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The Honorable City Council
City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

**DETERMINATIONS, ORDINANCE, AND REQUESTS FOR
AUTHORITY RELATING TO THE ACQUISITION AND DISPOSITION
OF PROPERTY LOCATED AT 3400 CAHUENGA BOULEVARD
IN CONNECTION WITH THE NBC UNIVERSAL EVOLUTION PLAN PROJECT**

Pursuant to City Council's action of April 30, 2014, relative to the acquisition and disposition of property located at 3400 Cahuenga Boulevard (Council File No. 12-1657-S4), the Department of General Services hereby reports to City Council with recommendations on the acquisition and disposition of property located at 3400 Cahuenga Boulevard in connection with the NBC Universal Evolution Plan project.

BACKGROUND

NBC Universal Media, LLC ("NBC Universal"), is involved in renovating the 391-acre Universal City property. That renovation project is commonly known as the NBC Universal Evolution Plan project ("Project"). Various aspects of the Project were previously presented to City Council for consideration. The Mitigation Monitoring and Reporting Program for the Project, which was previously adopted by City Council, requires, among other things, the construction of a new southbound on-ramp to the U.S. Highway 101 – Hollywood Freeway from Universal Studios Boulevard ("Ramp").

The proposed Ramp will need to cross over a portion of a developed property located at 3400 Cahuenga Boulevard ("Property"). The owner of the Property, Cahuenga Investors, LLC ("Owner"), is willing to sell the Property if the City purchases the entire Property in lieu of condemnation. The Owner is not willing to sell only the portion of the Property that is needed for the Ramp because the Owner believes that losing such portion of the Property would negatively impact operation of the entire Property. In addition, there are difficulties with selling the Property directly to NBC Universal



because an existing loan on the Property restricts any early payoff of the loan unless the Property is acquired through condemnation, or negotiated purchase in lieu of condemnation, by a public entity that has the power to condemn.

The City has been asked to facilitate this aspect of the Project so that the Property can be acquired in a timely and efficient manner for the construction of the Ramp. NBC Universal agrees to ensure that the City's involvement in the acquisition of the Property will be at no cost to the City. In City Council's April 30, 2014, action, City Council asked the Department of General Services to make recommendations regarding acquisition of the Property through a negotiated purchase in lieu of condemnation.

The City may acquire the Property either through condemnation or through a negotiated purchase in lieu of condemnation. Under the condemnation approach, the City would have to commence litigation by filing a condemnation action against the Owner to acquire the entire Property or a portion of the Property, depending on the City's evaluation of the situation at the time of filing. Compared to acquisition through condemnation, acquisition through negotiated purchase is typically faster and less contentious. The Department of General Services recommends a negotiated purchase as the preferred method of acquiring the Property in this case, especially because the Owner is willing to cooperate and jointly pursue this transaction. In addition, NBC Universal has agreed to pay for all costs associated with the negotiated purchase and indemnify the City against all liability relating thereto. In the event that a negotiated purchase in lieu of condemnation cannot be achieved, the Department of General Services recommends that it be instructed to report back for further instructions from City Council regarding the initiation of condemnation proceedings.

TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION

The following are being recommended as the key features of the negotiated purchase transaction:

- The City will acquire the Property from the Owner.
- NBC Universal will pay for all of the City's financial obligations relating to the City's acquisition of the Property from the Owner (including payment of the purchase price to the Owner).
- Immediately after the City acquires the Property, the City will transfer the Property to NBC Universal (the City's acquisition of the Property from the Owner will be contingent upon the City's concurrent disposition of the Property to NBC Universal).
- In transferring the Property to NBC Universal, the City will restrict the Property so that a portion of the Property must be used for the Ramp, and the Ramp must be constructed at NBC Universal's sole cost to the specification of the California Department of Transportation ("Cal Trans") and thereafter transferred to Cal Trans.

- NBC Universal will indemnify the City for all liabilities and costs relating to the acquisition and disposition of the Property.

DETERMINATION REGARDING COMPETITIVE BIDDING

The acquisition and disposition aspects of the contemplated transaction are contingent upon each other and combined as one transaction. In addition, the contemplated transaction involving the Property is structured to solely benefit and implement the larger Project (i.e., the NBC Universal Evolution Plan project). Particularly, NBC Universal will receive the Property along with a covenant to construct the Ramp at its cost and then transfer the Ramp to Cal Trans in satisfaction of a requirement for the larger Project. It is highly unlikely that anyone other than the developer of the larger Project would be interested in acquiring the Property under such conditions and deal structure. Therefore, seeking competitive bids in this case would be an unnecessary expenditure of City's valuable resources. Based on these unique features of the contemplated transaction, competitive bidding would not be practicable, and public interest would be best served by a direct sale to NBC Universal without competitive bidding.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

If City Council wishes to take the actions recommended below, it must first comply with the California Environmental Quality Act ("CEQA"). The Environmental Impact Report ("EIR") for the Project was previously certified by the City Council on November 14, 2012, and a Notice of Determination pertaining to such action was filed with the Los Angeles County Clerk on November 16, 2012. Therefore, the City Council may comply with CEQA by taking the following action prior to, or concurrent with, the actions recommended below:

Determine, under California Public Resources Code Section 21166 and California Environmental Quality Act Guidelines Section 15162, on the basis of substantial evidence contained in the whole record, that since certification of EIR No. ENV-2007-254-EIR (SCH 2007071036), on November 14, 2012, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified significant effects, and therefore no additional environmental review is required for the Project, including the part of the Project involving construction of the Ramp.

RECOMMENDATIONS

The Department of General Services recommends that City Council take the following actions relative to the acquisition and disposition of the Property in connection with the construction of the Ramp for the Project:

- (1) DETERMINE, under California Public Resources Code Section 21166 and California Environmental Quality Act Guidelines Section 15162, on the basis of substantial evidence contained in the whole record, that since certification of EIR No. ENV-2007-254-EIR (SCH 2007071036), on November 14, 2012, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified significant effects, and therefore no additional environmental review is required for the Project, including the part of the Project involving construction of the Ramp;
- (2) DETERMINE that, based on the unique features of the contemplated acquisition and disposition, sale of the Property through competitive bidding would not be practicable, and public interest would be best served by a direct sale to NBC Universal without competitive bidding;
- (3) PRESENT and ADOPT the accompanying ORDINANCE authorizing transfer of the Property to NBC Universal immediately after the City acquires the Property at NBC Universal's sole cost, and such transfer to NBC Universal shall include a covenant requiring construction of the Ramp at NBC Universal's sole cost and transfer of the completed Ramp to the California Department of Transportation;
- (4) AUTHORIZE the Department of General Services to negotiate and execute an Acquisition and Disposition Agreement regarding: (i) the City's acquisition of the Property from the Owner and (ii) the City's disposition of the Property to NBC Universal, in a form substantially similar to the attached Acquisition and Disposition Agreement, subject to approval of the City Attorney as to form;
- (5) AUTHORIZE the Department of General Services to take any action and negotiate and execute any agreement or document necessary to implement the contemplated negotiated purchase transaction, subject to

approval of the City Attorney as to form with respect to such agreement(s) or document(s);

- (6) AUTHORIZE the Department of General Services to negotiate and execute an indemnity agreement pursuant to which NBC Universal would fully indemnify the City for all costs/liabilities associated with the City's acquisition and disposition of the Property and agree to defend the City in any proceeding challenging any action by the City in furtherance of the Project or the Ramp, in a form substantially similar to the attached Indemnity Agreement, subject to approval of the City Attorney as to form;
- (7) AUTHORIZE the City Attorney to make technical corrections and changes to all agreements and documents necessary for the contemplated transaction; and
- (8) DIRECT the Department of General Services to report back to City Council in the event that a negotiated purchase in lieu of condemnation cannot be achieved, and seek direction regarding the initiation of condemnation proceeding.



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