

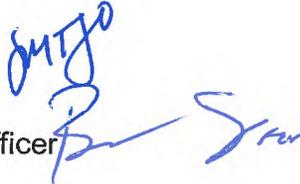
CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 2, 2016

To: Honorable Members of the City Council

From: Sharon M. Tso, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer



Subject: **TAYLOR YARD G2 ACQUISITION FOLLOW-UP (C.F. 13-1641)**

RECOMMENDATION

That the Council adopt the attached Reimbursement Resolution (Attachment 1) declaring the intention to reimburse and/or refund the City's General Fund expenditures or other City fund expenditures to be incurred in connection with the purchase of the G2/Taylor Yard property in a maximum amount not-to exceed \$60 million.

SUMMARY

In October 2016, City staff from the Office of the Chief Legislative Analyst (CLA), City Administrative Officer (CAO), the Department of General Services (GSD), and the Bureau of Engineering (BOE) presented a report dated September 22, 2016 regarding the acquisition of Taylor Yard G2 located at 2850 Kerr Street in Council District 1. On October 26, 2016, the Council and Mayor instructed City staff to borrow \$100,000 from the Reserve Fund and to deposit those funds into an escrow account in order to acquire Taylor Yard G2. Escrow was opened on October 31, 2016.

City staff was also instructed to report to the Arts, Parks and River and Budget and Finance Committees with updates on the following information within 45 to 60 days of opening escrow. This report and the attached report from BOE (Attachment 2) provide an update on each of the following items:

Arts, Parks and River Committee Requested Updates

1. *Reimbursement Resolution* – The City Attorney was instructed to return within 60 days with a Reimbursement Resolution allowing the Reserve Fund to be reimbursed \$100,000, from the Municipal Improvements Corporation of Los Angeles (MICLA) funds to open escrow.
2. *Environmental Impact Report (EIR) and Environmental Impact Statement (EIS) Addendum* – BOE, with assistance from appropriate City departments, was instructed to develop and process an Addendum to the Los Angeles River Ecosystem Restoration Project (LARER

Project) Environmental Impact Report/Environmental Impact Statement (EIR/EIS) that addresses the acquisition of Taylor Yard G2 and to report to Council within 45 days on the EIR/EIS Addendum with the close of escrow contingent on Council review and approval of the Addendum.

3. *State Grant Funding* - The CLA and City Attorney, with assistance from the CAO and BOE, were instructed to negotiate an agreement with the Santa Monica Mountains Conservancy (SMMC) for identified State grant funds to offset the costs associated with Taylor Yard G2 and report on the status of the negotiations and funding within 90 days of the start of escrow, but before the end of the Feasibility Review Period.
4. *EIR/EIS Addendum* – BOE was instructed to report within 45 days on the status of the CEQA Addendum to the LARER Project EIR/EIS and its review process.

Budget and Finance Committee Requested Updates

5. *G2 utilization* – The Mayor’s River Team was requested to report within 60 days with a plan for the utilization of the Taylor Yard G2 parcel, including a budgetary assessment and identification of specific revenue sources for each of the project components.
6. *LA River Master Plan* – BOE was instructed to report with the cost and project comparison of the LA River Master Plan proposal for this site, and compare it with the LARER Project for the parcel, both in terms of utilization and costs.
7. *Exit Escrow* – The CLA and CAO were instructed to report, no more than 30 days prior to the close of the feasibility review period, and provide Council with the opportunity to consider exiting the escrow and recovering the deposit prior to the end of that period.

In January 2017, City staff will report to Council on the various activities that have occurred during the 90-day Feasibility Review Period, which include, but is not limited to, the following:

- Identifying the availability of financing for the acquisition;
- Discussing with the easement holders on the site of the City’s proposed use of the surface area above the easements to identify any potential conflicts in use; and
- Determining that there is no significant risk to public health and safety and/or environmental risk posed by the pipeline easement areas, with assistance from the City’s Petroleum Administrator, Department of Transportation, and the Fire Department.

DISCUSSION

Update No. 1: Reimbursement Resolution

On October 26, 2016, the City Council approved entering into escrow for the purchase of the Taylor Yard G2 Property. To enter escrow, \$100,000 was borrowed from the Reserve Fund. If the City decides to move forward, close escrow and buy this property, then Municipal Improvement Corporation of Los Angeles (MICLA) bond funds would likely be used to purchase the property. A

reimbursement resolution is required by Treasury Regulation Section 1.150-2, for such capital expenditures with proceeds from the City's future tax-exempt borrowing and because it may be necessary to use other upfront monies until such time that the bond monies are made available. Reimbursement resolutions must be approved within 60 days of the expenditure, which in this case was made on October 31, 2016.

Approval of the attached Reimbursement Resolution (Attachment 1) will provide sufficient authority for the following:

1. Ensure repayment of the \$100,000 to the Reserve Fund from MICLA; and
2. Allow for reimbursement of up to \$60 million from potential State grant funding (discussed in Update No. 3) and bonds once issued, if the City proceeds with the acquisition of Taylor Yard G2.

Update Nos. 2 and 4: LARER Project EIR/EIS Addendum

Attachment 2 was prepared by BOE and it provides an update on the status of the EIR/EIS Addendum. BOE reports that it is currently preparing the Addendum to the LARER Integrated Feasibility Report EIR/EIS. In addition to discussing the potential project scope on the site as it relates to the LARER Project, the Addendum will also discuss the potential for future interim uses on the site, subject to approval from the Department of Toxic Substances Control which will determine the appropriate level of remediation on the site that is needed. BOE further reports that any interim uses will require subsequent future addenda or other CEQA documentation. The final EIS/EIR Addendum will be attached to the Council report that includes the necessary actions to complete the acquisition of the Taylor Yard G2 parcel, which will be presented to Council by January 2017.

Update No. 3: Update on the State Grant Funding

There is \$25 million in potential State funding available¹ that has been earmarked for the SMMC through the State's Wildlife Conservation Board for the acquisition of Taylor Yard G2. Of this amount, \$20 million could be used for acquisition cost and the remaining \$5 million could be used for improvements on Taylor Yard G2. The funding would be subject to an easement agreement between the City and SMMC.

The \$20 million in State grant funding is in addition to the \$40 million in MICLA that is currently reserved in the FY 2016-17 Adopted Budget. Initially, \$60 million was proposed for FY 2016-17, but this amount was reduced to \$40 million in anticipation of receiving the State grant funding. The City began negotiations of an easement agreement with SMMC, but the State indicated that it would first need to conduct its own appraisal of the property. The State is currently finalizing the appraisal. Upon completion of the appraisal, SMMC and the City will resume negotiations.

Negotiations with SMMC will likely not be finalized before the close of escrow. Furthermore, the State funds would likely only be provided to the City on a reimbursement basis after the close of escrow and therefore would not be immediately available before the close of escrow. Therefore, one option that City staff may explore is the use of an additional \$20 million in MICLA funding for the acquisition of the property. These funds would be reimbursed upon receipt of the State grant funding from SMMC. City staff will report to Council in January 2017 once negotiations have resumed with SMMC

¹ State Proposition 50 - \$20 million
State Proposition 84 - \$5 million (for recreational purposes)

on funding options and an easement agreement for acquisition including whether additional MICLA authorization is needed.

Update Nos. 5 and 6: G2 Utilization and Comparison to LA River Revitalization Master Plan

The Mayor's LA Riverworks Office and BOE are currently working on the plan for utilization of G2 and the comparison of the LARER Project to the LA River Revitalization Master Plan and will provide a report in January 2017.

Update No. 7: Exiting Escrow Prior to Close of the Feasibility Review Period

The Purchase and Sale Agreement (PSA) indicated that the City would have 120-days to close escrow, which includes the 90-day Feasibility Review Period. The City must affirmatively notify the landowner, Union Pacific Railroad Company (UP), and the escrow agent of its intent to purchase Taylor Yard G2 within 90 days. If the City does not affirmatively notify UP and the escrow agent that it is interested in purchasing the property within 90 days, then the escrow will be automatically terminated, the escrow agent will return the \$100,000 deposit to the City, and the City will be foregoing the purchase of the property at this time. If, however, the City would like to proceed with the purchase and it affirmatively notifies UP and the escrow agent of its intent to do so within 90 days, then the City would then have an additional 30 days to close escrow.

If the City opts to proceed with the purchase of Taylor Yard G2, then the escrow timeline is as follows:

Activity	Deadline
Open Escrow	October 31, 2016
If proceeding with purchase, must affirmatively notify Union Pacific and the escrow agent.	90 days – January 29, 2017
Close escrow	120 days – February 28, 2017

After the 90-day period, the City would still have the option to terminate the escrow within the last 30 days, but the City would lose its \$100,000 deposit.

FISCAL IMPACT STATEMENT

There is no additional anticipated impact to the General Fund from approval of the recommendation in this report. However, as indicated in the September 22, 2016 correspondence, there was an immediate impact to the General Fund of \$100,000 for the deposit which was borrowed from the Reserve Fund to open escrow on October 31, 2016. Approval of the acquisition will require the City to provide the balance of \$59.215 million to close escrow by February 28, 2017. It is unclear what the impact will be on the General Fund for full remediation and development at this time since the full project has not been defined.

APPENDIX

Attachment 1: Reimbursement Resolution

Attachment 2: BOE Report dated November 30, 2016

RESOLUTION OF THE CITY OF LOS ANGELES DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF WITH THE PROCEEDS OF A FUTURE TAX-EXEMPT BORROWING FOR CERTAIN CAPITAL EXPENDITURES UNDERTAKEN AND TO BE UNDERTAKEN BY THE CITY, AND PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City of Los Angeles (the “City”) is a municipal corporation duly organized and existing pursuant to its Charter and the Constitution and laws of the State;

WHEREAS, the Council of the City (the “Council”) is the governing body of the City;

WHEREAS, the Council has determined that is in the best interest of the City to consider making certain capital expenditures to finance the acquisition of real property referred to as Taylor Yard Parcel G2 located at 2850 Kerr Street, Los Angeles, California (the “Property”) (C.F. 13-1641), and to finance the environmental remediation and subsequent build-out for public purposes (the “Project”);

WHEREAS, the City has provided the required deposit for said acquisition with a \$100,000 loan from the Reserve Fund to open escrow and start the feasibility review period and, if the City proceeds with the acquisition following such feasibility review period, the City may, from time to time, provide financing for additional Project components with loans from the Reserve Fund or from other City funds;

WHEREAS, the City currently intends and reasonably expects to participate in a tax-exempt borrowing in an amount reasonably expected not to exceed \$60 million to finance or refinance all or a portion of the costs of the Project;

WHEREAS, the City currently intends and reasonably expects to use a portion of the proceeds of such tax-exempt borrowing to reimburse itself for the portion of capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, within 18 months of the date of such capital expenditures or the placing in service of the Project, whichever is later (but in no event more than 3 years after the date of the original expenditures); and

WHEREAS, the Council desires to declare its official intent, pursuant to Treasury Regulations Section 1.150-2, to reimburse the City for such capital expenditures with proceeds from the City’s future tax-exempt borrowing;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

Section 1. Declaration of Official Intent. The City currently intends and reasonably expects to finance all or a portion of the costs of the Project.

Sec. 2. Dates of Capital Expenditures. All of the capital expenditures covered by this Resolution were made not earlier than 60 days prior to the date of adoption of this Resolution.

Sec. 3. Issuance of Bonds or Other Indebtedness. The City currently intends and reasonably expects to participate in a tax-exempt borrowing in an amount not to exceed \$60 million to finance or refinance all or a portion of the costs of the Project.

Sec. 4. Confirmation of Prior Acts. All prior acts and doings of the officials, agents and employees of the City which are in conformity with the purpose and intent to this Resolution, and in furtherance of the Project, shall be and they are in all respects ratified, approved and confirmed.

Sec. 5. Repeal of Inconsistent Resolutions. All other resolutions of the Council, or parts of resolutions, inconsistent with this Resolution and the intent to reimburse hereby declared, are repealed to the extent of such inconsistency.

Sec. 6. Effective Date of Resolution. This Resolution shall take effect immediately upon its passage.

I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting held on _____.

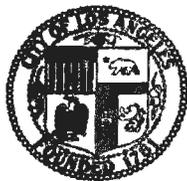
HOLLY L. WOLCOTT, City Clerk

By _____ Deputy

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DATE: November 30, 2016

TO: Honorable City Council Members
Arts, Parks, and River Committee

FROM: Gary Lee Moore, City Engineer *Gary Lee Moore*
Bureau of Engineering
Department of Public Works

**SUBJECT: BUREAU OF ENGINEERING REPORT BACK
COUNCIL FILE 13-1641
TAYLOR YARD G2 PARCEL ACQUISITION**

BACKGROUND

This memorandum is a report back from the Bureau of Engineering (BOE) to the Arts, Parks, and River Committee on matters concerning the acquisition of the Taylor Yard G2 Parcel (G2). The Committee requested the BOE to report on the status of the addendum to the U.S. Army Corps of Engineers' (USACE) Los Angeles River Ecosystem Restoration Integrated Feasibility Report (IFR) Environmental Impact Statement/Environmental Impact Report (EIS/EIR). The addendum will address the acquisition of G2.

The G2 site is approximately 41.5 acres, consisting of 40.5 acres of open space and 1.0 acre of an improved private access road. The site is currently owned by Union Pacific Railroad, and has an approved State Department of Toxic Substances Control (DTSC) Remedial Action Plan to address site contaminants.

EIS/EIR ADDENDUM

BOE is currently preparing the EIS/EIR Addendum to the IFR regarding the G2 parcel acquisition, and is developing its content to reflect input from the City Attorney's Office, DTSC, and other City Departments. The addendum will also discuss the potential for future interim uses on the site, subject to DTSC approval. Specific interim use proposals will require future evaluation for compliance with the California Environmental Quality Act (CEQA) in subsequent future addenda or in other CEQA documentation. The EIS/EIR Addendum currently in preparation will be an attachment to the Council report that includes the recommended actions to complete the acquisition of the G2 parcel.



cc: Sharon Tso, Chief Legislative Analyst
Miguel Santana, City Administrative Officer
Tony Royster, General Services Department
Matias Farfan, CLA
Jacqueline Wagner, CAO
David Roberts, GSD
Curt Holguin, City Attorney
Deborah Weintraub, BOE
Kendrick Okuda, BOE

Consider:

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Shahram Kharaghani, Sanitation
Christine Peters, CD 13
Arturo Chavez, CD 1
Michael Affeldt, LA RiverWorks