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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

File No. 03-0926

Your HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT
COMMITTEE

reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u>—</u>

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to increasing the Work Order amount for the law firm of Fox & Sohagi for litigation and settlement services related to the demolition of the historic "Giese Residence."

Recommendation for Council action:

AUTHORIZE the Chief Executive Officer, Community Redevelopment Agency (Agency), or designee, to increase the work order amount for the law firm of Fox & Sohagi in the amount of \$22,000 (from \$270,000 to \$292,000) for additional legal services related to the settlement of the litigation entitled Palmer Boston Street Properties II vs. City of Los Angeles and Community Redevelopment Agency, United States District Court Case No. CV03-6402-SVW, regarding the demolition of the historic "Giese Residence" located near the southeast corner of Figueroa Street and Cesar Chavez Avenue in the Chinatown Redevelopment Project Area.

Fiscal Impact Statement: The Agency reports that this action will not impact the General Fund.

Summary:

On June 16, 2005, the Agency Board of Commissioners considered an Agency staff report relative to increasing the Work Order amount for the law firm of Fox & Sohagi for litigation and settlement services related to the demolition of the historic "Giese Residence." In its report to the Board, the Agency states that law firm of Fox and Sohagi has represented the Agency throughout the litigation, settlement and implementation of the settlement related to the lawsuits filed by the developer of the Orsini project, Palmer Boston Properties following City Council action against the developer for demolishing an historic residence.

On June 3, 2004, the Agency Board approved a budget increase of \$170,000 for Fox & Sohagi (from \$75,000 to \$245,000) to pay for the unexpectedly accelerated and hostile discovery and trial preparation stages of the lawsuit, and for future services to negotiate a settlement of the lawsuit. On July 19, 2004 the Agency, City and Palmer executed a settlement agreement resolving three Palmer lawsuits, the 5 year ban on development of the Orsini II project, and multiple contentious issues among the parties. Fox & Sohagi successfully negotiated and drafted a settlement agreement. Following execution of the settlement agreement, several unforeseen events occurred which required a \$25,000 budget increase.

During the period leading to Agency Board consideration of the Project's discretionary approval, several unforeseen events occurred which now require a \$22,000 budget increase. This budget increase is the final increase because the Agency Board approved the Project on May 19, 2005. The events which required unanticipated legal work from Fox & Sohagi were: (i) flawed CEQA documentation for the Project (Le., a legally deficient revised MND, and a missing Mitigation Monitoring and Reporting Program); (ii) three Board Meetings required to grant the Project's discretionary approval (the Settlement Agreement described only one Meeting); (iii) Palmer's accusations of Agency breach of the Settlement Agreement (with the need for legal responses

thereto); and (iv) Agency Board requests to Fox & Sohagi for additional legal research and advice (e.g., would proposed Board actions on the Project's discretionary determination constitute breach of the Settlement Agreement and companion legal issues dealt with in closed session). The Board approved the discretionary residential use for the Project site at its third Authorization to increase contract authority for Fox & Sohagi meeting on Orsini II (May 19, 2005). As a result of these events, Fox & Sohagi exceeded its \$270,000 budget by approximately \$22,000. Accordingly, Agency staff asked the firm to prepare a Revised Budget of \$22,000 (from \$270,000 to \$292,000) to cover payment of the above-described legal work.

On June 16, 2005, the Agency Board approved staff's recommendation to increase the budget with Fox & Sohagi by \$22,000.

At its meeting held July 6, 2005, the Housing, Community, and Economic Development Committee discussed this matter with representatives of the Agency and Fox & Sohagi. As part of the settlement negotiated by Fox & Sohagi, Palmer agreed to contribute \$200,000 for Project Area improvements. It was stated that this contribution will allow Agency staff to budget existing Project Area funds for other uses. Councilmember Parks questioned whether the settlement amount should also have paid the City's legal expenses. Following its discussion, the Committee recommended that Council approve the Agency's request to increase the Work Order amount for the law firm of Fox & Sohagi for litigation and settlement services related to the demolition of the historic "Giese Residence," as recommended by the Agency Board.

Respectfully submitted,

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE

E.G. to
Alex Padilla
Bernard C. Parker

MEMBER
GARCETTI
LUDLOW
REYES
PADILLA
PARKS

VOTE
YES
ABSENT
ABSENT
YES
YES

JAW
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Rept
ADOPTED

JUL 13 2005

LOS ANGELES CITY COUNCIL