

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: April 12, 2018

CAO File No. 0111-31341-0016

Council File No. 14-1174-S34

Council District: 3

To: The Council

From: Richard H. Llewellyn, Jr., Chair of the CRA/LA Bond Oversight Committee

Subject: **Report from the EWDD requesting authorization to appropriate up to the final purchase price (currently appraised at \$1,560,000) including related closing costs in CRA/LA Excess Non-Housing Bond Proceeds from the Reseda/Canoga Park Redevelopment Project Area (Taxable Series 2010-D) for the Reseda Theater Site Acquisition Project**

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### SUMMARY

At its meeting on March 29, 2018, the Community Redevelopment Agency of Los Angeles (CRA/LA) Bond Oversight Committee considered the attached Economic and Workforce Development Department (EWDD) report and approved it with an amendment to the second recommendation. The revised recommendations are listed below, and the report is hereby transmitted to Council for consideration.

### RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, as required:

1. APPROVE up to the final purchase price (currently appraised at \$1,560,000) and related closing costs (currently estimated at \$8,000) in CRA/LA Excess Non-Housing Bond Proceeds (EBP) available to Council District (CD) 3 from the Reseda/Canoga Park Redevelopment Project Area (Project Area) within the Council District to be utilized to acquire the Reseda Theater site located at 18447 Sherman Way and 7217-7227 Canby Avenue, in the Reseda Neighborhood of the City of Los Angeles (City); BOC Report Page 2 of 5 March 23, 2018 CD 3 Motion 14-1174-S34;
2. AUTHORIZE the EWDD and/or Housing and Community Investment Department (HCID/LA) to negotiate and execute city loan agreements, as required for up to the final purchase price and related costs with Thomas Safran and Associates and/or its affiliates, to effectuate the Reseda Theater Site Acquisition Project (Project);
3. INSTRUCT the HCID/LA to report Project progress to EWDD prior to the disbursement of EBP and quarterly thereafter;
4. AUTHORIZE the Controller, upon receipt of a duly executed purchase and sale agreement between the City and the CRA/LA, a Designated Local Authority (CRA/LA-DLA) no later than December 31, 2019, to disburse up to the final purchase price and related closing costs from the EBP Fund No. 57D, Account No. 22L9PT Reseda/Canoga Park Taxable Series 2010-D, to process transactions related to the Project;
5. AUTHORIZE the EWDD and HCID/LA to be the implementing departments, and to expend

funds up to the final purchase price and related closing costs from the EBP Fund No. 57D, Account 22L9PT, Reseda/Canoga Park, Taxable Series 2010-D, for transactions related to the Project upon proper documentation and demand from the General Manager, EWDD or designee;

6. 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.

#### **FISCAL IMPACT STATEMENT**

Approval of the recommendations in this report will have no impact on the General Fund. The EBP Fund No. 57D is funded solely from a transfer of approximately \$86 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174). Said transfer has been deposited with the Office of the Controller.

*RHL:JVW:SJC:15180079*

# CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI  
MAYOR

Item#6

ECONOMIC AND WORKFORCE  
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET  
LOS ANGELES, CA 90017

JAN PERRY  
GENERAL MANAGER

March 23, 2018

Council File: 14-1174-S34  
Council District No.: 3  
Contact Persons & Extensions:  
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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 THE FINAL PURCHASE PRICE CURRENTLY APPRAISED AT \$1,560,000 AND RELATED CLOSING COSTS CURRENTLY ESTIMATED AT \$8,000 FOR A COMBINED TOTAL OF \$1,568,000 IN CRA/LA EXCESS NON-HOUSING BOND PROCEEDS FROM THE RESEDA/CANOGA PARK REDEVELOPMENT PROJECT AREA (TAXABLE SERIES 2010-D) FOR THE RESEDA THEATER SITE ACQUISITION 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 the final purchase price (currently appraised at \$1,560,000) and related closing costs (currently estimated at \$8,000) in CRA/LA Excess Non-Housing Bond Proceeds (EBP) available to Council District (CD) 3 from the Reseda/Canoga Park Redevelopment Project Area (Project Area) within the Council District to be utilized to acquire the Reseda Theater site located at 18447 Sherman Way and 7217-7227 Canby Avenue, in the Reseda Neighborhood of the City of Los Angeles (City);

2. AUTHORIZE the EWDD and/or Housing and Community Investment Department (HCID/LA) to negotiate and execute agreements and all related documents as required for up to the final purchase price and related costs with Thomas Safran and Associates and/or its affiliates, to effectuate the Reseda Theater Site Acquisition Project (Project);
3. INSTRUCT the HCID/LA to report Project progress to EWDD prior to the disbursement of EBP and quarterly thereafter;
4. AUTHORIZE the Controller, upon receipt of a duly executed purchase and sale agreement between the City and the CRA/LA, a Designated Local Authority (CRA/LA-DLA) no later than December 31, 2019, to disburse up to the final purchase price and related closing costs from the EBP Fund No. 57D, Account No. 22L9PT Reseda/Canoga Park Taxable Series 2010-D, to process transactions related to the Project;
5. AUTHORIZE the EWDD and HCID/LA to be the implementing departments, and to expend funds up to the final purchase price and related closing costs from the EBP Fund No. 57D, Account 22L9PT, Reseda/Canoga Park, Taxable Series 2010-D, for transactions related to the Project upon proper documentation and demand from the General Manager, EWDD or designee;
6. 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-Rodriguez) which was adopted by Council on February 21, 2018 (CF 14-1174-S34).

This Motion seeks to appropriate up to the final purchase price of the property and related cost in EBP available to CD 3 from the Project Area. At the time when the motion was adopted the subject property was appraised at \$1,460,000. However, an updated appraisal shows a current fair market value/final purchase price of \$1,560,000. Closing costs are presently estimated at \$8,000. The anticipated total Project cost is \$1,568,000. Development of the Reseda Theater is identified as a potential project 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 (CF 14-1174), and sufficient funds for this purpose are available from CD 3's portion of EBP in this Project Area.

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 from taxable EBP, there remained a combined \$19,007,079 in the Project Area available to CD 3. This Motion's proposed final purchase price currently appraised at \$1,560,000 and related closing costs estimated at \$8,000 taxable appropriation, along with 8 existing motions approved with taxable and tax-exempt appropriations, will leave CD 3 with \$811,581 taxable, and \$1,844,497 tax-exempt EBP, in the Project Area for a total of \$2,656,078.

## **BACKGROUND**

The Reseda Theater site is 1 of 8 properties owned by the CRA/LA-DLA that are under a current or extended Option Agreement (C.F. 14-0425) with the City.

There are two (2) parcels within this property:

1. A 0.21-acre (9,000 sq. ft.) site located at 18447 Sherman Way, Reseda; and
2. A 0.25-acre (10,997 sq. ft.) site located 7217-7227 Canby Avenue, Reseda.

Thomas Safran and Associates (TSA) and/or its affiliates (Developer), the successful bidder pursuant to a City issued Request For Proposals, proposes a mixed-use development consisting of the following two (2) development components:

1. A new Laemmle Reseda Theatre located at 18447 Sherman Way, Reseda to be operated and managed by the Laemmle Theaters. Project will be implemented and completed by TSA's affiliate Reseda Theater Senior Housing, a California Limited Partnership (RTSH). RTSH will develop site into a 5-screen movie theater complex consisting of one 100-patron and four 49-patron screens totaling 8,000 sq. ft. pursuant to a Disposition and Development Agreement (DDA) to be executed with the City. The DDA is contingent upon the Developer's receipt of all land use approvals, City's financial consultant's review and approval of Developer's financial proforma, and all necessary enforceable financing commitments. The EWDD will be the lead department for this development component.
2. Reseda Theatre Senior Apartments located at 7217-7227 Canby Avenue, Reseda. RTSH will enter into an Owner Participation Agreement (OPA) with the City to develop this vacant lot into a 4-story building consisting of 26 units. Twenty-five (25) units will be dedicated to senior households targeting very-low and low income seniors, plus one (1) unit for an on-site manager. There will be 6 parking spaces along with community and service space. The development plan under this OPA is contingent upon the Developer's receipt of all land use approvals, City's review and approval of Developer's financial proforma, and all necessary enforceable financing commitments. The HCID/LA will be the lead department for this development component.

Details on the entire project development and structure will be transmitted to Council under separate cover.

Developer and City (EWDD and HCID/LA) will enter into separate loan agreements for the respective theater and senior apartments obligations associated with Project.

### **EWDD ANALYSIS**

EWDD has consulted with CD 3 staff and Developer regarding the Motion and the anticipated scope of work and timeline. HCID/LA will report quarterly to EWDD and CAO regarding work accomplished so that this information will be included in the regular reports to the BOC.

### **COMMUNITY BENEFITS**

Upon completion, the Laemmle Reseda Theater will serve as a destination for entertainment and a catalyst for the business community in Reseda. The Reseda Theater will reactivate Sherman Way and boost business activities along the commercial corridor. The Project will enhance the pedestrian environment, promote lively cultural activities, and provide residents with a new theater with a façade that will be restored to its original iconic 1948 design.

It is anticipated that by late 2021, the Reseda Theatre Senior Apartments will have transformed a vacant lot into a new facility offering 25 affordable housing to very-low to low income seniors in addition to community and service spaces.

### **ENVIRONMENTAL REVIEW**

The proposed acquisition is not a project pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15004(b)(2)(A). The proposed acquisition will result in the preparation of a Disposition and Development Agreement (DDA) and an Owner Participation Agreement (OPA) for future development of the site. At the time a DDA and an OPA are brought to the City Council for consideration, the appropriate environmental document pursuant to CEQA will also be brought for the City Council's approval.

### **CAO BOND COVENANT REVIEW**

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 an anticipated \$1,568,000 covering the final purchase price of \$1,560,000 and related closing costs currently estimated at \$8,000 in taxable bond proceeds (2010 Series D) from the Project Area be appropriated for the purposes stated in the Motion.

**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 a transfer of approximately \$84.1 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174). Said Transfer has been deposited with the Office of the Controller.



JAN PERRY  
General Manager

JP:SH:DH:MMS:AAC

ATTACHMENT: Motion (Blumenfield-Rodriguez) C. F. 11-1174-S34



## MOTION - ECONOMIC DEVELOPMENT

On December 16, 2014 (C.F. 14-0425), the City Council authorized the Mayor, or designee, to execute Option Agreements related to the transfer of 10 real property interests held by CRA/LA, A Designated Local Authority ("CRA/LA") classified as "Property Retained for Future Development" ("Future Development") under the Long Range Property Management Plan approved by the State Department of Finance. CRA/LA is the successor agency to the former Community Redevelopment Agency of the City of Los Angeles. AB1484 (Blumenfield) affords an opportunity for successor agencies to retain certain assets for future development to fulfill redevelopment objectives within the redevelopment plans and five-year implementation plans. CRA/LA does not have the capacity to carry out new development activity so the City has been provided the opportunity to take on this effort. The Option Agreements allow the City to market and develop the 10 Future Development sites in a manner that is consistent with the redevelopment objectives and best serves the needs of the City and affected taxing entities. Most of the Option Agreements were fully executed on January 9, 2015, and the properties are now under the control of the City with the exception of two properties that were returned to the CRA/LA due to the City's inability to exercise the Option.

Among the eight remaining Future Development sites is real property located at 18447 Sherman Way (APN 2119-020-024) and 7217-7227 Canby Avenue (APN 2119-020-024), commonly referred to as the Reseda Theater in Council District Three. The Reseda Theater site consists of two non-contiguous parcels situated on approximately 20,000 square feet. The Reseda Theater, built in 1948, sits in the heart of the Reseda Commercial District along Sherman Way. It has been vacant for over 22 years and has experienced significant deterioration. The Canby Avenue parcel is vacant and sits to the rear of the Reseda Theater.

On January 11, 2016, the Economic and Workforce Development Department (EWDD) released a Request for Proposals (RFP) for the development of the Reseda Theater, selected, and subsequently entered into an Exclusive Negotiation Agreement with Thomas Safran and Associates (TSA) to build a new mixed-use development consisting of a multi-screen movie theater on the ground floor and affordable housing above and behind the theater. As part of this effort, the City may need to assist in funding the acquisition of the property to assure the project's feasibility. An appraisal of the property was done in January 2017 that resulted in a value of \$1.46 million but the appraisal will need to be updated within six months of the City exercising its Option rights. The Option Agreement requires that the City have an approved development plan within forty-two (42) months following the effective date of the agreement, or by July 9, 2018, which would allow the City to exercise its option and purchase the parcels.

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 the redevelopment of the Reseda Theater for alternative uses including commercial and affordable housing development is identified as an eligible expense in the Bond Expenditure Agreement and Bond Spending Plan.

I THEREFORE MOVE that taxable CRA/LA Excess Bond Proceeds available to Council District 3 from the Reseda/Canoga Park Redevelopment Project Area in an amount not to exceed the final purchase price (currently appraised at \$1.46 million), including related closing costs, be utilized by the Economic and Workforce Development Department and the Housing and Community Investment Department to acquire and facilitate development of the Reseda Theater site located at 18447 Sherman Way (APN 2119-020-024) and 7217-7227 Canby Avenue (APN 2119-020-024) from CRA/LA, A Designated Local Authority.

I FURTHER MOVE that the Economic and Workforce Development Department, with the assistance of the City Administrative Officer Chief Legislative Analyst, Housing and Community Investment Department, 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 the final purchase price (currently appraised at \$1.46 million), including related closing costs, to acquire and facilitate development of the Reseda Theater site located at 18447 Sherman Way (APN 2119-020-024) and 7217-7227 Canby Avenue (APN 2119-020-024) from CRA/LA, A Designated Local Authority, as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Reseda/Canoga Park Redevelopment Project Area.

PRESENTED BY

BOB BLUMENFIELD

Councilmember, 3rd District

SECONDED BY

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