

## **Citizens Coalition of Los Angeles (CC-LA)**

1001 North Wilton Avenue #1  
Los Angeles, California 90038

Dear Honorable Members of the City Council:

Re: Items 5 and 6 on Friday, May 28, 2010 City Council agenda  
aka CIM-Pico Project, Council ## 10-0848, 10-0848-S1

There are significant financial, legal, political ramifications which are being overlooked with this CIM -Pico project.

### **1. The CRA has already used most the site's taxes:**

Going back to 2006 and 2008, we see that the CRA has already used the site-specific incremental property taxes and some of the site's sales, utility and business taxes to finance this project. That has left the taxpayer with about a \$20 M debt.

A major motivation for the original \$20 M was that the City would gain with the sales, utility and business taxes, but now that will not occur as they are being used to repay the next \$19.25 loan. That is a total \$40 M to CIM Group on just this project..

The CRA has a documented history of being profligate with funds and this case is another example. After the audits by former Controller Laura Chick, the City Council is on notice of CRA's ill-conceived loans. In particular, this project seems shaky as CRA itself opined in 2006 and 2008 that the incremental tax revenue may not pay off the first loans and in that case, CIM would not have to repay.

If sufficient site-specific tax increment is not generated by the project to repay the loan, the balance is forgiven in 2042. CRA 5-15-2008 Memo re CIM-Pico Project, p 2

## 2. Questionable Conduct by CIM Group on Other Projects:

There are possible criminal considerations to giving more money to CIM Group. Recently, the City acted rashly, thereby incurring an FBI investigation.

### **L** A NOW **FBI probes L.A. Housing Department's actions in Apartment project for homeless seniors**

April 8, 2010 | 2:29 pm

The FBI is investigating an affordable-housing deal in which Los Angeles officials channeled \$26 million to a developer who they knew was under criminal investigation for alleged misuse of public funds, city officials said Thursday. The developer, David Rubin, was indicted last fall in New York for alleged bid-rigging and fraud, charges unconnected to the L.A. project.

There are serious questions about the CIM Group's involvement with CRA for the project at Northwest corner of CRA Hollywood-Western project. When CRA could not take the properties on North Western which were contiguous to the CRA project, CIM Group said the project was not feasible. The properties on North Western which CIM Group wanted to add to the CRA RFP to make the project feasible were not blighted.

Fraud #1: CRA and CIM Group told the City Council that it could condemn the N. Western properties by using AB 1309. When CRA and CIM made this representation to City Council, it knew that AB 1309 was inapplicable. Relying on the false representation the City entered into an ENA with CIM Group.

Fraud #2: In June 2008, CRA agreed to buy the CIM properties on Hollywood Boulevard along with the N. Western properties on the false premise that the N. Western properties were blighted. The properties were not blighted until CIM had bought them, closed the businesses and abandoned the properties to gangs, drug dealers, and the homeless. Thereafter, the properties became an nuisance, the City Attorney became involved and the worst buildings had to be torn down. The CRA's mission is not to turn non-blighted properties into blight. Marek v Napa Community Redevelopment Agency (1988) 46 Cal.,3d 1070, 1082

Fraud #3 (A) On April 25, 2005, the CRA admitted that AB1309 could not be used to acquire the North Western Properties on behalf of CIM Group and its partners without an applicable school site and there was none. 8-25-05 CRA letter to Ms. Kruse, p7

(B) On May 9, 2005, CRA and CIM entered into the ENA for the Northside of the CRA project based upon the representation that AB1309 was available to condemn the North Western Properties.

(C) On June 23, 2005, the CRA admitted that it had coerced Glenn D. Taylor to sell 1721 N. Western Avenue to The Lee Group, one of CIM Groups partners. "It is the intent of the Agency [CRA] and the City of Los Angeles, expressed in the May 9<sup>th</sup> City Council actions, to acquire your property pursuant to that authority [AB1309]" 6-25-05 CRA letter to Glenn Taylor

(D) CRA may have helped CIM acquire other properties outside the RFP by use of false representations about AB1309. Those records may be obtained via subpoena.

The City's giving more money to CIM, while there are serious legal, perhaps criminal, issues pending on CRA's and CIM Group's conduct, invites a comparison to the David Rubin fiasco. City officials knew about Mr. Rubin but chose to look the other way in hopes that no one would notice. The City would be wise to rectify the problem before the FBI steps in – once again. One may not conclude one way or the other until there is a complete investigation by an independent party.

**3. Political:**

Homeowners and voters are beginning to realize that the City Council shovels piles of money to developers while reducing city services such as fire protection under the ruse that the City has no money. In 2009, CRA had an unreserved fund balance of \$304.4 Million, while the City was claiming a \$212 Million deficit. Meanwhile, the City has been lavishing millions upon CIM.

CIM Site	Gift to CIM	Percent gift is of 2009 City Deficit
Site #1	\$40.57	19.1% of deficit for CIM Pico
Site #2	\$30.00	14.1 % of deficit for CIM Hollywood-Highland
Site #3	\$14.30	06.7% of deficit for Hollywood Western
Total	\$84.87/212	40% of 2009 City deficit

On just these three projects, the city is giving CIM Group an amount equal to 40% of the 2009 City deficit. Comparing the incremental tax that will go to CRA to the deficit provides a perspective with the homeowner/voter understands. If the City were not so profligate with taxpayer money, then private lenders would finance reasonable projects and 100% of the taxes would accrue to the taxpayer. In the case of the CIM-Pico project, it will be zero dollars for the taxpayer.

Homeowners and voters will not be pleased that the City is giving CIM another \$20 Million bailout for an ill-conceived project, while their homes are going into foreclosure. L.A. is a replica of the federal government where the wealthy get bailed out with taxpayer money, while the City reduces fire protection, lays off city workers and hikes up ambulance fees.

**4. Summary:**

Push has come to shove, and the homeowners/voters are mad as Hell. Writing in Huffington Post, Councilman Alarcon thinks that Angelenos are mad as hell at banks. He is correct, we are mad as hell, but not just at banks and Wall Street, but also at him and his fellow councilmembers for giving away tax dollars to billionaires. (Also, tell Eli we want our land back.)

Citizens Coalition of Los Angeles strongly urges the City Council not to approve either Item 5 or Item 6 on behalf of CIM Group.

Respectfully submitted,  
***Citizens Coalition of Los Angeles***

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