

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to utilizing up to \$825,000 from the Adelante Eastside Redevelopment Project Area to acquire and facilitate the sale and development of the Ocean Queen Site located at 1300 East First Street.

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

1. APPROVE up to \$825,000 in taxable Community Redevelopment Agency Los Angeles (CRA/LA) Excess Non-Housing Bond Proceeds available to Council District 14 from the Adelante Eastside Redevelopment Project Area within the district to be utilized by Self-Help Graphics and Art, Inc. (Self-Help Graphics) to acquire its business property (Ocean Queen Building) located at 1300 East First Street, Los Angeles, CA 90033 (APN 5172-008-900; 5172-008-901; 5172-008-902).
2. AUTHORIZE the Economic and Workforce Development Department (EWDD) to be the implementing department, and to expend funds up to \$825,000 from the CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D, Account No. 22L9AT, Adelante Eastside Taxable, for transactions related to the Self-Help Graphics Ocean Queen Building Acquisition Project upon presentation of proper documentation by the General Manager, or designee.
3. AUTHORIZE the Controller to transfer up to \$825,000 from the CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D, Account No. 22L9AT, Adelante Eastside Taxable, to Chicago Title Company upon receipt of appropriate transfer instructions from the EWDD.
4. AUTHORIZE the General Manager, EWDD, or designee, to:
 - a. Negotiate and execute a City loan agreement, promissory note, deed of trust and related documents (City Loan Documents) with the Self-Help Graphics on or before September 30, 2019 for a City loan up to \$825,000 towards the acquisition cost of the Ocean Queen Building, subject to the approval of City Attorney as to form and legality.
 - b. Negotiate and execute amendment(s) to the City Loan Documents relative to the intent of this transmittal on or before September 30, 2019, subject to the approval of the City Attorney as to form and legality.
 - c. Enter into a subordination agreement with California Community Foundation for a term not to exceed four years to subordinate the City's loan towards the Ocean Queen Building acquisition so long as the total loan-to-value ratio does not exceed 80 percent of the acquisition cost.
5. AUTHORIZE the General Manager, 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 City Administrative Officer (CAO); and, AUTHORIZE the Controller to implement these instructions.

Fiscal Impact Statement: The CRA/LA Bond Oversight Committee reports that approval of the recommendations contained in the November 16, 2017 CRA/LA Bond Oversight Committee (BOC) report, attached to the Council file, will have no impact on the General Fund. The CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D is funded solely from the transfer of approximately \$84.1 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (Council File No. 14-1174).

Community Impact Statement: None submitted.

Summary:

On November 28, 2017, your Committee considered a November 16, 2017 CRA/LA BOC report relative to utilizing up to \$825,000 from the Adelante Eastside Redevelopment Project Area to acquire and facilitate the sale and development of the Ocean Queen Site located at 1300 East First Street. According to the CRA/LA BOC, on November 1, 2017, Council authorized the use of \$400,000 in taxable Excess Bond Proceeds (EBP; (2007 Series C) from the Adelante Project Area be appropriated in order to assist Self-Help Graphics to acquire the Ocean Queen Building. However, it was later determined that an additional \$425,000 EBP is needed to complete the transaction, thereby bringing the total Motion request to \$825,000.

The Ocean Queen Building, identified as the First and Mission Transit-Oriented Development (TOD) Site Project in CRA/LA's Long Range Property Management Plan, is located at 1300 E. First Street, Los Angeles, California 90033. It is 1 of 8 properties owned by the CRA/LA, a Designated Local Authority that are under a current or extended Option Agreement (Council File No. 14-0425) with the City. The City entered into an Option Agreement to purchase this 10,400 sq. ft. industrial building, and a surface parking lot in a 20,564 sq. ft. property (Property). Through the terms of the Option Agreement, the City has the right to acquire the Property for the appraised Fair Market Value (FMV), and to solicit and sell the Property to a buyer who will use the Property to provide community benefits that align with the redevelopment plan. The City's extended term on this Option Agreement will expire on January 8, 2018. The City wishes to acquire the Property, and effectuate the sale of the Property to Self-Help Graphics for the same FMV in exchange for community benefits.

In its September 6, 2017 report to Council pursuant to the Fiscal Year 2017-18 Adopted Budget Recommendation instructions (Council File No. 17-0600-S29), the EWDD stated that it had completed the draft Purchase and Sale Agreement, Covenant Agreement, and Grant Deed with exhibits. These documents are ready for execution subject to City Council and CRA/LA-DLA Boards' approval. Self-Help Graphics is a 501c3 non-profit organization which started in 1973 with a mission to foster new work by Chicano and Latino artists through fine art printmaking, and multiple visual art forms. It is dedicated to the production, interpretation and distribution of prints and other art media made by Latino artists. Self Help Graphics have been an integral part of the Boyle Heights communities for over 40 years providing a forum for local and international artists.

As the current occupant of the Property whose lease extends through 2020, Self-Help Graphics has embarked on a fundraising program to acquire and improve the Property since 2012. Their funding and financing commitments include grant commitments from the Weingart Foundation, the California Community Foundation, the County of Los Angeles, Self-Help Graphics Board member, Bloomberg Philanthropies etc. Self-Help Graphics has also secured a Program-Related Investment (PRI) loan from the California Community Foundation (CCF).

Other non-City funding sources towards the \$3,625,000 purchase price have been secured with valid commitment letters on file with the EWDD. The CCF requires, as collateral, a free and clear first lien deed of trust on the real property. CCF's loan term is two years plus a potential two-year extension at CCF's discretion. The City will enter into a subordination agreement with CCF for a term not to exceed 4 years to subordinate its real estate lien position. The funding amounts and sources are listed below:

California Community Foundation PRI Loan	\$2,050,000
County of LA/California Community Foundation Pass-Through Grant	250,000
Weingart Foundation Grant	250,000
Self-Help Graphics Board Member Zac Guevara Grant	<u>250,000</u>
Total Non-City Funding	\$2,800,000
CRA/LA EBP Service Payback Loan	<u>\$825,000</u>
Total Purchase Price	\$3,625,000

All non-City grant and loan proceeds along with EBP will be deposited concurrently with escrow agent Chicago Title Company.

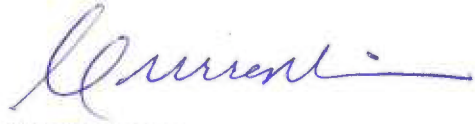
The EWDD's Real Estate Asset Management staff is simultaneously submitting a transmittal requesting that the Mayor exercise the City's option to acquire the Property under its Option Agreement. Upon approval by CRA/LA Governing and Oversight Boards and the State Department of Finance, the City shall complete the acquisition, and sell the Property to Self-Help Graphics for the FMV of \$3,625,000. As an Affected Taxing Entity under the Dissolution State, the City will receive approximately 26 percent of the sales proceeds as property tax income in the future. The amount of anticipated income is unknown at this time.

In accordance with Community Redevelopment Law, these EBP are provided in exchange for SHG's offering and/or increasing a public service. Based upon the value of services that the City has negotiated with Self-Help Graphics, an annual 10 percent principal reduction i.e. \$82,500 will be credited for each year that the covenant is in compliance. Self Help Graphics will execute a ten-year service payback loan agreement with the City under the above mentioned restrictive covenant in the grant deed. City Loan Documents must be duly executed and fully encumbered by the City on or before September 30, 2019. The CAO has completed its review of the original bond documents, and has found that the proposed use of excess bond proceeds, as presented, is consistent with those covenants. It is recommended that up to \$825,000 in Taxable 2007 Bond Series C Excess Bond Proceeds from the Adelante Eastside Project Area be appropriated for the purposes outlined in CD 14's Motion (Council File No. 14-1174-S30) and the subsequent request for an increase.

After consideration and having provided an opportunity for public comment, the Committee move to recommend approval of the recommendations contained in the November 16, 2017 CRA/LA BOC and detailed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE



MEMBER VOTE

PRICE: YES

BUSCAINO: YES

HUIZAR: YES

ARL

11/28/17

-NOT OFFICIAL UNTIL COUNCIL ACTS-