

MEMORANDUM

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DATE: FEBRUARY 21, 2008 CR2140

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: CAROLYN HULL, REGIONAL ADMINISTRATOR  
KATHI HEAD, REAL ESTATE ACQUISITION MANAGER  
ALVIN JENKINS, PROJECT MANAGER

SUBJECT: APPROVAL OF SETTLEMENT AGREEMENT WITH ALLIED HEALTH MANAGEMENT (DBA HEALTHY LIVING) AND INDIA HOLLOWAY RELATED TO THE MARLTON SQUARE MIXED-USE DEVELOPMENT PROJECT IN THE AMOUNT OF \$200,000 AMENDED CRENSHAW REDEVELOPMENT PROJECT AREA

SOUTH LOS ANGELES REGION (CD 8)

RECOMMENDATION

That the CRA/LA Board of Commissioners approve the Settlement Agreement in the matter of *Allied Health Management (dba Healthy Living) and India Holloway v. CRA/LA, Marlton Square Associates, LLC* (Los Angeles Superior Court No. BC375443) in the amount of \$200,000 and authorize the Chief Executive Officer, or designee, to execute the Settlement Agreement and to take such other actions as may be needed to resolve the litigation.

SUMMARY

In August 2007, Allied Health Management (dba Healthy Living) and India Holloway ("Plaintiffs") filed a First Amended Complaint for Inverse Condemnation against CRA/LA and Marlton Square Associates, LLC, ("MSA") seeking damages and relocation payments related to their relocation from 3850 Martin Luther King Jr. Boulevard, a portion of the site of the Marlton Square mixed-use development project.

Specifically, Plaintiffs allege in the Complaint that they (i) operated a medical treatment office at 3850 Marlton Luther King Boulevard, (ii) were served with a notice to vacate by defendants in April 2006, (iii) relocated from the site at an initial cost of \$70,000, (iv) entered into an agreement with MSA, the project developer, in December 2006 for the payment of relocation benefits of \$190,000, and (v) have never been paid any amount for their relocation from the project site.

The Complaint set forth causes of action for inverse condemnation, trespass and nuisance and violation of the Uniform Relocation Assistance and Real Property Acquisition Policies Act and the California Relocation Assistance Act. In addition to damages and relocation costs, Plaintiffs sought injunctive relief and attorney's fees and costs.

Under the various agreements between CRA/LA and MSA for the development of the project, the developer is responsible for the payment of all relocation costs to businesses relocated from the project site and for the indemnification of CRA/LA in regard to legal actions related to such relocations. Although MSA did not accept CRA/LA's tender of defense of Plaintiffs' Complaint, developer funds will be used to pay the settlement amount and the costs of the CRA/LA'S defense. Approval of the Settlement Agreement will resolve all of Plaintiffs' claims and the Complaint against CRA/LA and MSA will be dismissed.

## RE

Initial Action

## SOURCE OF FUNDS

Developer project deposit and developer funds from the Marlton Square Relocation Disbursement Escrow.

## PROGRAM AND BUDGET IMPACT

The Marlton Square project is covered under Objective CR2140. Developer funds are in place for relocation expenses.

## ENVIRONMENTAL REVIEW

The settlement does not constitute a "project" as defined by the California Environmental Quality Act.

## BACKGROUND

In August 2002, CRA/LA entered into a Master Agreement with MSA for the development of new retail and housing at the project site then known as Santa Barbara Plaza, bounded by Martin Luther King Jr. Boulevard, South Marlton Avenue, Santa Rosalia Drive and Buckingham Road. Santa Barbara Plaza was added to the Crenshaw Redevelopment Project Area in 1994.

In January 2005, the Master Agreement was amended by three implementation agreements to add a single-family developer, a condominium developer and a retail developer to assist in the development of the project. The agreements provide for the development of a new shopping center and parking, 140 single-family homes and 150 condominium units. A separate 180 affordable unit senior housing development, known as Buckingham Place, is being constructed on adjacent land by a development entity controlled by MSA.

The Master Agreement and implementation agreements provide that MSA is responsible for the relocation of the approximately 117 business tenants at the project site. The relocation responsibility includes the payment of relocation costs as required under State and federal relocation statutes and regulations. The development agreements also require MSA to defend and indemnify CRA/LA from and against any claims or lawsuits pursued by the project site tenants for relocation payments.

As noted above, Plaintiffs allege that they reached agreement with MSA for the payment of relocation costs of \$190,000 in December 2006, but that MSA never made any payments to them. Plaintiffs also allege that they moved their medical services business from Marlton Square pursuant to a Notice to Vacate from MSA and in reliance on the payment of relocation costs and that they suffered a loss of business and other damages as a result of the move and the non-payment of relocation costs.

CRA/LA is represented by Meyers, Nave, Riback, Silver & Wilson ("Meyers Nave") in this matter. Instead of engaging in protracted litigation, Meyers Nave was directed to pursue a settlement based on the prior agreement between Plaintiffs and MSA. After negotiations, the parties agreed upon a payment of \$200,000, which consists of the prior agreed-upon amount of \$190,000, plus \$10,000 for interest and attorney's fees.

The source of funds for the payment of the settlement is (i) a portion of the deposit submitted by MSA as required by the terms of the project Master Agreement (\$10,000), and (ii) developer funds disbursed from the Marlton Square Relocation Disbursement Escrow (\$190,000). No direct CRA/LA funds will be used to pay the settlement amount. Meyers Nave's costs of representation in this matter will total approximately \$12,000, which will also be paid from developer funds.

Cecilia V. Estolano  
Chief Executive Officer

by:

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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.