

TRANSMITTAL

To:
Council

DATE

11-16-17

COUNCIL FILE NO.

14-1174-S30,
14-0425, 17-0600-S29

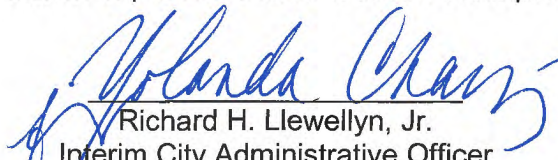
From:
CRA/LA Bond Oversight Committee

COUNCIL DISTRICT

14

At its special meeting on November 15, 2017, the Community Redevelopment Agency of Los Angeles (CRA/LA) Bond Oversight Committee approved recommendations in the attached Economic and Workforce Development Department (EWDD) report, which is hereby transmitted to Council for consideration. Adoption of the report recommendations would authorize EWDD to utilize up to \$825,000 in CRA/LA Excess Bond Proceeds available to Council District 14 within the Adelante Eastside Project Area to be utilized by Self-Help Graphics and Art, Inc to acquire the Ocean Queen Building (1300 E First Street, Los Angeles, CA 90033).

Fiscal Impact Statement: Approval of the recommendations in this report will have no impact on the General Fund. The CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D is funded solely from the transfer of approximately \$84.1 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174).


Richard H. Llewellyn, Jr.
Interim City Administrative Officer
Chair, CRA/LA Bond Oversight Committee

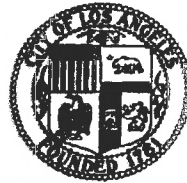
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Attachment

CITY OF LOS ANGELES

CALIFORNIA

JAN PERRY
GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

November 13, 2017

Council File: 14-1174-S30
(See also 14-0425, 17-0600-S29)
Council District No.: 14
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
Los Angeles, CA 90012

BOND OVERSIGHT COMMITTEE TRANSMITTAL: REQUEST BOND OVERSIGHT COMMITTEE REVIEW AND RECOMMENDATION THAT COUNCIL AND MAYOR, AS REQUIRED, APPROPRIATE UP TO \$825,000 IN TAXABLE CRA/LA EXCESS NON-HOUSING BOND PROCEEDS FROM THE ADELANTE EASTSIDE PROJECT AREA (2007 TAXABLE SERIES C) FOR THE SELF-HELP GRAPHICS AND ART, INC. OCEAN QUEEN BUILDING ACQUISITION PROJECT (BUSINESS ASSISTANCE ACTIVITIES)

The General Manager of the Economic and Workforce Development Department (EWDD) requests your review, approval and processing of the recommendations in this transmittal to City Council and Mayor for their consideration.

SUMMARY

Transmitted herewith for your review, approval, and further processing are recommendations pursuant to a CD 14 Motion (Huizar-Rodriguez) dated October 17, 2017 (CF 14-1174-S30) which was adopted by Council on November 1, 2017. The Motion originally sought to appropriate up to \$400,000 in taxable CRA/LA Excess Non-Housing Bond Proceeds (EBP) from the Adelante Eastside Redevelopment Project Area (Adelante) to assist Self-Help Graphics and Art, Inc., a non-profit 501c3 corporation, to acquire its current facility located at 1300 East First Street, Los Angeles, CA 90033 aka Ocean Queen Building. However, a funding gap exists, and the Council Office has asked that the Motion amount be increased to \$825,000.

Both of Adelante's taxable bond series (2005B and 2007C) are designated for Business Assistance and Catalytic Commercial Developments funding category in the Bond Spending Plan (BSP). Development of the Metro TOD site at First and Mission (Ocean Queen Building) is listed as a potential project for Adelante. CD 14's 98% share of Adelante's taxable EBP translates into \$1,532,073 after the 16% administrative appropriation. CD 14's 98% share of Adelante's tax-exempt EBP (Series 2009D) is \$4,618,854 for a combined original available EBP of \$6,150,927 to CD 14.

Through its 4 other motions, CD 14 has requested \$220,000 in taxable, and \$3,925,000 in tax-exempt, EBP available in the Adelante Eastside Project Area totaling \$4,145,000. After this Motion's proposed appropriation, CD 14 will have \$487,073 remaining in taxable EBP, and \$693,854 in tax-exempt EBP in the Adelante Eastside Area for a combined total of \$1,180,927 available for future projects.

For both of its project areas (Adelante and Monterey Hills), CD 14 will have \$529,389 in taxable, and \$693,854 in tax-exempt, EBP aggregating \$1,223,243 available for future projects.

RECOMMENDATIONS

The General Manager, EWDD, requests that the Bond Oversight Committee recommend that the Council, subject to the approval of the Mayor as required:

1. **APPROVE** up to \$825,000 in taxable CRA/LA Excess Non-Housing Bond Proceeds available to Council District 14 from the Adelante Eastside Redevelopment Project Area within the district to be utilized by Self-Help Graphics and Art, Inc. to acquire its business property (Ocean Queen Building) located at 1300 East First Street, Los Angeles, CA 90033;
2. **AUTHORIZE** the Economic and Workforce Development Department to be the implementing department, and to expend funds up to \$825,000 from the CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D, Account No. 22L9AT, Adelante Eastside Taxable, for transactions related to the Self-Help Graphics and Art, Inc. Ocean Queen Building Acquisition Project upon presentation of proper documentation by the General Manager, or designee;
3. **AUTHORIZE** the Controller to transfer up to \$825,000 from the CRA/LA Excess Non-Housing Bond Proceeds Fund No. 57D, Account No. 22L9AT, Adelante Eastside Taxable, to Chicago Title Company upon receipt of appropriate transfer instructions from the EWDD;
4. **AUTHORIZE** the General Manager of EWDD, or designee, to negotiate and execute a City loan agreement, promissory note, deed of trust and related documents (City Loan Documents) with the Self-Help Graphics and Art, Inc. on or before September 30, 2019 for a City loan up to \$825,000 towards the acquisition cost of the Ocean Queen Building, subject to the approval of City

Attorney as to form and legality;

5. AUTHORIZE the General Manager of EWDD, or designee, to negotiate and execute amendment(s) to the City Loan Documents relative to the intent of this transmittal on or before September 30, 2019, subject to the approval of the City Attorney as to form and legality;
6. AUTHORIZE the General Manager of EWDD, or designee, to enter into a subordination agreement with California Community Foundation for a term not to exceed four years to subordinate the City's loan towards the Ocean Queen Building acquisition so long as the total loan-to-value ratio does not exceed 80% of the acquisition cost; and
7. 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

There is no impact on the City's General Fund from the proposed appropriation of CRA/LA EBP. The CRA/LA Excess Non-Housing Bonds Proceeds Fund No. 57D is funded solely from the transfer of approximately \$84.1 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (CF 14-1174). Said transfer has been deposited with the Office of the Controller.

ENVIRONMENTAL REVIEW

The recommended action is categorically exempt from provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA guidelines.

CD 14 EXCESS BOND PROCEEDS AND PROPOSED PROGRAM ACTIVITIES

There are 2 redevelopment project areas whose EBP fall within CD 14: Adelante and Monterey Hills. There are a total of 4 bond series: 3 taxable bond series with \$1,874,273 EBP, and 1 tax-exempt bond series with \$4,618,854 EBP between both project areas. The details are reflected below:

CRA Project Area	Project Area % of EBP Within CD 14	Bond Proceeds Taxable	Bond Proceeds Tax-Exempt	Less: 16% Admin.	Available EBP in Project Area
Adelante Eastside	98%	\$1,823,897	\$4,618,854	(\$ 291,824)	\$6,150,927
Monterey Hills	100%	\$ 50,376	\$ -0-	(\$ 8,060)	\$ 42,316
TOTAL ORIG. EBP		\$1,874,273	\$4,618,854	(\$ 299,884)	\$6,193,243

Council Approved	14-1174-S4	(\$ 220,000)	(\$ 780,000)		\$5,193,243
Pending Increase	14-1174-S4		(\$ 500,000)		\$4,693,242
Pending Motion	14-1174-S28		(\$ 645,000)		\$4,048,243
Pending Motion	14-1174-S29		(\$2,000,000)		\$2,048,243
This Request	14-1174-S30	(\$ 825,000)			
BALANCE		\$ 829,273	\$ 693,854	(\$ 299,884)	\$ 1,223,243

The original taxable and tax-exempt EBP in Adelante Project Area available to CD 14 was \$6,442,751. However, after the administrative appropriation of 16%, or \$291,824, from taxable EBP, there remained only \$6,150,927 in the Adelante Project Area available to CD 14. This Motion's proposed \$825,000 taxable appropriation, along with 3 new motions in various processing stages, will leave CD 14 with \$487,073 taxable, and \$693,854 tax-exempt EBP in the Adelante Eastside Project Area for a total of \$1,180,927.

BOC and Council had approved CD 14 appropriations as follows:

1. CF 14-1174-S4: \$1,000,000 Whittier Blvd. Public Improvement/Grant Consultant \$780,000 Adelante Tax-exempt 2009 Series D; and \$220,000 Adelante Taxable 2005 Series B.

CD 14 introduced on October 24, 2017 a new Motion to reprogram the above \$200,000 from Adelante's Taxable 2005 Series B previously approved for grant consultant services, to the Department of Public Works, Bureau of Street Services to repair sidewalks along Whittier Blvd. between Indiana Avenue and Boyle Street. This new Motion under same C.F. #14-1174-S4 also seeks an additional amount not to exceed \$500,000 from Adelante's Tax-exempt 2009 Series D to supplement the cost of public improvements at same location. EWDD will commence work up upon Council adoption of this initial Motion.

CD 14 has been Council approved for its 2 recent initial Motion introductions as follows:

1. CF 14-1174-S28: Breed and Sheridan St. Elementary Schools Safe Route to School \$645,000 Adelante Tax-exempt 2009 Series D
2. CF 14-1174-S29: Sixth Street Park, Art, River and Connectivity Improvements \$2,000,000 Adelante Tax-exempt 2009 Series D

CD 14's 98% share of the Adelante Project Area yields the following amounts for the eligible funding categories:

Adelante Eastside Project Area	Infrastructure	Community Facilities	Affordable Housing	Business Assistance	Total Project Area Spending
Taxable	\$	\$	\$	\$ 1,823,898	\$ 1,823,898
Tax-Exempt	\$ 2,744,000	\$ 1,874,854	\$	\$	\$ 4,618,854
TOTAL	\$ 2,744,000	\$ 1,874,854	\$ -0-	\$ 1,823,898	\$ 6,442,752

The Self-Help Graphics and Art, Inc. Ocean Queen Building Acquisition Project is eligible under the Business Assistance and Catalytic Commercial Developments funding category in the BSP.

ANALYSIS AND RECOMMENDATIONS

CD 14's Motion (CF 14-1174-S30), adopted by Council on November 1, 2017, requested that \$400,000 in taxable EBP (2007 Series C) from the Adelante Project Area be appropriated in order to assist Self-Help Graphics and Art, Inc. acquire the Ocean Queen Building. However, it was later determined that an additional \$425,000 EBP is needed to complete the transaction, thereby bringing the total Motion request to \$825,000.

The Ocean Queen Building, identified as the First and Mission TOD Site Project in CRA/LA's Long Range Property Management Plan, is located at 1300 E. First Street, Los Angeles, California 90033. It is 1 of 8 properties owned by the Community Redevelopment Agency of Los Angeles, a Designated Local Authority (CRA/LA-DLA) that are under a current or extended Option Agreement (C.F. 14-0425) with the City of Los Angeles (City). The City entered into an Option Agreement to purchase this 10,400 sq. ft. industrial building, and a surface parking lot in a 20,564 sq. ft. property (Property). Through the terms of the Option Agreement, the City has the right to acquire the Property for the appraised Fair Market Value (FMV), and to solicit and sell the Property to a buyer who will use the Property to provide community benefits that align with the redevelopment plan. The City's extended term on this Option Agreement will expire on January 8, 2018.

The City wishes to acquire the Property, and effectuate the sale of the Property to Self-Help Graphics and Art, Inc. (SHG) for the same FMV in exchange for community benefits. The EWDD, in its September 6, 2017 report back to City Council pursuant to the FY 2017-18 Adopted Budget Recommendation instructions (C.F. 17-0600-S29), stated that the EWDD had completed the draft Purchase and Sale Agreement, Covenant Agreement, and Grant Deed with exhibits. These documents are ready for execution subject to City Council and CRA/LA-DLA Boards' approval.

SHG is a 501c3 non-profit organization which started in 1973 with a mission to foster new work by Chicano and Latino artists through fine art printmaking, and multiple visual art forms. It is dedicated to the production, interpretation and distribution of prints and other art media made by Latino artists. SHG have been an integral part of the Boyle Heights communities for over 40 years providing a forum for local and international artists. SHG's signature community celebration, Day of the Dead, was introduced in 1974, and remains the longest running public celebration of Day of the Dead in the country.

As the current occupant of the Property whose lease extends through 2020, SHG has embarked on a fundraising program to acquire and improve the Property since 2012.

Their funding and financing commitments include grant commitments from the Weingart Foundation, the California Community Foundation, the County of Los Angeles, SHG Board member, Bloomberg Philanthropies etc. SHG has also secured a Program-Related Investment (PRI) loan from the California Community Foundation (CCF).

Other non-City funding sources towards the \$3,625,000 purchase price have been secured with valid commitment letters on file with the EWDD. The CCF requires, as collateral, a free and clear first lien deed of trust on the real property. CCF's loan term is two years plus a potential 2-year extension at CCF's discretion. The City will enter into a subordination agreement with CCF for a term not to exceed 4 years to subordinate its real estate lien position.

The funding amounts and sources are listed below:

\$2,050,000	California Community Foundation PRI Loan
\$ 250,000	County of LA/California Community Foundation Pass-Thru Grant
\$ 250,000	Weingart Foundation Grant
<u>\$ 250,000</u>	SHG Board Member Zac Guevara Grant
\$2,800,000	Total Non-City funding*
<u>\$ 825,000</u>	CRA/LA EBP Service Payback Loan*
\$3,625,000	Total Purchase Price

* All non-City grant and loan proceeds along with EBP will be deposited concurrently with escrow agent Chicago Title Company.

The EWDD's Real Estate Asset Management staff is simultaneously submitting a transmittal requesting that the Mayor exercise the City's option to acquire the Property under its Option Agreement. Upon approval by CRA/LA-DLA's Governing and Oversight Boards and the State Department of Finance, the City shall complete the acquisition, and sell the Property to SHG for the FMV of \$3,625,000. As an Affected Taxing Entity under the Dissolution State, the City will receive approximately 26% of the sales proceeds as property tax income in the future. The amount of anticipated income is unknown at this time.

COMMUNITY BENEFITS

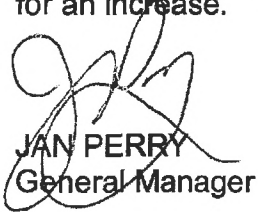
As a condition of the sale, SHG will commit to, under a restrictive covenant in the grant deed, operating the facility as a cultural facility and providing community benefits at the location over a service period of 10 years. These services shall include, but are not limited to: workshops in professional printmaking, an artist-in-residence program, gallery exhibitions, artist marketplace events, youth programs, artists' development, arts education and engagement, and other cultural events held on the premises. These community benefits are expected to serve approximately 26,000 community members generated by: 20 programs and cultural events (17,000 attendees), arts engagement and education programs (8,000 youth/families), professional printmaking studio (175 artists), and art exhibitions (1,000 visitors).

Within 2 years of acquisition, SHG shall submit a redevelopment plan, including repurposing of the building to accommodate a mix of uses that may include artists' studio space, creative office, light assembly, and production workshop space for artists, gallery and retail. SHG's proposal to acquire and operate from the Property confirms with the stated objectives of the Adelante Redevelopment Plan. The project is also congruent with the Adelante's Implementation Plan, as well as the Community Plan land use designation of Limited Commercial.

SERVICE REPAYMENT

In accordance with Community Redevelopment Law, these EBP are provided in exchange for SHG's offering and/or increasing a public service. Based upon the value of services that the City has negotiated with SHG, an annual 10% principal reduction i.e. \$82,500 will be credited for each year that the covenant is in compliance. Self Help Graphics will execute a 10-year service payback loan agreement with the City under the above mentioned restrictive covenant in the grant deed. City Loan Documents must be duly executed and fully encumbered by the City on or before September 30, 2019.

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 \$825,000 in Taxable 2007 Bond Series C Excess Bond Proceeds from the Adelante Eastside Project Area be appropriated for the purposes outlined in CD 14's Motion (C.F. 14-1174-S30) and the subsequent request for an increase.



JAN PERRY
General Manager

JP:SH:DH:MMS:AAC

ATTACHMENT 1: Motion (Huizar-Rodriguez) C.F. 14-1174-S30

MOTION

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 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. The Option Agreements were fully executed on January 9, 2015, and the properties are now under the control of the City.

Among the 10 Future Development sites is real property located at 1300 East First Street (APN 5172-008-900; 5172-008-901; 5172-008-902). The site is commonly referred to as the "Ocean Queen" and consists of a single parcel measuring approximately 20,564 square feet improved with a 12,000 square foot building and surface parking lot. The property is currently occupied by Self Help Graphics and Art, Inc. (SHG). The site resides in the Adelante Eastside Redevelopment Project Area and directly across from the Metro Gold Line Pico/Aliso station in Council District 14.

SHG is a 501(c)3 non-profit organization that is dedicated to the production, interpretation, and distribution of prints and other art media made by Latino artists. They have been an integral part of the Boyle Heights community for decades providing a forum for local and international artists. SHG currently occupies the property under a ground lease with CRA/LA that extends through 2020 but they are interested in acquiring the site to secure their permanent location. In order to facilitate the purchase, SHG is in need of additional funding to secure all financing to meet the purchase price. In exchange for the City's assistance, SHG will commit to providing a slate of community services and benefits at their location for a period of 10 years that would be memorialized in a restrictive covenant on the grant deed when purchased.

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 acquisition and development of the Ocean Queen for the purpose of securing a commercial component that provides community services and benefits 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 14 in an amount not to exceed \$400,000 from the Adelante Eastside Redevelopment Project Area be utilized by the Economic and Workforce Development Department to acquire and facilitate the sale and development of the Ocean Queen site located at 1300 East First Street (APN 5172-008-900; 5172-008-901; 5172-008-902) 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 \$400,000 to acquire and facilitate the sale and development of the Ocean Queen site located at 1300 East First Street (APN 5172-008-900; 5172-008-901; 5172-008-902) from CRA/LA, A Designated Local Authority, as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Adelante Eastside Redevelopment Project Area.

PRESENTED BY

JOSE HUIZAR

Councilmember, 14TH District

SECONDED BY