

MEMORANDUM

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DATE: MAY 15, 2008 CT3030  
SP3030

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCIHELLO, REGIONAL ADMINISTRATOR  
JENNY SCANLIN, PROJECT MANAGER  
JENNA GULAGER, ASSISTANT PROJECT MANAGER

SUBJECT: PREDEVELOPMENT LOAN AGREEMENT IN THE AMOUNT OF \$1,890,137 WITH CALIFORNIA HOSPITAL MEDICAL CENTER FOR THE DEVELOPMENT OF THE VENICE HOPE RECREATION CENTER LOCATED AT 1600 SOUTH HOPE STREET IN THE CITY CENTER REDEVELOPMENT PROJECT AREA DOWNTOWN REGION (CD9)

COMMITTEE REVIEW: RECOMMENDED BY LOAN COMMITTEE, MARCH 19, 2008

RECOMMENDATIONS

That the CRA/LA Board of Commissioners, subject to City Council review and approval, authorize the Chief Executive Officer or designee to execute a Predevelopment Loan Agreement in the amount of \$1,890,137 with California Hospital Medical Center, for the development of the Venice Hope Recreation Center located at 1600 South Hope Street, and to take other such actions as may be necessary to complete the transaction.

SUMMARY

The recommended actions will enable Catholic Healthcare West, doing business as California Hospital Medical Center ("CHMC," the "Developer"), to finance predevelopment activities related to the development of the Venice Hope Recreation Center (the "Project"), located at 1600 South Hope Street (the "Site", See Attachment A) in the City Center Redevelopment Project Area. The Project is a CRA/LA-initiated development, and, coupled with the development of the Venice Hope Pocket Park, is part of the CRA/LA's long term efforts to create more active open space in the South Park community.

The Project, located on an approximately 17,234 square foot site at the southeast corner of Venice Boulevard and South Hope Street, will house a 27,000 square foot facility offering approximately 21,000 square feet of indoor multi-purpose recreational, classroom and support space in a four-story structure, with 5,600 square feet of outdoor multi-purpose recreation space divided between a 4,400 square foot outdoor athletic court and a 1,200 square foot exercise terrace on the second floor. (Preliminary massing is provided in the Site Plan, Attachment B). The Project will serve residents within the South Park residential neighborhood of Downtown Los Angeles, specifically at-risk youth and their families. The Recreation Center will

complement the existing CRA/LA owned Venice Hope Park, a 15,000 square foot pocket park, located on the northwest corner of Venice Boulevard and Hope Street, which serves families with small children and seniors. In addition, the Hope Street Family Center will be on Site operating a licensed childcare facility for 52 families, an LAUSD continuation high school, family counseling, and fitness programs for low-income households. With the completion of the Project, the Hope Street Family Center will continue to provide these existing programs in the new space, and will provide additional indoor and outdoor recreational programs. New programs at the Recreation Center will include basketball, volleyball and other court sports, as well as intramural sports leagues in the outdoor recreational space; exercise and movement classes in the outdoor exercise terrace; and aerobics, movement, dance, yoga and circus arts classes in the multipurpose indoor space.

The Developer has partnered with the Los Angeles Community Design Center for architectural design and project management services.

#### Ownership and Operation

CRA/LA currently owns the Project Site. The Developer will develop the Project, and the CRA/LA intends to lease or convey the Site and Project to the Developer through a Disposition and Development Agreement. CHMC will operate the Recreation Center by relocating the Hope Street Family Center, currently located on the CHMC campus, to the Project.

#### Funding

The total construction cost for the Project is estimated to be \$15.4 million. The financing plan is as follows:

- *Acquisition:* Between 2003 and 2006, the CRA/LA acquired the three parcels that make up the Project Site. Funding sources included \$500,000 in Quimby Funds, \$500,000 in AEG/Staples Community Benefits Funds, and \$1,400,000 in CRA/LA General Revenue.
- *Predevelopment:* \$1,890,137 in CRA/LA General Revenue to be committed in this predevelopment loan (the "Loan").
- *Construction:* \$380,000 in additional CRA/LA funds, \$3,000,000 granted in a joint CRA/LA/CHMC application to the State's Prop 40 bond program, \$590,720 granted in a joint CRA/LA/CHMC application to the City's Prop K program, and up to \$8,000,000 to be funded through CHMC fundraising efforts.

The total CRA/LA contribution to the Project will be \$3,670,000: \$1,400,000 already expended for acquisition, \$1,890,137 for predevelopment, and \$380,000 to be committed for eligible site preparation and construction costs. The \$380,000 for construction will be identified in FY2009.

In order to start construction within the required timelines, CRA/LA will request authorization to provide a CDBG Float Loan to bridge the Developer's \$8 million fundraising campaign. The Developer has agreed to provide an irrevocable line of credit for the required security for the CDBG Float Loan. CRA/LA Staff and CHMC have begun discussions with the Community Development Department for the CDBG Float Loan, and expect to request authorization for the CDBG Float Loan through a Disposition and Development Agreement ("DDA") to be brought to the CRA/LA Board of Commissioners and City Council in Fall 2008.

The Project Sources and Uses are provided as Attachment C.

#### CRA/LA Predevelopment Loan

The CRA/LA Loan will fund architecture expenses, consultant reports, engineering studies, and permits and fees necessary to ready the Project for construction. (See Predevelopment Budget, Exhibit D.) The Loan has a one year term, with a 3% interest rate. It is expected that the Loan will be rolled into the Disposition and Development Agreement, which will include an increased CRA/LA funding commitment for eligible site preparation and construction cost, conveyance of the Project Site, conveyance of the Venice Hope Pocket Park, and the CDBG Float Loan referenced above. The Loan is secured by an Assignment of Architect's contract, plans and specifications, and consultant's reports.

#### Timing

The Proposition 40 funding requires that the Project is "closed out" by June 2010. Prop 40 defines "closed out" to mean that the Project is open to the public and all final reviews have taken place. To meet this timeline, the Developer is targeting construction completion no later than May 2010. In order to keep pace with this timeline, the Project must start construction by January 2009. The CRA/LA Loan provides adequate funding to complete all predevelopment activities required to meet the construction start date.

#### RE

November 6, 2003 – Actions related to the Proposed Venice Hope Recreation Center for the Submittal of Grant Application(s) and to Execute Agreements Upon Award for the State of California Murray-Hayden Urban Parks and Youth Services Grant Program and the 2001 Urban Park Act Grant Program.

May 20, 2004 – Various actions related to the future development of the Venice Hope Recreation Center at 1600 S. Hope Street, including adoption of mitigated negative declaration, making the findings required by Health & Safety Code section 33445; and approval to acquire the site for an amount not to exceed \$1.7 million.

June 16, 2005 – Public hearing and actions related to disposition of CRA/LA-owned property located at 940 S. Figueroa Street to LA Arena Land Company, Inc. and Flower Holdings, LLC.

August 4, 2005 – Approval of the exchange of the property located at 320 W. Venice Boulevard, then owned by CRA/LA, for the property located at 330 W. Venice Boulevard, then owned by DLDG, LLC and an additional payment of \$199,000 in order to create a contiguous parcel for the development of the Venice Hope recreation center.

August 4, 2005 – Transfer \$321,407.53 from the City of Los Angeles to the CRA/LA for the development of the Venice Hope Park and the future development of the Venice Hope Recreation Center at 1600-1610 South Hope Street and 320-324 Venice Boulevard.

May 18, 2006 – Modifications to the proposed budget and work program for the fiscal year ending June 30, 2007.

#### SOURCE OF FUNDS

Bunker Hill General Revenue, Central Business District General Revenue, Central Business District Public Benefit Program Fund, CRA/LA Special Revenue, Proposition K and 40 Grant Funds, Quimby Funds, Staples Center Community Benefit Funds

#### PROGRAM AND BUDGET IMPACT

The recommended actions are consistent with the CRA/LA's FY08 Budget and Work Program. Sufficient funds exist in budgeted line item "Public Improvements."

### ENVIRONMENTAL REVIEW

The proposed project was previously contemplated and evaluated in accordance with the California Environmental Quality Act. A Mitigated Negative Declaration was adopted by the CRA/LA on May 20, 2004.

### BACKGROUND

The City Center Redevelopment Plan calls for the development of community and public spaces, giving emphasis to parks and green spaces in order to facilitate the creation of a healthy Downtown community. The CRA/LA developed the 15,000 square foot Venice Hope Park in 2001 as part of a strategic effort to provide this open space and to redevelop the South Park community by replacing a blighted parking lot with community green space suitable for use by families and children. In an effort to expand on the pocket park and develop a multipurpose recreation center that would serve older youth and families, the CRA/LA Board approved, and the CRA/LA partnered with CHMC, in an application for Proposition 40 funds from the State of California. The recreation center was awarded \$3,000,000 from the Proposition 40 program. Between 2003 and 2007, the CRA/LA acquired 3 parcels toward the development of the Recreation Center, using Quimby funds, Staples Center Community Benefit funds, and CRA/LA Program Income. In 2006, CHMC and the CRA/LA secured \$590,720 from the City's Proposition K funds, to support the development of the outdoor athletic court associated with the Recreation Center.

Initially CRA/LA and CHMC entered into a Memorandum of Understanding that indicated that the CRA/LA would build, and CHMC would operate, the Recreation Center. Over the course of acquisition and initial predevelopment activities, Staff recommended that CHMC take over the role of developer, owner and operator of the Recreation Center. In addition, when the Venice Hope Park was developed, it was agreed that the neighboring housing developer, El Pueblo Development Corporation, would be the long term owner. However, after the park was developed, El Pueblo determined that they would not take over ownership of the Park. CHMC has agreed to take on ownership of the Venice Hope Park. The conveyance of both sites is anticipated within the next calendar year, through a Disposition and Development Agreement that will provide the balance of the CRA/LA funds committed to the Project, as well as a CDBG Float Loan to bridge CHMC's fundraising efforts during construction.

California Hospital Medical Center (CHMC) is a not for profit healthcare facility that has provided healthcare and community services in Downtown Los Angeles for over 100 years. The parent company, Catholic Healthcare West, is a system of 42 hospitals and medical centers in California, Arizona and Nevada. Over the course of the past 116 years, CHMC has successfully managed numerous capital improvement projects, including, in 1980, construction of Leavey Hall, a four-story, 40,000 square foot building that housed the School of Nursing's classrooms, lab and residential space; in 1986, construction of the nine-story, 300,000 square foot \$100 million Tibbitts Tower that serves as the main hospital building; in 1996 a \$7 million capital improvement project on the hospital campus that relocated the Emergency Room; and in 1997, in partnership with the Eisner Pediatric and Family Medical Center and the CRA/LA, the \$2 million construction of the Eisner Pediatric and Family Medical Center. The CHMC portion of this development included the construction of a 3,500 square foot child development center serving 48 children. In addition to these capital projects, CHMC has maintained high quality healthcare and community benefit programs that utilize hospital facilities created by these capital improvement projects.

In June 2007, CHMC contracted with the Los Angeles Community Design Center (LACDC) to complete a feasibility study and program scope for the development of the Venice Hope Recreation Center. That study provided the massing, site plan, cost estimates, and entitlements plan for the Project. CHMC is contracting with LACDC to design and manage construction of the Venice Hope Recreation Center. Construction is expected to start by January 2009 and to last approximately 13 months, with completion by March 2010. The Project will adhere to all applicable CRA/LA policies.

Councilmember Jan Perry supports this development.

Cecilia V. Estolano  
Chief Executive Officer

By

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Donald R. Spivack  
Deputy Chief of Operations and Policy

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning these actions. Chief Operating Officer Glenn Wasserman has disqualified himself from any participation concerning this matter due to the fact that the Project Architect will be the Los Angeles Community Design Center and he is married to Ms. Allyne Winderman, the chair of the Los Angeles Community Design Center Board.

Attachments:

Attachment A – Site Map  
Attachment B – Site Plan  
Attachment C – Sources and Uses  
Attachment D – Predevelopment Budget