

MEMORANDUM

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DATE: NOVEMBER 19, 2009 WK3580

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: LESLIE LAMBERT, REGIONAL ADMINISTRATOR
MICHELLE BANKS-ORDONE, PROJECT MANAGER
CAROLINE SIM, ASSISTANT PROJECT MANAGER

SUBJECT: OWNER PARTICIPATION AGREEMENT FOR THE PURCHASE OF AN OPERATING COVENANT FROM THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN LOS ANGELES FOR \$6,000,000 RELATING TO THE MUNGER FAMILY YMCA PROJECT LOCATED AT 245, 249, 253, AND A PORTION OF 219 S. OXFORD AVENUE, AND 4301 W. 3rd STREET
WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA
HOLLYWOOD & CENTRAL REGION (CD 4)

LOAN COMMITTEE: January 28, 2009 - Approved

RECOMMENDATIONS

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

1. Authorize the Chief Executive Officer or designee to execute an Owner Participation Agreement ("OPA") with the Young Men's Christian Association of Metropolitan Los Angeles ("Developer") for the purchase from the Developer of an operating covenant for \$6,000,000 relating to the Munger Family YMCA Project ("Project") and to take such other actions as may be necessary to carry out the OPA including the execution of all ancillary Project documents;
2. Waive the CRA/LA's Living Wage Policy with respect to requirements for the non-profit 501(c)(3) exemption of the Living Wage Policy;
3. Authorize expenditure of the entire 1% Art Development Fee for on-site public art; and
4. Amend the FY10 budget and work program to transfer \$6,000,000 from budgeted line item "Development Opportunities" to "Community Facilities & Programs".

SUMMARY

The recommended actions will allow for the purchase of an operating covenant for the amount of \$6,000,000 through the OPA with the Developer. During the 20-year term of such operating covenant, the Developer will be required to operate a community recreational facility at 245, 249,

253, and a portion of 219 S. Oxford Avenue, and 4301 W. 3rd Street ("Site", see Attachment "A", Location Map). In January 2009, Seifel Consulting valued the 20-year restriction of use at \$6,000,000.

Once various conditions precedent to disbursements are met, the CRA/LA will disburse the purchase price in five separate increments in the following order:

- Up to \$1,400,000 within 3 months of the execution of the OPA and after recordation of the operating covenant;
- Up to \$1,600,000 when proof of funds totaling 100% of the development budget is submitted and approved by the CRA/LA;
- \$1,000,000 after the issuance of all necessary building permits;
- \$1,000,000 after the completion of the foundation of the main facility; and
- \$1,000,000 after the completion of the shells for the facility and parking structure.

The Project consists of six parcels that the Metropolitan YMCA purchased over a span of several decades. As appraisal report dated January 2008 shows that the value of the land is over \$7,000,000, and there are no liens on the Site.

Currently, the total development cost is approximately \$21 million. The Developer expects to start construction in late 2010 with completion in early 2012. Currently, the temporary trailers that once housed programs have been relocated (see Attachment "B", Current Site Photos) in anticipation of construction.

PROJECT DESCRIPTION

The current improvements on all parcels will be moved and/or demolished, and a new two-story LEED-Silver rated recreational facility will be constructed. The first floor will consist of an aquatic center, a community room, children's activity room, and lockers. The second floor will include a fitness center, YMCA office-space, various activity/multi-purpose rooms, as well as an outdoor running track with landscaping. Adjacent to the main YMCA facility will be a 3-story parking structure containing 159 parking spaces. The 20,000 square foot roof of the parking structure will be set-aside for teen activity space as well as a basketball court. Renderings of the proposed facility (see Attachment "C", Renderings) show extensive landscaping and courtyard space that will complement the adjacent Charles H. Kim Elementary School.

Typical recreational and after-school programs provided by other local YMCA facilities include swim lessons, group sports activities, aerobics classes, teen government events, and many other programs tailored to meet the needs of each facility's unique community.

The Project is seeking a waiver from the CRA/LA's Living Wage Policy (the "Policy"). The Policy states that "corporations organized under 501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. 501(c)(3), whose chief executive officer earns a salary which, when calculated on an hourly basis, is less than eight (8) times the lowest wage paid by the corporation, shall be exempted as to all Employees other than child care workers". The Young Men's Christian Association of Metropolitan Los Angeles, the Developer and signer of the OPA, oversees 25 YMCA facilities and 6 camps. However, each YMCA facility is managed individually in terms of employees, accounting, and operations. CRA/LA staff believe that the Munger Family YMCA's projected wage rates of the chief executive officer and lowest waged employee should be used in the 501(c)(3) calculation since that is more applicable than the wages rates of the entire Young Men's Christian Association of Metropolitan Los Angeles. When done via this

Project-specific method, it has been determined that the projected hourly wage of the Project's Executive Director, its highest paid employee, will be less than eight times the hourly wage rate of a teacher's aide, its lowest paid employee. Hence, the Project is seeking a waiver from the Policy.

In addition, the Project seeks to utilize the required 1% Art Development Fee wholly on-site in order to enhance this community recreational facility with public art that reflects the YMCA's history and/or the community's unique fabric.

Though the Project falls below the CRA/LA's threshold for application of the newly adopted Project Labor Agreement Policy, the Developer has voluntarily agreed to abide by the Project Labor Agreement Policy.

The OPA contains a Community Benefits Program wherein the Developer has agreed to subsidize at least 150 new memberships for low-income individuals/households per year for the term of the operating covenant. In addition, they will publicize their Universal Access Policy through the use of brochures and signage as well as train their employees to advise all prospective members who express an inability to pay the YMCA's general and posted rates of its Universal Access Policy. The Universal Access Policy states that individuals and households who cannot pay the regular or even the standardized low-income rate will not be turned away. Depending on the income level, low-income individuals/households will be charged what they are able to pay.

RE

Initial Action

SOURCE OF FUNDS

Wilshire Center/Koreatown Tax Increment

PROGRAM AND BUDGET IMPACT

The recommended actions are consistent with the CRA/LA FY0 Budget and Work Program for the Wilshire Center/Koreatown Recovery Redevelopment Project Area. Sufficient funds are available to fund this project and make any required SERAF payments. There is no impact to the City's General Fund.

One of the recommended actions is to amend the FY10 budget and work program to transfer \$6,000,000 from budgeted line item "Development Opportunities" to "Community Facilities & Programs".

ENVIRONMENTAL REVIEW

The Project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15332 of the CRA/LA CEQA Guidelines.

BACKGROUND

The Project will be located in a densely populated residential neighborhood, directly adjacent to the recently constructed, 800-seat Charles H. Kim Elementary School as well as the busy commercial thoroughfare of Western Avenue. Sizeable public parks are not within walking distance to this neighborhood. The Shatto Recreation Center which is over a mile away is the closest recreational amenity. Due to the density of the surrounding area, the community is in need of a recreational center to exercise, learn, and congregate.

Furthermore, building to the LEED Silver level of sustainability, the first of its kind in Wilshire Center/Koreatown, will help build neighborhood pride and assist in educating the public about green building. The Project's operating staff also expect to partner with the adjacent elementary school to create an efficiently utilized cross-campus so that students from the elementary school become active users of the YMCA. Lastly, a vital part of the YMCA's mission is to serve those in need.

To date, the Developer has collected almost \$12 million of the \$21 million fundraising goal (see Attachment "E", Development Budget), which is the projected development cost to construct the Project. An additional \$4 million from two committed donors is expected to be collected before construction begins. The CRA/LA's purchase of the operating covenant for \$6 million will put the Developer at 86% of the fundraising goal. The Developer is fully confident that they will reach 100% of their fundraising goal through private donations or from the YMCA of Metropolitan Los Angeles by the time construction is expected to begin in late 2010.

The Project is consistent with, and furthers the goals of, the Wilshire Center/Koreatown Recovery Redevelopment Plan adopted by the CRA/LA. Councilmembers Tom La Bonge, Herb Wesson, and the Wilshire Center/Koreatown Community Advisory Committee have expressed support for the Project.

Cecilia V. Estolano
Chief Executive Officer

By

Glenn F. Wasserman
Chief Operating Officer

There is no conflict of interest known to me, which exists with regard to any CRA/LA officer or employee concerning this action.

Attachments

Attachment A – Location Map
Attachment B – Current Site Photos
Attachment C – Renderings