

TRANSMITTAL

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To:
Council

DATE
10-28-16


COUNCIL FILE NO.
14-0425

From:
Municipal Facilities Committee

COUNCIL DISTRICT
3

At its meeting of October 27, 2016 the Municipal Facilities Committee adopted the recommendations of the attached Economic Workforce Development Department (EWDD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations are consistent with the Community Redevelopment Agency of Los Angeles (CRA/LA) Long Range Property Management Plan for the 10 Future Development Properties and will authorize the City to submit a Disposition Plan and to prepare documents necessary to effectuate the purchase of the former CRA/LA property at 18132-18138 and 18210 West Sherman Way from CRA/LA for sale to American Skating and Entertainment Centers, LLC and Anschutz Entertainment Group at fair market value for provision of community benefits as detailed in the report.

The proposed purchase and sale is not anticipated to have any immediate impact on the General Fund and acquisition funds will flow from the Buyer to CRA/LA. As an Affected Taxing Entity under the Dissolution Statue, the City will receive a portion of the sales proceeds in the future as property tax income. The amount of the unanticipated income is unknown at this time.


Miguel A. Santana
City Administrative Officer
Chair, Municipal Facilities Committee

MAS:JLVW:SMR151700031

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October 19, 2016

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Miguel A. Santana, City Administrative Officer
Chair, Municipal Facilities Committee
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**COMMITTEE TRANSMITTAL: REQUEST APPROVAL TO SUBMIT A PROPOSED
DISPOSITION PLAN TO THE CRA/LA, A DESIGNATED LOCAL AUTHORITY FOR
PROPERTY LOCATED AT 18132-18138 and 18210 WEST SHERMAN WAY**

RECOMMENDATIONS

That the City Council:

1. **AUTHORIZE** the Mayor to submit a Disposition Plan for 18132-18138 and 18210 W. Sherman Way to CRA/LA for review and approval, as provided here in substantial form as Attachment A; and

That the City Council, subject to the approval of the Mayor:

1. **DETERMINE** that a sale of the City-optioned property at 18132-18138 and 18210 W. Sherman Way to Buyer will assist in the economic development of the City and that the public interest is best served by the direct sale of the property;
2. **INSTRUCT** Conflict Counsel to prepare a Purchase and Sale Agreement and related documents to effectuate the City's purchase of the Property from CRA/LA for the fair market value as determined by the methods described within the Option Agreement;
3. **REQUEST** the City Attorney to prepare and present a Purchase and Sale Agreement, Grant Deed, Covenant Agreement and Sale Ordinance to effectuate the City's sale of 18132-18138 and 18210 W. Sherman Way to Buyer under the terms to be negotiated and for the fair market value as determined by the methods described within the Option Agreement;

4. INSTRUCT the Economic and Workforce Development Department (EWDD) with the assistance of the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO), to prepare any additional documents necessary to effectuate the purchase and sale of 18132-18138 and 18210 W. Sherman Way and implement the Disposition Plan; and
5. AUTHORIZE EWDD to make technical corrections or adjustments that may be required and are consistent with this action, subject to the approval of the CAO.

SUMMARY

In January 2015, the City entered into an Option Agreement with CRA/LA – A Designated Local Authority to purchase the vacant land totaling 92,788 square feet located at 18132-18138 and 18210 W. Sherman Way (Property).

The Property is currently owned by the CRA/LA - DLA, successor to the Community Redevelopment Agency of the City of Los Angeles (CRA/LA), and is categorized as a Future Development property in CRA/LA's Long Range Property Management Plan. Through the term of the Option Agreement, the City has the right to acquire the Property for the appraised Fair Market Value, as well as the right to solicit and sell the Property to a buyer that will use the Property consistent with the provisions of the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the Project Area.

The recommendations in this report are for the approval of the Disposition Plan as required under the Option Agreement, which includes a description of a conceptual scope of development, an anticipated schedule of performance, and evidence that the proposed use of the property is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the project area. Future approvals by Council and Mayor will be required to authorize the execution of the transactional documents and adoption of the sale ordinance.

The anticipated future development will be developed by American Skating and Entertainment Centers, LLC and Anschutz Entertainment Group (ASEC/AEG) in cooperation with Magnolia Science Academy (Magnolia). Magnolia currently owns property adjacent to the proposed development and will benefit from the future development by having access to parking and space within the multi-purpose facility. ASEC/AEG was identified as a potential development partner to help access Recreational & Cultural Facilities Program LA for Kids (Prop K) funds set-aside to combat the inadequacies and decay of the city's youth infrastructure. As a result, Prop K funds such activities as feasibility studies, site and building design, and construction and project management for new facilities which benefit the City's youth. Key development features that are being worked out in alignment with the intended uses of the site include the following:

- Attractive sports complex to stimulate economic revitalization along Sherman Way
- On/off-site Transportation, Circulation and Parking
- Sustainable Design Features

FISCAL IMPACT STATEMENT

As a result of the proposed actions regarding the purchase and sale of 18132-18138 and 18210 W. Sherman Way, the City, as an Affected Taxing Entity under the Dissolution Statute, will receive into the General Fund a portion of the sales proceeds as property tax income upon the future sale of the property. The potential amount of property tax income is unknown at this time.

BACKGROUND

CRA/LA acquired the Reseda Town Center parcels in 2008 to help make the area central to its overall plan to develop and promote the Reseda business district. Soon after purchase the financial crisis ensued which led to a lack of interest from the development community to redevelop the Property. While CRA/LA was eager to move forward with a development, the Reseda Town Center parcels continued to sit vacant through the financial crisis and the dissolution of the redevelopment agency in 2012.

In March 2013, the Council and Mayor requested that CRA/LA include the Property as a Future Development property on the CRA/LA Long Range Property Management Plan (CF# 14-0425). By doing so and entering into an Option Agreement for the property, the City secured the opportunity to ensure that the disposition of the Property would provide ongoing community benefits, rather than being sold at auction to the highest bidder, as otherwise required in the State Dissolution statutes.

Option Agreement Requirements

On December 8, 2014, Council authorized the Mayor to execute the Option Agreement for 18132-18138 and 18210 W. Sherman Way and authorized the Economic and Workforce Development Department (EWDD) to identify development opportunities, solicit development proposals, and to return to Council with a proposed Disposition Plan.

Current Activities

As directed by Council (CF# 14-0425-S2), EWDD is finalizing an Exclusive Negotiating Agreement (ENA) with the developer as a step towards exercising the City's option to acquire the Property. The ENA and any related contractual agreements will include specific requirements to ensure that future development of the site will result in a project that is consistent with the requirements of the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the project area, in addition to compliance with the California Environmental Quality Act (CEQA).

The Option Agreement requires the City to submit for CRA/LA's approval a Disposition Plan containing the information required for CRA/LA to approve the Plan, including:

- i. An anticipated schedule;
- ii. A plan for the development of the Property; and
- iii. Evidence that the proposed use is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan.

Anticipated Schedule for Acquisition

The City anticipates acquiring the property from the CRA/LA and conveying it to the Developer in a double escrow into which the Developer will submit the purchase price and CRA/LA will submit the grant deed to convey the property. Although the City will be a party to the escrow and the transaction, the City will not utilize any General Funds for acquisition nor receive any of the initial sale proceeds.

Consistency with Applicable Plans

As part of the ENA, acquisition and future development of the site would conform to the stated objectives of the Reseda/Canoga Park Earthquake Disaster Assistance Project. Applicable objectives identified in Section 104 of the Reseda/Canoga Park Earthquake Disaster Assistance Project include promoting and encouraging the establishment and development of businesses which serve the identified needs of the community, enhance the commercial environment, and maximize the creation of jobs and economic opportunities for area residents. Anticipated use of the site will serve the needs of the community by enhancing the commercial environment, providing a commercial entertainment facility that is currently underrepresented in the area, and creating jobs for area residents. The recommended action is in furtherance of the Redevelopment Plan which includes each of these objectives.

The recommended action is also congruent with the Reseda/Canoga Park Earthquake Disaster Assistance Project-Five Year Implementation Plan. Section 1.A.1 of this plan identifies among other goals 1) Economic Development Program and 2) Development Opportunities. As part of the ENA, future use of the site would be required to address all these goals. Lastly, future use of the site would also be required to be consistent with the provisions of the Reseda West Van Nuys Community Plan by providing "a sufficient system of well-designed and convenient on-street parking and off-street parking facilities throughout the plan area"

Fair Market Value

Option Agreement Section 12 defines the method to derive the Fair Market Value of the Property. Accordingly, both CRA/LA and the City engaged separate appraisal firms to estimate the fair market value of the Property supported by an analysis of its highest and best use consistent with the Redevelopment Plan, Five Year Implementation Plan, Community Plan, the physical condition of the property, and all matters of public record pertaining to the property. The Fair Market Value is determined by averaging the two values if they are within 10%, or by hiring a third appraiser if the two indicated values are more than 10% apart.

Sale for Economic Development Purpose

In May 2016, the Council and Mayor adopted the Asset Management Strategic Planning Framework for the evaluation of City properties for economic development uses (Framework, CF# 12-1549-S3). In the Framework, CRA/LA Future Development properties are included as a separate category of properties, for which EWDD, the Los Angeles Housing and Community Investment Department (HCID) and other departments as necessary will manage solicitation and disposition. Such properties are not subject to the Administrative Code provisions for surplus properties.

The proposed sale of the Property to the Buyer will further the goals of the Redevelopment Plan and serve the economic development goals of the City by alleviating blight and providing an economic development program. The sale will be at Fair Market Value, and although sale proceeds will initially go to CRA/LA, the City as a taxing entity will receive approximately 26% of the proceeds as future property tax receipts.

Current and Future Council/Mayor Actions

Because of the circumstances related to redevelopment's dissolution in Los Angeles, the Option Agreement sets forth a series of actions and approvals between the CRA/LA and the City, in which the parties agree upon the purchase price and the City exercises the option to acquire the property, and between the City and the Buyer, through which the City sells the property to the Buyer and memorializes the conditions of sale through recordation of a covenant.

The actions currently proposed will authorize the submission of the Disposition Plan to CRA/LA, and direct City Attorney to prepare the transactional documents for the City to acquire from CRA/LA and sell to the Buyer. After approval of the Disposition Plan by CRA/LA, a future report will request authority from Council and Mayor to execute the transactional documents between CRA/LA and the City, and between City and Buyer. The City will not execute the purchase agreement from CRA/LA unless and until the Buyer has executed the agreement to purchase the Property from the City.

Environmental Review

The recommended action (Review and Approval of a Disposition Plan) is statutorily exempt from provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15262 (Feasibility and Planning Studies) of the State CEQA Guidelines. Further, pursuant to Section 15004(b) (2) (A) of the State CEQA Guidelines, future use of the property would be subject to environmental review compliance pursuant to CEQA and the City approval of the future project.

City Attorney and Conflict Counsel

The Office of the City Attorney, due to its previous role as legal counsel to the former Community Redevelopment Agency, currently has a conflict on many matters concerning the former CRA/LA and its dissolution. Accordingly, the City, under the coordination of the Mayor's Office, has engaged Richards, Watson & Gershon as Conflict Counsel for matters in which City Attorney has a conflict. For Future Development properties including 18132-18138 and 18210 Sherman Way, Conflict Counsel will advise the City on the transactions between the City and CRA/LA. City Attorney will advise the City on issues related to the City's sale of the Property to the Buyer.



IAN PERRY
General Manager
JP:SH

CITY OF LOS ANGELES

RESEDA TOWN CENTER

PROPOSED DISPOSITION PLAN

18132-18138 and 18210 W. Sherman Way

Reseda, California

OPTION AGREEMENT

CRA/LA, A Designated Local Authority and the City of Los Angeles

January 8, 2015

City Contract C-125180

DISPOSITION PLAN

RESEDA TOWN CENTER OPPORTUNITY SITE

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1. EXECUTIVE SUMMARY

1.1 Plan Objective

The City of Los Angeles Economic and Workforce Development Department (EWDD) has prepared this Reseda Town Center Disposition Plan in accordance with Section 6a of the aforementioned City-CRA/LA Option Agreement for Reseda Town Center (18132-18138 and 18210 W. Sherman Way, Reseda, CA). The objective of this Disposition Plan is to set forth the information required for CRA/LA to approve the Plan, specifically:

- i. A detailed plan for the development of the Property;
- ii. An anticipated schedule for the date of the city's proposed acquisition of the Property from CRA/LA; and
- iii. Evidence that the proposed use of the Property is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan.

1.2 Property Overview

An overview of the history of the Reseda Town Center site and current Request for Proposals (RFP) process is necessary to provide context for the Disposition Plan.

The subject property is comprised of four parcels creating two distinct sites. Both sites are comprised of two generally contiguous parcels divided by an alley. In both cases, the parcel fronting West Sherman Way, north of the alley, has a C2 zoning designation, while the rear parcel on the south side of the alley has a P zoning designation. The two sites will be referred to herein as the "East" and "West" sites. The East site corresponds to APNs 2125-036-900 and 2125-036-901 and measures approximately 48,108 square feet. The West site corresponds to APNs 2125-036-902 and 2125-036-903 and measures approximately 44,680 square feet.

The four (4) parcels consist of over 92,000 square feet of vacant land located in Reseda at 18132-18138 and 18210 W. Sherman Way.

2. DEVELOPMENT PLAN

2.1 Sports Complex Multi-Use Development

The anticipated development plan includes a sports complex multi-use development and a surface parking lot. Details of the development proposal are being worked out as part of the ENA, and will be finalized by the time a Purchase and Sale Agreement and Development Agreement are brought to Council for approval.

The anticipated future development will be developed by ASEC/AEG in cooperation with Magnolia Science Academy. Key development features that are being worked out in alignment with the intended uses of the site include the following:

- Attractive sports complex to stimulate economic revitalization along Sherman Way
- On/off-site Transportation, Circulation and Parking
- Sustainable Design Features

The Exclusive Negotiating Agreement (ENA) and any related contractual agreements (e.g., Purchase and Sale Agreement and Development Agreement) will include specific requirements to ensure that future development of the site will result in a project that is

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consistent with the requirements of the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the project area, in addition to compliance with the requirements of the California Environmental Quality Act (CEQA).

3. ANTICIPATED SCHEDULE

3.1 Project Timeline

The City holds the Option Agreement with the CRA/LA for the Site and will engage in the process of obtaining the property in order to ensure the viability of any proposal. The Option Agreement requires the City to pay Fair Market Value to the CRA/LA at the time of acting on the Option.

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DEVELOPMENT SCHEDULE: ACQUISITION OF OPTION PARCELS	
RESEDA TOWN CENTER HOUSING	
MILESTONES	SCHEDULE
SELECTION OF PROJECT DEVELOPMENT TEAM	Completed
NEGOTIATE MAJOR DEAL POINTS, INCLUDING EXCLUSIVE NEGOTIATING AGREEMENT (ENA) IF APPROPRIATE <ul style="list-style-type: none"> Determine project scope and major deal points Selected developer to initiate entitlement and CEQA actions, as required City prepares Disposition Plan for submission to CRA/LA 	Ongoing
APPRAISALS <ul style="list-style-type: none"> City and CRA/LA agreement on Joint Appraisal Instructions and commencement of Full Market Value (FMV) appraisals Completion of appraisals and agreement on FMV Purchase Price (including third appraisal if required) 	Under Review
COUNCIL/MAYORAL ACTIONS (1) <ul style="list-style-type: none"> Approve Major Deal Points/ENA with Developer <i>(to be subject to future CEQA documentation/Determination as required)</i> Instruct City Attorney to draft Development Agreement (DA), and City-Developer Sale Ordinance Authorize Mayor to submit Disposition Plan to CRA/LA 	30 days, assuming referral only to Economic Development Committee
PROJECT DISPOSITION PLAN <ul style="list-style-type: none"> City submits Disposition Plan to CRA/LA CRA/LA review and approval of Disposition Plan by Governing Board and Oversight Board Initiate preparation of City-CRA/LA Purchase Agreement (by Conflict Counsel Richards Watson Gershon) 	30-45 days
COUNCIL/MAYORAL ACTIONS (2) <ul style="list-style-type: none"> Authorize execution of City-CRA/LA Purchase Agreement (PA) to acquire CRA/LA parcel(s) Authorize execution of City-Developer DA (subject to completion of CEQA) Authorize Mayor to execute Option and submit acquisition documents to CRA/LA <i>NOTE: if CEQA review is completed, Council could take the actions shown at Council/Mayoral Actions 3, below, at this time, including CEQA Determination and adoption of the City-Developer Sale Ordinance</i> 	45 days
PREPARATION OF CEQA ANALYSIS AND REPORTS, AS REQUIRED	

4 CONSISTENCY WITH REDEVELOPMENT AND CITY PLANS

4.1 Reseda/Canoga Park Earthquake Disaster Assistance Project (Redevelopment Plan)

The Proposed Project is consistent with the provisions of the Reseda/Canoga Park Earthquake Disaster Assistance Project (Redevelopment Plan), as follows:

The Reseda/Canoga Park Earthquake Disaster Assistance Project has several relevant objectives and actions. An explanation of how this project adheres to each of the provisions is below

- 1) Objective 7 of Section 104 states "Promote and encourage the establishment and development of businesses which serve the identified needs of the community, enhance the commercial environment and maximize the creation of jobs and economic opportunities for area residents".
 - The proposed plan strives to serve the needs of the community by providing sports entertainment facilities that are currently underrepresented and creating jobs for area residents.
- 2) Section 504.2 states "Streets and alleys may be widened, altered, realigned, abandoned, depressed, decked or closed as necessary for proper development of the project".
 - Alley vacation as a means to streamline access is being considered by the prospective developer, in coordination with the City of Los Angeles Department of Transportation (LA DOT).
- 3) Section 510 states "... development plans shall give consideration to safety, good design, open space, and other amenities to enhance the aesthetic qualities of the Project Area".
 - Visually inviting elements and sustainable design features are being considered by the prospective developer.

4.2 Reseda/Canoga Park Earthquake Disaster Assistance Project-Five Year Implementation Plan (Redevelopment Plan)

The Proposed Project is consistent with the provisions of the Reseda/Canoga Park Earthquake Disaster Assistance Project-Five Year Implementation Plan, as follows:

There are numerous goals from Section I-A-1 of The Five Year Implementation Plan of the Reseda/Canoga Park Earthquake Disaster Assistance Project that support the development of a mixed-use opportunity site. These goals are listed below.

4. Economic Development Program "... a catalyst in spurring new private sector investment..."
7. Development Opportunities "... catalytic developments in the Project Area. These developments will include mixed use developments ..."

There are also Objectives in Section C of the Five Year Implementation Plan that are in line with the proposed project:

4. "The achievement of an environment reflecting a high level of concern for architectural, landscape, and urban design and land use principles ..."

The development plan strives for a design that is visually inviting and sensitive to community design needs.

4.3 Reseda West Van Nuys Community Plan

The potential future development will be consistent with the provisions of the Reseda West Van Nuys Community Plan, as follows:

The Reseda West Van Nuys Community Plan has four (4) relevant goals (Residential, Commercial, Parking, Preservation) outlined in Chapter 3 of the Reseda West Van Nuys

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Community Plan. Below is a justification of how this project is in compliance with some of these goals.

- 1) "A STRONG AND COMPETITIVE COMMERCIAL SECTOR WHICH BEST SERVES THE NEEDS OF THE COMMUNITY THROUGH MAXIMUM EFFICIENCY AND ACCESSIBILITY WHILE PRESERVING THE HISTORIC COMMERCIAL AND CULTURAL CHARACTER OF THE COMMUNITY".
 - The mixed-use development being contemplated includes attractive sports entertainment uses to stimulate economic revitalization along Sherman Way.
 - The planned sports complex development will be designed to enhance and be compatible with adjacent school uses.
- 2) "A SUFFICIENT SYSTEM OF WELL-DESIGNED AND CONVENIENT ON-STREET PARKING AND OFF-STREET PARKING FACILITIES THROUGHOUT THE PLAN AREA. STRONG AND COMPETITIVE COMMERCIAL SECTOR WHICH BEST SERVES THE NEEDS OF THE COMMUNITY THROUGH MAXIMUM EFFICIENCY AND ACCESSIBILITY WHILE PRESERVING THE HISTORIC COMMERCIAL AND CULTURAL CHARACTER OF THE COMMUNITY".
 - While adhering to City code for a number of parking spaces, future development would encourage customers to park at public meters or lots that are currently underutilized and walk to the site. Moreover, the planned development includes the construction of over 150 new parking spaces. This anticipated shared parking will activate Sherman Way.
- 3) "ADEQUATE RECREATION AND PARK FACILITIES WHICH MEET THE NEEDS OF THE RESIDENTS IN THE PLAN AREA."
 - Better utilization and development of recreational facilities.
 - Provide facilities for specialized recreational needs within the Community, with consideration given to utilizing existing public lands....
- 4) "A SUFFICIENT SYSTEM OF WELL-DESIGNED AND CONVENIENT ON-STREET PARKING AND OFF-STREET PARKING FACILITIES THROUGHOUT THE PLAN AREA."
 - New surface parking lot will be built in conjunction with the planned development.

4.4 Reseda Central Business District CDO Design Guidelines & Standards

The plan is consistent with the provisions of the Reseda Central Business District CDO Design Guidelines & Standards, as follows:

The plan is in line with other developments in Reseda, and with the mission of the Reseda Central Business District Community Design Overlay District (CBD CDO), to create a denser mixed-use urban fabric along Sherman Way.

The CBD CDO has several design goals according to Section 2A of their guidelines and standards. Below is a justification of how this project is in compliance with these design goals.

- 1) "To promote the development of structures or uses which are of acceptable exterior design and appearance".

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- The Developer has a history of successful development with sound aesthetics that incorporate multiple design elements. The proposed plan strives to utilize a similar philosophy.
- 2) "To promote storefront and shopping center design that invites commercial interest, enhances the physical appearance, and reinforces pedestrian scale and activity"
- The proposed plan aims to reinforce pedestrian activity through walking opportunities to the site. A viable source of pedestrian activity may be underutilized public meters or lots as a means to activate Sherman Way