank loan. The agreement also calls on investors to put in another \$21 million in equity funding while the City adds \$30 million in sales from nearby land to private developers.

Success in the city of Long Beach could mean greater growth in public-private partnerships, for the procurement and financing of real estate and infrastructure projects in cities and counties all over California to replace decaying public buildings and infrastructure.

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*Note: This article originally appeared on the now-defunct BBKnowledge blog, where Best Best & Krieger authors shared their knowledge on emerging issues in public agency law.*