

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 1, 2018

CAO File No. 0111-31341-0000
Council File No. 14-1174-S22; 18-0859
Council District: 3

To: The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer, Chair, CRA/LA Bond Oversight

Subject: **CRA/LA BOND OVERSIGHT COMMITTEE TRANSMITTAL: REQUEST FOR AUTHORITY TO COMPLETE NECESSARY ENVIRONMENTAL WORK AND APPROPRIATE UP TO \$1,500,000 IN CRA/LA EXCESS NON-HOUSING BOND PROCEEDS FROM THE RESEDA/CANOGA PARK PROJECT AREA (TAX-EXEMPT SERIES 2010-E) FOR THE WEST VALLEY PLAYHOUSE ACQUISITION PROJECT**

RECOMMENDATIONS

That the Council, subject to approval by the Mayor,

1. Instruct the Department of General Services (GSD), Los Angeles Bureau of Sanitation (LASAN) and other pertinent City Departments, as necessary, to proceed with an inspection of the West Valley Playhouse property, located at 7242 Owensmouth Avenue, Canoga Park, CA 91303 (Property) and complete a Phase I Environmental Assessment Report by November 30, 2018, as part of the City's due diligence. If the Phase I does not recommend a Phase II, GSD will proceed to closing. If a Phase II is recommended, GSD and LASAN are to report back to the CRA/LA BOC with possible re-negotiated terms;
2. Upon completion and review of a Phase I report that does not recommend a Phase II, APPROVE up to \$1,500,000 in tax-exempt CRA/LA Excess Non-Housing Bond Proceeds (EBP) available to Council District 3 (CD 3) from the Reseda/Canoga Park Redevelopment Project Area;
3. AUTHORIZE the Department of Cultural Affairs (DCA) to be the implementing department, and to expend funds up to \$1,500,000 from the CRA/LA EBP, Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt series 2010-E for transactions related to the West Valley Playhouse Small Business Assistance project (Project) upon presentation of proper documentation and satisfactory review by the EWDD;
4. AUTHORIZE the GSD to negotiate and execute with the owner of the Property (Seller) a Purchase and Sale Agreement (PSA), on behalf of DCA, and all related transactional documents as needed;
5. AUTHORIZE the Controller, subject to the availability of funds, a completed Phase I report and a fully-executed PSA between the City and Seller, no later than December 31, 2018, to provide the DCA with direct access of up to \$1,500,000, inclusive of previously withdrawn earnest deposits from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt series 2010-E, to process transactions related to the Project;
6. AUTHORIZE the DCA to accept and/or authorize the transfer of up to \$1,500,000 in Tax-Exempt EBP to fund the required environmental work and acquisition to the appropriate City Department accounts or escrow company account in order to carry out the intent of this transmittal subject to confirmation from the GSD that any lien or title issues have been cleared and resolved prior to the closing of escrow;

7. AUTHORIZE the Controller to transfer up to \$150,000 from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt Series 2010-E, to Old Republic Title Company as a refundable earnest deposit towards the purchase price upon receipt of appropriate transfer instructions from DCA and EWDD;
8. AUTHORIZE the GSD to negotiate and execute agreements and all related documents as required with a duly procured relocation consultant to effectuate and comply with all State and/or Federal, whichever is applicable, relocation requirements associated with acquiring the Property with the use of EBP;
9. AUTHORIZE the DCA to expend up to \$132,000 for all matters related to the relocation of the existing occupant of the Property from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt Series 2010-E, upon presentation of proper documentation and satisfactory review by the EWDD;
10. DIRECT the DCA to report on its work accomplishments to the CAO, and fund expenditures to the EWDD, on a quarterly and as-needed basis; and
11. AUTHORIZE the General Manager of EWDD, or designee, to prepare Controller instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement these instructions.

SUMMARY

At its October 25, 2018 meeting, the Community Redevelopment Agency of Los Angeles (CRA/LA) Bond Oversight Committee (BOC) considered the attached EWDD report, and amended the recommendations. The Department of General Services (GSD) was instructed to secure access to the site and to complete a property inspection to include assessments for lead and asbestos among other hazardous materials. Additionally, the BOC discussed the need for the City to complete its due diligence and to ensure that a required Phase 1 environmental assessment report be complete prior to the close of escrow. If the completed Phase I work does not recommend additional assessment via a Phase II, and if the estimated costs for remediation do not exceed \$1 million, then GSD is authorized to proceed with the acquisition. If the Phase I recommends further environmental assessment, then City staff are required to report back to the CRA/LA BOC for additional instructions. There was additional discussion on the identification of AB 1290 funding for the due diligence and inspection work from Council District 3's share of AB 1290 monies. Those monies have been provided via a separate Council action (C.F. 18-0859). Adoption of the revised recommendations in this transmittal will provide City staff with the necessary authority for various inspection work and assuming the completion of a satisfactory Phase I report, authorize City staff to proceed with the acquisition of the West Valley Playhouse in Council District 3.

FISCAL IMPACT STATEMENT

There is no impact on the City's General Fund from the proposed appropriation of \$1.5 million in CRA/LA EBP. The CRA/LA Excess Non-Housing Bonds Proceeds Fund No. 57D is funded solely from transfers of approximately \$86 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174). Said Transfers have been deposited with the Office of the Controller.

RHL:JVW:15190038

Attachment – EWDD report dated October 23, 2018

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

JAN PERRY
GENERAL MANAGER

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

October 23, 2018

Council File: 14-1174-S22
(See also 18-0859)
Council District No.: 3
Contact Persons & Extensions:
Daisy Hernandez: (213) 744-9340

CRA/LA Bond Oversight Committee
c/o Jacqueline Wagner
Office of the City Administrative Officer
Room 1500, City Hall East

BOND OVERSIGHT COMMITTEE TRANSMITTAL: REQUEST REVIEW AND RECOMMENDATION THAT COUNCIL AND MAYOR, AS REQUIRED, APPROPRIATE UP TO \$1,500,000 IN CRA/LA EXCESS NON-HOUSING BOND PROCEEDS FROM THE RESEDA/CANOGA PARK REDEVELOPMENT PROJECT AREA (TAX-EXEMPT SERIES 2010-E) FOR THE WEST VALLEY PLAYHOUSE SMALL BUSINESS ASSISTANCE PROJECT

The General Manager of the Economic and Workforce Development Department (EWDD) requests your review, approval and processing of the recommendations in this transmittal to the Mayor and City Council for their review and consideration.

RECOMMENDATIONS

The General Manager of EWDD, or designee, requests that the Bond Oversight Committee recommend that the City Council, subject to the approval of the Mayor as required:

1. APPROVE up to \$1,500,000 in tax-exempt CRA/LA Excess Non-Housing Bond Proceeds available to Council District 3 (CD 3) from the Reseda/Canoga Park Redevelopment Project Area. The funds will be utilized by the General Services Department (GSD), acting on behalf of the Department of Cultural Affairs (DCA), to acquire real property located at 7242 Owensmouth Avenue, Canoga Park, CA 91303 (Property);
2. AUTHORIZE the DCA to be the implementing department, and to expend funds up to \$1,500,000 from the CRA/LA Excess Non-Housing Bond Proceeds (EBP) Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt series 2010-E for transactions related to the West Valley Playhouse Small Business

Assistance project (Project) upon presentation of proper documentation and satisfactory review by the EWDD;

3. AUTHORIZE the GSD to negotiate and execute with the owner of the Property (Seller) a purchase and sale agreement (PSA), and all related transactional documents as needed: (a) for a purchase price of up to \$1,368,000 including all related closing costs, (b) with authority to waive real estate due diligence of the Property, including pre-closing building condition studies, asbestos and mold inspections, and Phase I audits for hazardous substance contamination, and (c) with authority to waive a Seller indemnity of City for City's future costs of dealing with cleanup orders, property damage claims, and personal injury lawsuits from persons alleging sickness or injury from Property-related conditions. The Phase I waiver means City will lose legal protections against cleanup liability for prior owners' (including Seller's) contamination of the Property, thus making City strictly liable to cleanup that contamination and or hazardous substance;
4. AUTHORIZE the Controller, subject to the availability of funds and a fully-executed purchase and sale agreement between the City and Seller, no later than December 31, 2018, to provide the DCA with direct access of up to \$1,500,000, inclusive of previously withdrawn earnest deposits from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt series 2010-E, to process transactions related to the Project;
5. AUTHORIZE the DCA to accept and/or authorize the transfer of up to \$1,500,000 in Tax-Exempt EBP to fund the acquisition to the appropriate City Department accounts or escrow company account in order to carry out the intent of this transmittal subject to confirmation from the GSD that any lien or title issues have been cleared and resolved prior to the close of escrow;
6. DIRECT the DCA to report on its work accomplishments to the CAO, and fund expenditures to the EWDD, on a quarterly and as-needed basis;
7. AUTHORIZE the Controller to transfer up to \$150,000 from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt Series 2010-E, to Old Republic Title Company as a refundable earnest deposit towards the purchase price upon receipt of appropriate transfer instructions from DCA and EWDD;
8. AUTHORIZE the GSD to negotiate and execute agreements and all related documents as required with a duly procured relocation consultant to effectuate and comply with all State relocation requirements associated with acquiring the Property with any tenants or occupants thereon with the use of EBP;
9. AUTHORIZE the DCA to expend up to \$132,000 for all matters related to the relocation of any tenants or occupants of the Property from the EBP Fund No. 57D, Account No. 22L9PN, Reseda/Canoga Park Tax-Exempt Series 2010-E, upon presentation of proper documentation and satisfactory review by the EWDD; and

10. AUTHORIZE the General Manager of EWDD, or designee, to prepare Controller instructions and/or make technical adjustments that may be required and are consistent with this action, subject to the approval of the CAO, and authorize the Controller to implement these instructions.

SUMMARY

Transmitted herewith for your review, approval, and further processing are recommendations pursuant to a CD 3 Motion (Blumenfield-O'Farrell) which was adopted by Council on June 30, 2017 (CF 14-1174-S22).

The Motion with Amending Language sought to appropriate up to \$2,000,000 in taxable EBP available to CD 3 from the Project Area to acquire two (2) properties located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue to provide small business assistance to local residents. Small business assistance is identified as a potential program in the Bond Spending Plan (BSP) for this Project Area. The proposed use of funds is permissible under the BSP adopted by City Council on October 29, 2014 (C.F. 14-1174), and sufficient funds for this purpose are available from CD 3's portion of EBP in this Project Area.

It was subsequently discovered that the two (2) properties referenced above lie just outside the Project Area boundary, and are not eligible for acquisition. CD 3 has identified the Property which is available for sale. The premises, currently operating as the West Valley Playhouse, would achieve the same small business assistance goal as prescribed by the initial motion. The GSD will acquire the Property from Seller for the benefit of the DCA towards development of the Madrid Theatre Cultural Hub.

The Seller has indicated that they wish to complete the transaction by December 14, 2018. Due to the short time frame, the City may not be able to conduct or complete the requisite environmental due diligence or relocation notices as mandated by State law in a timely manner. Furthermore, Seller has issued to the tenant a 30-day-notice to vacate by November 30, 2018. The City Attorney's Office has counselled that City's acquisition of the Property will trigger relocation benefits for the tenant which should be handled by a relocation consultant engaged by GSD.

The original taxable and tax-exempt EBP in Project Area available to CD 3 was \$20,984,713. However, after the administrative appropriation of 16%, or \$1,977,634 of taxable EBP, there remained a combined \$19,007,079 EBP in the Project Area available to CD 3. CD 3 also traded their AB 1290 funds for CD 12's EBP funds. This trade provided an additional \$2,098,471 EBP (\$1,236,021 Taxable, and \$862,450 Tax-exempt) to CD 3; and increased its taxable administration appropriation by \$197,763. CD 3's available EBP in Project Area became \$20,907,787. This Motion's proposed \$1,500,000 in tax-exempt EBP, along with their twelve (12) other Council approved or pending motions, will leave CD 3 with an estimated \$11,339 in taxable, and \$1,496,947 in tax-exempt EBP, in the Project Area for a combined available balance of \$1,508,286.

BACKGROUND

CD 3's original motion (C.F.14-1174-S22), adopted by Council on June 30, 2017, requested that \$2,000,000 in taxable EBP from the Project Area be appropriated to assist two non-profits i.e. Community Partners for Reseda and Child Development Institute to acquire real properties. The original intent was to create a community space that would provide non-profit organizations with a dedicated location in which they could provide services to local area residents. It was later determined that the properties located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue lie outside the Project Area. CD 3 has identified an alternate property located at 7242 Owensmouth Avenue, Canoga Park, CA (APN 2111-019-003). The Property, operating as the West Valley Playhouse, is a privately owned space dedicated to theatrical arts. It is currently for sale on the open market. The goal, by acquiring this property, is to preserve the arts and small businesses who use the art space, and provide additional rehearsal space for other City-operated theatres.

The EBP type will also change from taxable to tax-exempt. The Property and intended use are consistent with BSP. EWDD has consulted with the Office of the Chief Legislative Analyst which has determined that a new motion is not necessary to effectuate these modifications.

The EWDD has met and consulted with CD 3, GSD, DCA and City Attorneys regarding Project. The GSD will oversee all negotiations, contract(s) execution, relocation matters, and completion of the Project on behalf of DCA.

EWDD ANALYSIS

The Property being considered for acquisition will be used to serve the small business community of Canoga Park. The West Valley Playhouse, in conjunction with the Madrid Theatre Cultural Hub, will aid small theatre groups and the local retail businesses. This will become a City-owned facility operated, managed, and maintained by the DCA.

The total cost to acquire the Property is projected to be \$1,500,000, which includes \$132,000 in estimated relocation and closing costs. GSD has appraised the Property at \$1,195,000. The final purchase price, not to exceed \$1,348,000, has been negotiated between City and Seller. The GSD will also engage a relocation consultant who will process all relocation notices and benefits to relocatees to comply with State statutes. The DCA will report its acquisition status to the CAO, and funds expended to EWDD, on a quarterly and as needed basis so that the information can be included in regular reports to the BOC and Mayor.

Upon receipt of a fully executed purchase and sale agreement between City and Seller, EWDD will facilitate a \$150,000 refundable earnest deposit to the Old Republic Title Company upon DCA's request. The balance of the final acquisition price and related expenses will be disbursed upon receipt and satisfactory review of all fully executed agreement(s) between City, relocation consultant and all parties involved.

BENEFITS TO THE AFFECTED TAXING ENTITIES

The expenditures set forth in this report will provide community benefits in the Project Area which will benefit the affected taxing entities by revitalizing the arts community in the Project Area, and providing small business assistance along the commercial corridor through capital purchase and potential tenant improvements. The acquisition aims to improve goods and services, create new jobs, attract patrons, enhance the cultural experience, and enliven the neighborhood which will promote economic development to complement the Madrid Theatre Cultural Hub. The Madrid Cultural Hub will provide art spaces for a diversified performance arts community. The economic growth will make a positive impact while complementing other community development efforts. Enhanced connectivity along the commercial corridor will benefit school-age children, promote public peace, health, safety, and public welfare in an effort to increase economic vitality for property owners and improve the overall quality of life for the area's residents.

ENVIRONMENTAL REVIEW

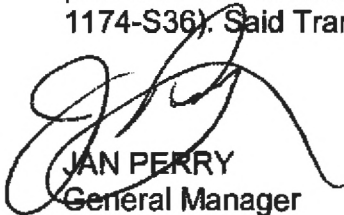
The recommended action (acquisition, public improvements and rehabilitation) is categorically exempt from provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines.

CAO BOND COVENANT REVIEW

The CAO has completed its review of the original bond documents and covenants, and has found that the proposed use of tax-exempt EBP, as presented, is consistent with those covenants.

FISCAL IMPACT STATEMENT

There is no impact on the City's General Fund from the proposed appropriation of EBP. The EBP Fund No. 57D is funded solely from transfers of approximately \$86 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174 & 14-1174-S36). Said Transfers have been deposited with the Office of the Controller.



JAN PERRY
General Manager

JP:SH:DH:MMS:AAC

ATTACHMENT: 1. Motion (Blumenfield-O'Farrell) C. F. 14-1174-S22
 2. Amending Language to C.F.14-1174-S22

ECONOMIC DEVELOPMENT

MOTION

The communities of Reseda and Canoga Park contain historic central business districts that have, over the years, seen significant disinvestment. The former Community Redevelopment Agency of the City of Los Angeles established the Reseda/Canoga Park Redevelopment Project Area covering portions of Reseda, Winnetka, and Canoga Park to provide for and facilitate the repair, restoration, demolition and/or replacement of property, areas, or facilities damaged as a result of the 1994 Northridge Earthquake. Through an exhaustive community-based process, a vision has been identified for the revitalization of the communities in the Reseda/Canoga Park Redevelopment Project Area. Councilmember Bob Blumenfield has transformed this vision into the multi-front West Valley Improvement Plan initiative. This initiative is a ten-point plan of improvements and amenities throughout the area's commercial corridors; a reinvestment in these historic communities to help them attain their former glory as destinations for commerce, art, and culture.

As part of the amenities envisioned for the community of Reseda is the creation of community space that would serve to provide non-profits with a dedicated location in which they could provide services to local area residents. Community Partners for Reseda/Child Development Institute are interested in partnering with the City by facilitating commercial space to create this opportunity. Their facilities are located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue in Reseda. The Economic and Workforce Development Department would be tasked with negotiating any future acquisition of real property for this purpose.

In accordance with policies adopted by Council (C.F. 14-1174) related to the CRA/LA Bond Expenditure Agreement and Bond Spending Plan, any proposal to expend CRA/LA Excess Bond Proceeds shall be initiated by Council Motion. Proposals will be reviewed by the CRA/LA Bond Oversight Committee, Economic Development Committee, and any other applicable committee with final recommendations presented to the Council and Mayor for final consideration and approval. The use of taxable CRA/LA Excess Bond Proceeds towards Business Assistance and Catalytic Commercial Development are generally an eligible use of these funds. Providing business assistance through facade improvements, tenant improvements, capital purchases, and other qualifying grants or loans is directly identified as an eligible expenditure in the Bond Expenditure Agreement and Bond Spending Plan.

I THEREFORE MOVE that taxable CRA/LA Excess Bond Proceeds available to Council District 3 in an amount not to exceed \$2,000,000 from the Reseda/Canoga Park Redevelopment Project Area be utilized by the Economic and Workforce Development Department to acquire commercial space located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue in Reseda for use by local non-profits to provide services to area residents.

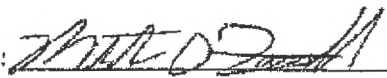
I FURTHER MOVE that the Economic and Workforce Development Department, with the assistance of the City Administrative Officer, Chief Legislative Analyst, and any other applicable City department, provide a report with recommendations to the CRA/LA Bond Oversight Committee to allocate taxable CRA/LA Excess Bond Proceeds in an amount not to exceed \$2,000,000 from the Reseda/Canoga Park Redevelopment Project Area be utilized to acquire commercial space located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue in Reseda for use by local non-profits to



ORIGINAL

provide services to area residents as a business assistance program and as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Reseda/Canoga Park Redevelopment Project Area.

PRESENTED BY: 
BOB BLUMENFELD
Councilmember, 3rd District

SECONDED BY: 

JUN 14 2017

(Amending Language to C.F. 14-1174-S22)

RESEDA SMALL BUSINESS ASSISTANCE PROGRAM

I THEREFORE MOVE that taxable CRA/LA Excess Bond Proceeds available to Council District Three in an amount not to exceed \$2,000,000 from the Reseda/Canoga Park Redevelopment Project Area be utilized by the Economic and Workforce Development Department to provide small business assistance through commercial façade improvements, tenant improvements, capital purchases, and/or qualifying loans or grants to the owner(s) or tenant(s) of commercial property located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue in Reseda to be used by local non-profit entities to provide services to area residents.

I FURTHER MOVE that the Economic and Workforce Development Department, with the assistance of the City Administrative Officer, Chief Legislative Analyst, and any other applicable City department, provide a report with recommendations to the CRA/LA Bond Oversight Committee to allocate taxable CRA/LA Excess Bond Proceeds in an amount not to exceed \$2,000,000 from the Reseda/Canoga Park Redevelopment Project Area to provide small business assistance through commercial façade improvements, tenant improvements, capital purchases, and/or qualifying loans or grants to the owner(s) or tenant(s) of commercial property located at 18050 W. Vanowen Street and 6750 N. Lindley Avenue in Reseda for use by local non-profit entities to provide services to area residents as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Reseda/Canoga Park Redevelopment Project Area.