

ECONOMIC DEVELOPMENT AND JOBS COMMITTEE REPORT relative to proposed First Amendment to the Option Agreement (Contract No. C-125175) with the Community Redevelopment Agency, Los Angeles (CRA/LA), to establish the price for the Bethune Library Site at \$7,300,000 under specific conditions.

Recommendations for Council action:

1. APPROVE the First Amendment to the Option Agreement (Contract No. C-125175) with the CRA/LA for CRA/LA-owned property known as the Bethune Library Site located at 3685 South Vermont Avenue (APN 5040-030-905) as detailed in Attachment A of the February 8, 2022 Economic and Workforce Development Department (EWDD) report, attached to the Council File, subject to the review and approval of mutual parties' legal counsel.
2. AUTHORIZE the Mayor, or designee, to execute the First Amendment to the Option Agreements for the Bethune Library (Contract No. C-125175); and, REQUEST the Mayor to transmit the said executed Agreement to CRA/LA for further consideration.

Fiscal Impact Statement: The EWDD reports that approval of the recommendations contained in the February 8, 2022 EWDD report, attached to the Council File, will not have an impact on the General Fund. The extent of any future impact on the General Fund is currently unknown.

Community Impact Statement: None submitted.

Summary:

On March 8, 2022, your Committee considered a February 8, 2022 EWDD report relative to proposed First Amendment to the Option Agreement (Contract No. C-125175) with the CRA/LA, to establish the price for the Bethune Library Site located at 3685 South Vermont Avenue (APN 5040-030-905) at \$7,300,000 under specific conditions. According to the EWDD, on January 9, 2015, the City and CRA/LA entered into an Option Agreement that allows the City the right to market and the option to purchase the Bethune Library Property located at 3685 South Vermont Avenue. The Option Agreement describes the process by which fair market value (FMV) is determined for the Property which results in the final purchase price.

Pursuant to Section 12 of the Option Agreement, FMV for the Property is based on a comparison of appraisals by the CRA/LA and the City. If the lower appraised value is within 10 percent of the higher value, then FMV of the Property is the average of the two. If the values differ by more than 10 percent, a third appraisal must be obtained. If the third appraisal is less than either of the first two, then the FMV of the Property shall be the

average of the two lowest appraisals. If the third appraisal is greater than the first two, then FMV of the Property is to be the average of the two highest appraisals. If the third appraisal falls between the previous two appraisals, the FMV of the Property shall be the value established by the third appraisal. The City obtained an independent appraisal on May 13, 2021, established an appraised value of Four Million, Nine Hundred Thousand Dollars (\$4,900,000.00). The CRA/LA obtained its appraisal on June 8, 2021, with an appraised value of \$7,300,000.00. The two independent appraised values of the Property differ more than 10 percent, therefore, a third appraisal could be required pursuant to Section 12 of the Option Agreement. The Option Agreement for the Property has gone through multiple extensions, and currently expires on September 10, 2022. However, Assembly Bill No. 1486 Section 13 amended Section 54234 of the Government Code, requires all disposition of the CRA/LA properties must be completed no later than December 31, 2022. Therefore, no further extension to the Option Agreement will be possible.

Section 12 of the Option Agreement further requires that the date of the appraisal on which the FVM is determined must be within six months of the Closing Date. This means that both City and CRA/LA appraisals have already expired in November and December 2021 and the City and CRA/LA must reinitiate a process to determine the FMV and complete the Property sale transaction within six months of the new FMV. The entailed process includes reappraisal following the process required by Section 12 of the Option Agreement, finalizing project financial feasibility based on the new FMV, finalizing development programs, community benefits programs, securing project financing, obtaining various governmental approvals, finalizing a disposition and development agreement, obtaining City Council and CRA/LA approval and close escrow.

Completing these steps in the remaining time available under the current Bethune Library Site Option procedure is not feasible and would most likely render the Bethune Library project unattainable. On October 20, 2021, the EWDD and CRA/LA received a correspondence from Bethune Hotel Ventures, LLC, the Developer of the proposed Bethune Library project. The Developer requested that the CRA/LA Governing Board and the City amend the term of the Option Agreement to establish the final Purchase Price at the CRA/LA's appraised value, dated June 8, 2021, of \$7,300,000.00.

The EWDD is in support of the request from the Developer that the Bethune Library Site Option Agreement be amended to establish the final purchase price as of the June 8, 2021, appraised value of \$7,300,000.00. Establishing a fixed purchase price would improve the Developer and City's ability to assess the economic feasibility of the Project and not be subject to fluctuations in the real estate market that may adversely impact the Project. Without purchase price certainty, the Developer is unable to secure project financing that could cause further delays in finalizing the development agreement negotiations with the City. The recommended First Amendment to the Option Agreement will provide needed certainty in the project financing as the City works to complete negotiations with the City's selected Developer to develop this long vacant site and return it to productive use. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the renewal of the First

Amendment to Contract No. C-125175. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Economic Development and Jobs Committee

COUNCILMEMBER	VOTE
PRICE:	YES
KREKORIAN:	YES
BLUMENFIELD:	YES
RAMAN:	YES
HARRIS-DAWSON:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-