

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: December 12, 2011

TO: Honorable Members of the Housing, Community, and  
Economic Development Committee

FROM: Gerry F. Miller <sup>KEK</sup>  
Chief Legislative Analyst <sub>for</sub>

Council File No.: 11-1901

Assignment No.: 11-11-1012

## **CRA - Public Improvements to the Warner Grand Theater**

### **SUMMARY**

The Community Redevelopment Agency (Agency) requests authority to adopt a Joint Resolution (Attachment 1) to authorize the expenditure of \$1 million in Pacific Corridor Redevelopment Project Area tax increment funds to the City-owned Warner Grand Theater (Theater) located at 487 West Sixth Street in Council District Fifteen. There is no impact to the General fund as a result of this action, inasmuch as funding will be derived from Project Area tax increment. The Agency acknowledges that in the case entitled California Redevelopment Association v. Matosantos, the California Supreme Court stayed certain portions of ABx1-26 and ABx1-27. This action is subject to the Court stay, inasmuch as the Agency is unable to execute new contracts until the Court issues a ruling by January 15, 2012 to legally authorize the Agency to act.

The Agency requests approval of a Joint Resolution to allow the use of \$1 million in Project Area tax increment funds to allow various repairs to be made to the Theater which include electrical and plumbing work, repair of peeling paint, and restoration of the lobby ceiling and wall murals. In accordance with State Law, the Agency and City are required to make the following findings: (1) the proposed public improvements to the Theater are of benefit to the Project Area, (2) no other reasonable means of financing the improvements is available, and (3) the improvements are consistent with the Redevelopment Plan and Five Year Implementation Plan for the Project Area. The required Resolution is included as Attachment 1 of this report.

Of the \$1 million to be used for repairs, a portion of the funds (\$400,000) is contained in the Fiscal Year 2011-12 Carryover Amendment which was transmitted to the Council for approval on December 1, 2011 (C.F. 11-0763-S1). The balance (\$600,000) will be funded by future-year Project tax increment, subject to availability of funds. The Agency notes that the Department of General Services, Construction Forces Division (GSD) will construct the repairs utilizing an existing Work Order between GSD and the Agency.

The Agency will be unable to transfer funds to GSD for this work until litigation currently at the California Supreme Court is resolved on or after January 15, 2012. Therefore, we recommend that Council instruct the Agency to notify GSD that repairs to the Theater may not begin until litigation currently at the California Supreme Court is resolved on or after January 15, 2012 and the Agency is legally authorized to transfer funds for GSD to begin this work

### Pending California Supreme Court Ruling

It should be noted that the California Supreme Court, in the case entitled California Redevelopment Association v. Matosantos, stayed certain portions of Assembly Bill x 1-26 and x 1-27, but allowed other provisions to be implemented, such as the prohibition on new contracts and amendments to existing contracts. Specifically, the Agency may not, with the exception of existing "enforceable obligations," take any action to incur new debt, transfer any assets or undertake any new obligations, unless and until the Agency is legally authorized to act as determined by the Court. In light of these circumstances, the City Council may approve certain specified actions as described in this report on the condition that the Agency will not execute agreements or amendments to agreements or take any actions thereto until the Court has decided the case on the merits or otherwise restored the contracting authority of redevelopment agencies. The Court ruling on the legal challenge to the legislation is anticipated by January 15, 2012.

If the below recommendations are approved, the Office of the City Attorney and the Agency state they will not execute any contract or contract amendments as described in this report, until the Court has decided the case on the merits or the action is no longer stayed and the Agency is legally authorized to act.

### **RECOMMENDATIONS**

That the City Council:

1. Subject to the conditions of the California Supreme Court's stay and the provisions of Assembly Bill (AB) x1-26 and AB x1-27 that are not subject to the stay, adopt a Joint Resolution under California Health and Safety Code Section 33445 finding that: (i) the proposed use of CRA/LA Pacific Corridor Tax Increment funds not to exceed \$1,000,000 for improvements to the Warner Grand Theater will benefit the Pacific Corridor Redevelopment Project Area by eliminating blight within that Project Area; (ii) the proposed expenditure is the only reasonably available means of financing these improvements for the Project Area, and (iii) the construction of the improvements is consistent with the Five-Year Implementation Plan adopted by the CRA/LA Board of Commissioners for the Project Area.
2. Acknowledge and understand that the Court in the case entitled California Redevelopment Association v. Matosantos, stayed certain portions of AB x1-26 and all of AB x1-27. The Agency may not, with the exception of existing "enforceable obligations," take any action to incur new debt, transfer any assets or undertake any new obligations, unless and until the Agency is legally authorized to act, subject to the conditions of the Court's stay and the provisions of AB x1-26 and Assembly Bill x1-27 that are not subject to the stay. The Court has indicated that it will issue a ruling by January 15, 2012.
3. Acknowledge and approve the Agency's implementation of the Warner Grand Theater Project improvements under the Cooperation Agreement for Payment of Costs Associated with Certain CRA/LA Funded Capital Improvements, Public Improvements and Affordable Housing Projects, dated as of March 10, 2011 between the Agency and the City of Los Angeles.

4. Instruct the Agency to notify the Department of General Services (GSD) that they may not start work on repairs to the Warner Grand Theater until litigation currently at the California Supreme Court is resolved on or after January 15, 2012 and the Agency is legally authorized to transfer funds for GSD to begin this work.

#### **ENVIRONMENTAL REVIEW**

The Agency reports that this matter is categorically exempt from the California Environmental Quality Act guidelines.

#### **FISCAL IMPACT**

There is no impact to the General fund as a result of this action, inasmuch as funding will be derived from Pacific Corridor Redevelopment Project Area tax increment funds. Of the \$1 million to be used for repairs to the Theater, a portion of the funds (\$400,000) is contained in the Fiscal Year 2011-12 Carryover Amendment which was transmitted to the Council for approval on December 1, 2011 (C.F. 11-0763-S1). The balance (\$600,000) will be funded by future-year Project tax increment, subject to availability of funds.



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Brian Randol  
Analyst

Attachment: Joint Resolution

**ATTACHMENT 1**

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES AND COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA PURSUANT TO SECTION 33445 OF THE CALIFORNIA REDEVELOPMENT LAW DETERMINING THAT IMPROVEMENTS TO THE WARNER GRAND THEATER IN THE AMOUNT OF \$1 MILLION ARE OF BENEFIT TO THE PACIFIC CORRIDOR REDEVELOPMENT PROJECT AREA.

**WHEREAS**, The Community Redevelopment Agency of the City of Los Angeles (the "CRA/LA") desires to provide for the improvements to the City-owned Warner Grand Theater in the Pacific Corridor Redevelopment Project Area ("Project Area"); and

**WHEREAS**, Section 33445 of the California Health and Safety Code requires that certain findings be made before CRA/LA funds may be used to pay for such public improvements in a project area; and

**WHEREAS**, the CRA/LA and the City Council of the City of Los Angeles have reviewed and considered the facts and information with respect to improvements to the Warner Grand Theatre

**NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA DO HEREBY FIND, DETERMINE, AND RESOLVE AS FOLLOWS:**

1. The proposed Improvements benefit the Pacific Corridor Redevelopment Project Area because they will eliminate blight, and help achieve several Redevelopment Plan Objectives, including: (i) community image and vision; (ii) diversification of retail and entertainment; (iii) historic preservation and cultural heritage and (iv) public improvements and amenities.
2. There are no other reasonable means of financing the proposed Improvements..
4. The improvements to the Warner Grand are consistent with the Redevelopment Plan and the Five Year Implementation Plan for the Project Area.

Adopted by the Community Redevelopment Agency of the City of Los Angeles, California, on the 3rd day of November 2011.

PASSED AND ADOPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2011.

I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles, California, at its regular meeting held on \_\_\_\_\_, 2011.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of  
the City of Los Angeles on this \_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_, City Clerk

By: \_\_\_\_\_  
Deputy