

CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries
relative to this matter
refer to File No.

06-1608

CD 14

March 20, 2007

City Administrative Officer
Chief Legislative Analyst
Department of Building and Safety
Department of General Services
Community Redevelopment Agency

RE: PROPOSED ACQUISITION OF THE CHICAGO BUILDING, LOCATED AT 2130 EAST FIRST STREET

At the meeting of the Council held MARCH 7, 2007, the following action was taken:

Attached reports adopted	_____ X _____
Attached motion (-) adopted	_____
Attached resolution adopted	_____
FORTHWITH	_____
Mayor concurred	_____ 3-15-07 _____
To the Mayor FORTHWITH	_____ X _____
Motion adopted to approve communication recommendation(s)	_____
Motion adopted to approve committee report recommendation(s)	_____ X _____
Ordinance adopted	_____
Ordinance number	_____

Frank T. Martinez
City Clerk
kw

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CITY CLERK
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CLAUDIA M. DUNN
Chief, Council and Public Services Division
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**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE

reports as follows:

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to the proposed acquisition of the Chicago Building, located at 2130 East First Street.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. **PROVIDE** the funding needed for the Department of General Services (GSD) to purchase the building located at 2130 East First Street in the City of Los Angeles; close escrow once all conditions are met; and, pay for costs related to the acquisition and improvements to the property, as follows:
 - a. Authorize the issuance of an additional \$5,225,000 in Municipal Improvement Corporation of Los Angeles (MICLA) financing for the acquisition and rehabilitation of the building located at 2130 East First Street in Los Angeles.
 - b. Authorize the City Administrative Officer (CAO) to issue both taxable and tax-exempt MICLA commercial paper as needed until the final occupancy of the building is determined and approved.
 - c. Request the Community Redevelopment Agency (CRA) to take the necessary actions to make available \$1.0 million in Council District 14 Assembly Bill (AB)1290 funds for the purchase and rehabilitation of the building located at 2130 East First Street in Los Angeles.
2. **DIRECT** the Bureau of Engineering (BOE) and the GSD to report regularly to the Municipal Facilities Committee on the status of the project.
3. **INSTRUCT** the GSD to report back to the Information Technology and General Services Committee with an assessment of the Chicago Building's fair market value.

Fiscal Impact Statement: The CAO reports that the \$16.225 million of proposed MICLA funding for this project is anticipated to be comprised of \$15.06 million in tax-exempt monies, and \$1.165 million in taxable monies. General Fund debt service repayment of the \$16.225 million will average approximately \$1.3 million annually for 20 years. As an offset to the debt service payments, it is projected that the Chicago Building will generate approximately \$138,000 in annual rental payments from non-City tenants. The portion of the debt service not covered by rental payments will be a General Fund impact beginning in Fiscal Year 2007-08.

Debt Impact Statement: The CAO reports that issuance of the proposed \$16.225 million in MICLA funding will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies, Debt Management Section. The \$16.225 million in MICLA monies will result in General Fund debt service repayments of approximately \$1.3 million annually for 20 years.

(Information Technology and General Services Committee waived consideration of the above matter. Budget and Finance Committee report to be submitted.)

(For background reports and materials related to this matter, contact the Legislative Assistant for the Budget and Finance Committee at 213-978-1075)

Summary:

In its transmittal dated February 22, 2007, the CAO notes that on December 20, 2006, when Council considered the matter of acquiring the Chicago Building it became apparent that additional information was needed to clarify the use of the building and to determine the appropriate level and sources of funding. Subsequently, the CAO reports that when Council considered the matter in December, it was reported that the full costs associated with acquiring and occupying the building would be about \$13.6 million, of which \$6.35 million would be needed for the "as-is" purchase of the building; \$6.5 million for tenant improvements and abatement of code violations identified by Building and Safety; and, \$750,000 for tenant relocation. The costs would be met as follows: \$1,175,000 in Community Development Block Grant (CDBG) monies, \$11 million in previously authorized MICLA funds plus a then proposed additional \$1,425,000 in new MICLA funding. Since that time, the BOE, GSD and Building and Safety have met and reassessed the condition of the building. BOE now states that \$11.3 million will be needed for repairs and tenant improvements at the building, an increase of \$4.8 million from the estimate of \$6.5 million reported in December 2006.

Based on the revised information from the BOE and GSD, the total cost to purchase and rehabilitate the building and provide relocation assistance is currently estimated at \$18.4 million. A combined total of \$12.175 million in CDBG and MICLA funds have been approved to date to acquire and rehabilitate the building. Council District 14 has identified \$1.0 million in AB 1290 funds that it proposes be used towards the purchase and rehabilitation of the building. According to the CRA, these AB 1290 funds are unrestricted as to use within the Council district. An additional sum of \$5.225 million in MICLA would, therefore, be needed to complete the purchase of, and make required improvements to, the building. The taxable and tax-exempt MICLA would total \$16.225 million.

At its regular meeting held February 27, 2007, the Housing, Community, and Economic Development Committee discussed this matter with City staff and recommended that Council approve the recommendations of the CAO, as submitted in its report dated February 22, 2007. The Committee further recommended that Council instruct the GSD to report back to the Information Technology and General Services Committee with an assessment of the Chicago Building's fair market value. This matter is now submitted to Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE

Handwritten signatures:
Hend Wesson
Tony Cardenas
Ripts

ADOPTED

MAR 07 2007

MEMBER	VOTE
WESSON	YES
REYES	ABSENT
CARDENAS	YES
GARCETTI	ABSENT
PERRY	YES

AMA
03/05/07
#061608b.wpd

LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH
See Budget & Finance Committee Report

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your BUDGET AND FINANCE Committee

reports as follows:

BUDGET AND FINANCE COMMITTEE REPORT relative to the proposed acquisition of the Chicago Building at 2130 East First Street.

Recommendations for Council action, **SUBJECT TO THE APPROVAL OF THE MAYOR:**

CONCUR with the recommendations of the Housing, Community and Economic Development Committee relative to the proposed acquisition of the Chicago Building at 2130 East First Street for the Boyle Heights Neighborhood City Hall.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the \$16.225 million of proposed Municipal Improvement Corporation of Los Angeles (MICLA) funding for this project is anticipated to be comprised of \$15.6 million in tax-exempt monies, and \$1.165 million in taxable monies. General Fund debt service repayment of the \$16.225 million will average approximately \$1.3 million annually for 20 years. As an offset to the debt service payments, it is projected that the Chicago Building will generate approximately \$138,000 in annual rental payments from non-City tenants. The portion of the debt service not covered by rental payments will be a General Fund impact beginning in Fiscal Year 2007-08.

Debt Impact Statement: The CAO reports that issuance of the proposed \$16.225 million in MICLA funding will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies, Debt Management Section. The \$16.225 million in MICLA monies will result in General Fund debt service repayments of approximately \$1.3 million annually for 20 years.

SUMMARY

At its special meeting of March 5, 2007, the Budget and Finance Committee considered a CAO report relative to the proposed acquisition of the Chicago Building at 2130 East First Street for the Boyle Heights Neighborhood City Hall. The CAO reports that when the Council considered the Chicago Building acquisition in December 2006, it became apparent that additional information was needed to clarify the use of the building and to determine the appropriate level and sources of funding. Additionally, the Council action of December 20, 2006, instructed the CAO, with GSD and the Chief Legislative Analyst (CLA), to report back to the Council relative to a final stacking plan for tenancy at the building; that the previously approved MICLA financing for the project is determined to be \$11 million of taxable debt; and, that an additional allocation of \$1,425,000 would provide sufficient funds for tenant improvements at the facility.

When the Council considered this matter in December 2006, it was reported that the full costs associated with acquiring and occupying the building would be approximately \$13.6 million, of which \$6.35 million would be needed for the "as-is" purchase of the building; \$6.5 million for tenant improvements and abatement of code violations identified by the Department of Building and Safety (B&S); and, \$750,000 for tenant relocation. Since that time, the Bureau of Engineering (BOE), the General Services Department (GSD) and the B&S have met and reassessed the condition of the

building. BOE now states that \$11.3 million will be needed for repairs and tenant improvements at the building, an increase of \$4.8 million from the estimate of \$6.5 million reported in December 2006. Based on the revised information from BOE and GSD, the total cost to purchase and rehabilitate the building and provide relocation assistance is currently estimated at \$18.4 million.

A combined total of \$12.175 million in Community Development Block Grant (CDBG) and MICLA funds have been approved to date to acquire and rehabilitate the building. Council District 14 has identified \$1.0 million in Assembly Bill (AB) 1290 funds that it proposes be used towards the purchase and rehabilitation of the building. An additional sum of \$5.225 million in MICLA funding would, therefore, be needed to complete the purchase of, and make required improvements to the building. The taxable and tax-exempt MICLA funding would total \$16.225 million.

The BOE proposes to perform the work in two phases. The first phase would cost \$2.0 million with the objective of making the building compliant with City building codes. The second phase would cost \$9.3 million and would provide tenant improvements. The total time required to perform all improvements is estimated to take about three years. The Municipal Facilities Committee, comprised of the CAO, CLA and Mayor's representative, will monitor both the assigned space in the building and status of repairs and tenant improvements. The CAO reports that the BOE and GSD should therefore report regularly to that Committee on the status of the project.

The CAO now recommends that the CAO be authorized to issue both taxable and tax-exempt commercial paper as needed until the final occupancy of the building is determined and approved. At this time, the exact proportion of taxable and tax-exempt debt can be determined in accordance with the occupancy mix, and the issued debt re-financed as necessary. The CAO report dated February 22, 2007, attached to the Council file, provides additional detail relative to the proposed stacking plan for the Chicago Building.

The Budget and Finance Committee concurred with the recommendations of the Housing, Community and Economic Development Committee which considered the matter at its meeting of February 27, 2007, to approve the CAO recommendations relative to the acquisition of the Chicago Building with the added recommendation to instruct the GSD to report back to the Information, Technology and General Services Committee with an assessment of the Chicago Buildings's fair market value. This matter is now forwarded to the Council for its consideration.

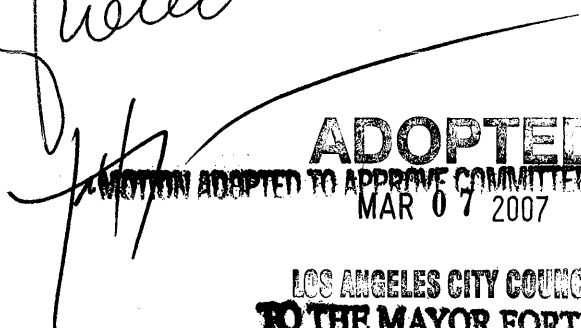
Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
GREUEL:	YES
SMITH:	YES
ROSENDAHL:	YES
HUIZAR:	YES

LB
#061608c
3/6/07
CD 14



ADOPTED

MOTION ADOPTED TO APPROVE COMMITTEE REPORT RECOMMENDATIONS
MAR 07 2007

LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH