

TRANSMITTAL

TO Council	DATE 09-07-18	COUNCIL FILE NO.
FROM Proposition K – L.A. For Kids Steering Committee		COUNCIL DISTRICT 8

At its meeting on August 30, 2018, L.A. for Kids Steering Committee (LAFKSC) adopted the recommendations of the attached report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize People Who Care (PWC) to enter into a lease with the UAW-Labor and Employment Training Corporation (UAW-LETC) and authorize the City Engineer to negotiate and execute Amendment No. 4 to Proposition K Grant Agreement No. C-104745 with PWC.

PWC is obtaining a traditional commercial loan in order to pay off existing debts. The proposed lease with UAW-LETC would allow PWC to generate revenue to cover monthly payments on the new loan and have some capital available for operating expenses. Amendment No. 4 would allow modifications to the services and maintenance obligations for recreational programming at the rooftop of the youth center and at the PWC Administration Building.

There is no immediate impact on the General Fund as a result of the recommended actions.




Richard H. Llewellyn, Jr.
City Administrative Officer
Chair, L.A. For Kids Steering Committee

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

L.A. FOR KIDS STEERING COMMITTEE MEETING, AUGUST 30, 2018
AGENDA ITEM (5)
PEOPLE WHO CARE YOUTH CENTER - PROJECT RENEW
LEASE WITH UAW-LETC AND MODIFICATIONS TO SERVICE PAYBACK
BUREAU OF ENGINEERING

DATE: August 30, 2018

TO: Proposition K – L.A. for Kids Steering Committee

FROM: Neil Drucker, Program Manager 
Proposition K, L.A. for Kids Program
Department of Public Works: Bureau of Engineering, Architectural Division

SUBJECT: PEOPLE WHO CARE YOUTH CENTER - REQUEST FOR APPROVAL OF LEASE WITH UAW-LETC AND MODIFICATIONS TO THE SERVICES AND MAINTENANCE PROVISION OF PROPOSITION K L.A. FOR KIDS PROGRAM GRANT AGREEMENT NO. C-104745 (PROP K ID C97-3; CD 8)

RECOMMENDATION

The Bureau of Engineering (BOE) recommends that the Proposition K – L.A. for Kids Steering Committee recommend that City Council:

1. Authorize People Who Care (PWC) to enter into a lease with the UAW-Labor and Employment Training Corporation (UAW-LETC) for the Proposition K funded youth center located at 1512 West Slauson Avenue as the South Los Angeles WorkSource Center.
2. Authorize the City Engineer to negotiate and execute Amendment No. 4 to Proposition K Grant Agreement No. C-104745 with PWC, to modify the terms of PWC's services and maintenance obligations at the 1512 West Slauson Avenue youth center and to include additional recreational and child care services at the PWC owned building at 1500 West Slauson Avenue (herein referred as the Administration Building), and described in this Report.

DISCUSSION/BACKGROUND

In November 30, 2001, PWC submitted a proposal for funding pursuant to the Proposition K 3rd Funding Cycle Request for Proposals. On June 18, 2002, PWC was awarded a Proposition K competitive grant in the total amount of \$735,829 to demolish and reconstruct a then-existing structure located at 1512-1516 West Slauson Avenue, thereby providing approximately 3,000 square feet of interior and exterior spaces for the three-story PWC Youth Center. The overall project budget presented in the original

application was \$749,829, with \$14,000 in matching funds to come from various sources, including in-kind donations, private contributions, and volunteer work. In addition to the \$735,829 in Proposition K funds, PWC had also obtained a State Proposition 12 Murray Hayden Urban Parks and Youth Services Program grant in the amount of \$750,000, and a California Corrections Standards Authority grant in the amount of \$1,000,000. The total funding available for the youth center project was \$2,499,829, which included the \$14,000 in matching funds.

On May 21, 2003, Proposition K Grant Agreement No. C-104745 between PWC and the City of Los Angeles was executed, specifying that construction of the project was to be completed by May 21, 2005. The original scope of the Proposition K funded project was to reconstruct the building located at 1512-1516 West Slauson Avenue using Proposition K funds. This was to be Phase I of an overall project. Phase II was to rehabilitate the PWC owned building located at 1500 West Slauson Avenue (the Administration Building). Proposition K funds were used only for Phase I and the Proposition K grant did not encompass Phase II.

The overall project was to be developed at 1500-1516 West Slauson Avenue, Los Angeles, CA 90047, which consisted of five parcels of land (APNs 6002003026 through 6002003030). One parcel consisted of an existing building, located at 1500 West Slauson Avenue (APN 6002003030); two adjacent parcels comprised a parking lot (APN 6002003028 and APN 6002003029); and the remaining two parcels consisted of a structure, located at 1512-1516 West Slauson Avenue (APN 6002003026 & APN 6002003027).

In August 2003, PWC lost ownership of the parcel located at 1516 West Slauson Avenue (APN 6002003026) and one of the parking lot parcels (APN 6002003028) through a Los Angeles County land auction, due to non-payment of property taxes. PWC repurchased the parking lot parcel. Unfortunately, PWC was not successful in repurchasing the 1516 West Slauson Avenue parcel.

On February 23, 2005, the L.A. for Kids Steering Committee recommended, and on May 18, 2005, Council approved Amendment No. 1 to Grant Agreement No. C-104745 to allow PWC to adjust the location of the youth center in light of the configuration of the lots that PCW now own. Amendment No.1 was executed on May 23, 2005, authorizing PWC to revise the project by excluding the 1516 West Slauson Avenue parcel (APN 6002003026) and shifting the project 30 feet to the east. Amendment No. 1 authorized the construction to occur on parcel numbers 6002003027 and 6002003028 instead of parcel numbers 6002003026 and 6002003027. Amendment No. 1 also extended the deadline for completion of design and construction from May 21, 2005 to November 21, 2006.

PWC signed a construction contract with Tobo Construction Company on August 24, 2006, and broke ground in September 2006. On October 26, 2006, the L.A. for Kids Steering Committee recommended, and on November 21, 2006, Council approved

Amendment No. 2 to the Grant Agreement to extend the term for completion of design and construction. Amendment No. 2 was executed on February 23, 2007, extending the deadline for completion of construction from November 21, 2006 to November 21, 2008.

In a letter dated March 26, 2009, PWC and the construction contractor declared March 27, 2009 as the accepted Date of Substantial Completion. The Department of Building and Safety issued the Certificate of Occupancy on June 2, 2009.

On July 30, 2009, the L.A. for Kids Steering Committee recommended, and on September 22, 2009, Council approved a third extension of the deadline for completion of design and construction. Amendment No. 3 to the Grant Agreement was executed on November 9, 2009, extending the deadline for completion of design and construction from November 21, 2008 to December 21, 2009.

The Grant Agreement required that PWC maintain the youth center and provide recreational programming for youth for 15 years (180 months) from completion of construction and occupancy of the youth center. This is known as the services and maintenance payback obligations. The City secured its interest in the youth center being operated and maintained to provide recreational programming to youth by having PWC execute a Promissory Note and a Deed of Trust with Assignment of Rents, which was recorded with the County Recorder (Document No. 04-2942150, recorded on November 12, 2014). The Promissory Note provides that PWC's financial obligation in the sum of \$735,829 is payable by providing the youth recreational services and maintenance of the youth center as specified in the Grant Agreement, at the rate of \$49,055.27 per completed year of services and maintenance provided (with is \$4,087.94 per completed month).

In a letter dated February 1, 2010 from BOE to PWC, BOE declared that the services and maintenance period for PWC began on July 1, 2009 and was scheduled to end on June 30, 2024. PWC provided the required services and maintenance without issues until May 2015.

In a letter dated August 31, 2015 from BOE to PWC, BOE declared that as of May 1, 2015, PWC was out of compliance with the Services and Maintenance requirements of the Proposition K Grant Agreement. Working with PWC, records showed that the last Services Quarterly Report and Maintenance Quarterly Report received from People Who Care was for the January-March 2016 quarter. Using March 31, 2016 as the date that services stopped, PWC can be credited with having completed 81 months of services and maintenance obligations, with 99 months remaining unfulfilled. The dollar value of the remaining 99 months is \$404,706.06 ($\$4,087.94 \times 99$ months).

During construction of the youth center, Tobo Construction Company reorganized and one of its business partners took over the PWC construction contract operating as Acon Development, Inc. (Acon). While construction of the youth center was well under way,

because of the State budget crisis, for several months the State stopped providing PWC funding under the two State grants to pay for ongoing construction costs. There had also been some construction cost overruns. In order to continue with construction and recognizing that at some point the State would resume providing the grant funds to PWC, Acon "loaned" PWC the cost of completing construction. Acon and PWC executed what was essentially a construction loan with a promissory note and deed of trust. Acon filed its deed of trust with the County Recorder on August 27, 2010, and thus is in junior position to the City's Deed of Trust, which was filed on November 12, 2004.

In 2014-2015, Acon Development began foreclosure proceeding on the youth center property because PWC had fallen behind on making payments on the loan. At that time PWC filed for Chapter 11 Bankruptcy (reorganization) in order to suspend the foreclosure proceedings while attempting to refinance their debt. Acon Development and PWC renegotiated the loan with PWC having made a substantial balloon-type of payment to Acon (approximately \$350,000) from grant funds PWC obtained from the County of Los Angeles. At that time, without the City's having been informed, PWC had leased the youth center to a charter school (high school). PWC anticipated using the lease payments to make payments on the Acon loan. That bankruptcy case was dismissed.

In January 2018, Acon again initiated foreclosure proceedings on the youth center property. The PWC lease with the charter school had expired in August 2017, and thus PWC did not have a source of revenue from which to make the loan payments to Acon. PWC again filed for Chapter 11 Bankruptcy (reorganization) on January 24, 2018 to suspend the foreclosure proceedings.

PWC is actively working with a loan broker to obtain a traditional commercial loan in order to pay off the Acon loan and its other debts. As part of its plan to generate revenue, PWC has been working with its realtor on a proposed lease of the youth center to the UAW-LETC. Under contract with the City, UAW-LETC operates the South Los Angeles WorkSource Center at a location approximately four miles from the PWC youth center. UAW-LETC's lease at that location is expiring soon so UAW-LETC needs a new location from which to operate. As a WorkSource Center, UAW-LETC provides a wide variety of job training and employment services, with a particular focus on job training for 16 to 24 year old individuals in the construction and manufacturing fields. Operated by UAW-LETC, the WorkSource Center offers a state-of-the-art Career Resource Center, a Computer Technology Center, workshops, and customized assistance in the areas of: professional career counseling, assessment and job search assistance.

Although the interior of the youth center would be used for job training and employment services, the center has a rooftop basketball court. UAW-LETC is willing to allow PWC to use the rooftop basketball court during afterschool hours Monday through Friday and all day on weekends. PWC proposes to operate a basketball program for youth ages

13 to 17 at the basketball court, to include basketball clinic and a basketball league. PWC anticipates using college students and community volunteers to provide skills training and supervision, along with PWC staff.

The former executive director of PWC passed away a couple of years ago from a prolonged illness, which in part impacted the operations of PWC. For the past year or so, the current leadership of PWC has been renovating its Administrative Building with the intent of opening a childcare center for children from three months to 12 years old. The current leadership of PWC has experience in operating childcare centers and is confident that the childcare center can operate with financial stability, relying primarily on enrolling children who qualify for government subsidized childcare benefits. The Administration Building is large enough that it can also be used to provide additional recreational programming. The building has a very large high-ceiling room that PWC plans to convert into an indoor basketball court and recreation space for youth under the age of 12. Other spaces within the Administration Building could be used for art, dance, yoga, and music programming.

The Proposition K Grant Agreement includes the Services and Maintenance Agreement which requires that PWC provide the following services for youth:

Identified Services	<ol style="list-style-type: none"> 1. To provide youths from the community the opportunity to participate in programs that involve the arts, fitness, and sports. Such programs include 1) Youth Services, 2) Graffiti Abatement, 3) New Beginnings, 4) Family Revitalization, 5) Road to Success, and 6) Parenting Education Programs. 2. To provide youths with after school tutoring, including Saturdays. 3. To increase the number of unduplicated youths served from 1,100 to 1,500 new youths per year 	
Service Hours	<u>Monday through Friday:</u> 8:30 PM - 6:00 PM	<u>Saturday Hours:</u> 8:30 AM - 5:00 PM
Service Terms	<u>Min. Years of Services:</u> 15 Years	<u>Services Amortized Rate:</u> $\$735,829/15 = \$49,055.27$ per year
	<u>Minimum City Residents Served per month:</u> Approximately 125	<u>Minimum of Service Hours per month:</u> 175 hours

The services specified in the Grant Agreement are not entirely recreation related and are outdated. Some of the services even relate to programs that no longer exist and thus PWC could not comply with those requirements.

Use of the Proposition K funded youth center as a job training and employment services center is not consistent with the Grant Agreement requirements for use of the building. However, given that PWC would be able to provide recreational programming on the

roof of the facility, a portion of the facility would in fact be used in compliance with Proposition K youth recreation requirements. PWC believes that if they were allowed to lease the facility to the UAW-LETC, and if they were able to get a loan to refinance their existing debt, the monthly lease payments would be sufficient to cover the monthly payments on the new loan, pay off the Acon loan, pay the other existing debt, and have some capital available for operating expenses.

If PWC is not allowed to lease the facility, there will be no source of income for PWC to obtain a loan to pay its debtors. The bankruptcy case would be dismissed and Acon would likely proceed with foreclosure on the building. Since the City is in first position as a secured creditor, Acon would take ownership subject to the City's Deed of Trust. If Acon were to offer to pay the remaining \$404,706.06 on the Promissory Note, the result could be that the building would no longer be operated as a youth center or other community serving facility. The City could take legal action to enforce the restrictions that Acon must use as a youth center. Alternatively, the City could itself foreclose on the property, become the owner, and operate the youth center itself or contract with an entity to operate the youth center.

PWC's plan to lease the youth center to UAW-LETC and their willingness to provide recreational programming for youth on the rooftop of the center and at their Administration Building would keep the youth center building in use as a community-serving facility and could end up providing more recreational programming than what was required in the Grant Agreement. Details of the new recreational services for youth will be negotiated over the next few months. BOE believes that it can negotiate for PWC to provide new services that will be comparable and better than what is currently required in the Grant Agreement. Additionally, the childcare center at the Administration Building would provide a much-needed service to the community. UAW-LETC has even commented that parents who would be using the job training services at the WorkSource Center could enroll their children in the childcare center.

Therefore based on the unique facts and circumstances with this project, BOE recommends that it is in the best interest of the City and the residents of the community for the City authorizes PWC to lease its youth center to the UAW-LETC, provided that the building is used as the South Los Angeles WorkSource Center and that the lease allows for PWC to provide recreational programming on the rooftop of the building. Additionally, BOE recommends that the City Engineer be authorized to negotiate and execute an amendment to the Proposition K Grant Agreement to modify the services and maintenance obligations to provide for recreational programming at the rooftop of the youth center and at the PWC Administration Building.

It should be noted that on July 18, 2018, the U.S. Bankruptcy Court authorized PWC to lease the property to UAW-LETC, subject to approval by the City and the State (in reference to PWC's Proposition 12 grant).