

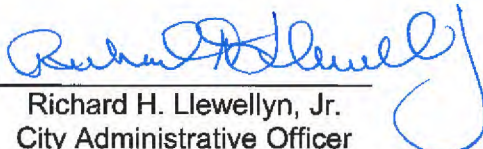
WA# 0111-31341-0083

**TRANSMITTAL**

To: Council	DATE 03-01-19	COUNCIL FILE NO. 14-1174-S25
From: CRA/LA Bond Oversight Committee	COUNCIL DISTRICT 3	

At its meeting of February 28, 2019, the CRA/LA Bond Oversight Committee approved recommendations in the attached Economic and Workforce Development Department (EWDD) report and instructed staff to transmit to Council for consideration. Council approval of the report recommendations would authorize the appropriation of up to \$2,728,151 plus all earned interest in CRA/LA Excess Non-Housing Taxable Bond Proceeds from the Reseda/Canoga Park Redevelopment Project Area (Tax-Exempt Series 2010-E) for the Madrid Theater Improvement Project.

**Fiscal Impact Statement:** There is no impact on the City's General Fund from the proposed appropriation. The CRA/LA Excess Non-Housing Bonds Proceeds Fund No. 57D is funded solely from two transfers totaling approximately \$86 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City. (C.F. 14-1174) Said transfers have been deposited with the Office of the Controller.

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

RHL:JVW/nsh15190083

Attachment

## CITY OF LOS ANGELES

CALIFORNIA

JOHN L. REAMER, JR.  
INTERIM GENERAL MANAGER



ERIC GARCETTI  
MAYOR

ECONOMIC AND WORKFORCE  
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET  
LOS ANGELES, CA 90017

February 27, 2019

Council File: 14-1174-S25  
Council District No.: 3  
Contact Persons & Extensions:  
Daisy Hernandez: (213) 744-9340

CRA/LA Bond Oversight Committee  
c/o Jacqueline Wagner  
Office of the City Administrative Officer  
Room 1500, City Hall East

**BOND OVERSIGHT COMMITTEE TRANSMITTAL: REQUEST REVIEW AND RECOMMENDATION THAT COUNCIL AND MAYOR, AS REQUIRED, APPROPRIATE UP TO \$2,728,151 PLUS EARNED INTEREST IN CRA/LA EXCESS NON-HOUSING BOND PROCEEDS FROM THE RESEDA/CANOGA PARK REDEVELOPMENT PROJECT AREA (TAX-EXEMPT SERIES 2010-E) FOR THE MADRID THEATER IMPROVEMENT PROJECT**

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

**RECOMMENDATIONS**

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

1. APPROVE, subject to the below-noted requirements, up to \$2,728,151 plus all earned interest in tax-exempt CRA/LA Excess Non-Housing Bond Proceeds (EBP) available to Council District (CD) 3 from the Reseda/Canoga Park Redevelopment Project Area (Project Area) for the Madrid Theater Improvement Project (Project);
2. AUTHORIZE, subject to the below-noted requirements, the Department of Public Works, Bureau of Engineering (BOE) to be the implementing department for activities related to the Project;
3. AUTHORIZE, subject to the below-noted requirements, the Controller to expend up to \$875,852 plus earned interest from the EBP Fund No. 57D, Reseda/Canoga Park Account No. 22L9PN Tax-Exempt Series 2010-E, upon

presentation of proper documentation from BOE and satisfactory review by EWDD in accordance with the terms and conditions of the Bond Expenditure Agreement (BEA);

4. AUTHORIZE, subject to the below-noted requirements, the Controller to expend up to \$1,852,299 plus earned interest from the EBP Fund 57D, Reseda/Canoga Park Account No. 22L9PN Tax-Exempt Series 2010-E, upon presentation of proper documentation from the General Services Department (GSD) and satisfactory review by EWDD in accordance with the terms and conditions of the BEA;
5. AUTHORIZE the BOE to perform limited preliminary planning as may be necessary to conduct the environmental review for the Project in an amount not to exceed \$8,000 from the above-noted funds appropriated to the Project;
6. DIRECT the BOE to withhold expending, or committing to expend, any of the remainder of the above-noted funds appropriated to the Project until all of the following have occurred:
  - a. BOE has completed the preliminary planning documents and environmental review documents;
  - b. The City has complied with the requirements of the California Environmental Quality Act (CEQA) with respect to the Project, including obtaining any necessary CEQA clearances; and
  - c. The Board of Public Works (BPW) has considered and approved the Project for expenditure of the remaining funds;
7. FIND that the action of appropriating and withholding expenditure of funds for the Project pending the completion, review and consideration of planning and environmental documents related to the Project is not a project pursuant to CEQA Guidelines Section 15378(b)(4) because it merely creates a funding mechanism or other government fiscal activity that does not commit the City to a project that may result in a potentially significant impact on the environment, and that preparing preliminary planning and environmental documents is not a project to CEQA Guidelines Section 15378(b)(5) because it is an administrative activity that will not result in physical changes in the environment;
8. DIRECT BOE to transmit copies of all contract awards and Memorandum of Understanding (MOU) related to the Project to EWDD;
9. DIRECT BOE to report on its work accomplishments to the Office of the City Administrative Officer (CAO), and fund expenditures to EWDD, on a quarterly and as needed basis; and
10. AUTHORIZE the Interim 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 CAO, and authorize the Controller to implement these instructions.

## **SUMMARY**

Transmitted herewith for your review, approval, and further processing are recommendations pursuant to a CD 3 Motion (Blumenfield-Ryu) which was adopted by Council on June 30, 2017 (CF 14-1174-S25).

This Motion seeks to appropriate up to \$2,990,000 in EBP available to CD 3 from the Project Area. Project was not listed as a potential project in the BSP as required to qualify for EBP consideration. A request to amend the BEA to add Project as a qualified potential project to the BSP in the Project Area was approved by CRA/LA's Overnight and Governing Boards, followed by the State Department of Finance on October 26, 2018. The proposed use of funds is permissible under the BSP adopted by City Council on October 29, 2014 (CF 14-1174), and sufficient funds for this purpose are available from CD 3's portion of EBP and earned interest in this Project Area.

The original taxable and tax-exempt EBP in Project Area available to CD 3 was \$20,984,713. However, after the administrative appropriation of 16%, or \$1,977,634 from taxable EBP, there remained a combined \$19,007,079 in the Project Area available to CD 3. CD 3 also traded their AB 1290 funds for CD 12's EBP funds. This trade provided an additional \$2,098,471 (\$1,236,021 taxable, and \$860,450 tax-exempt) to CD 3; and increased its taxable administrative appropriation by \$197,763. CD 3 now controls 99% of the Project Area with a total net EBP of \$20,907,787. This request's proposed \$2,728,151 in tax-exempt EBP, along with eleven (11) pending and BOC/Council approved motions, will leave CD 3 with \$1,150,417 in taxable and \$-0- in tax-exempt EBP in the Project Area for an ending available balance of \$1,150,417.

## **EWDD ANALYSIS**

A CD 3 Motion (C.F. 14-1174-S25), approved by Council on June 30, 2017, seeks to appropriate up to \$2,990,000 in taxable and tax-exempt EBP to leverage non-City funding to reactivate the Madrid Theater with investment in catalytic commercial development in the surrounding area to support the creation of the Madrid Theater Cultural District in the Project Area. CD 3 subsequently requested that only tax-exempt EBP plus earned interest (\$261,849 through December 31, 2018) for a combined total of \$2,990,000 be used for Project.

EWDD has met and consulted with CD 3, Department of Cultural Affairs and BOE regarding Project and scope of work. BOE will serve as the lead department overseeing the planning, design, and contract development through completion of Project. BOE will execute a MOU with GSD for their assistance with construction of the Project.

Project represents Phase I of two phases to upgrade the Madrid Theater. Phase I entails improvements made to the back of theater on the first floor. Phase II will involve changes made to the second and third floors.

Phase I carries an estimated cost of \$2,990,000 which will be 100% funded by tax-exempt EBP and earned interest. Phase I's scope of work includes:

1. Alteration of adjacent stage area to allow for the storage of the resident piano
2. Renovation of lobby to increase the size of the Ticketing Office and concessions to maximize sales opportunities and address ticketing and security upgrades
3. Replacement of the manual marquee with a new state-of-the-art electronic digital marquee
4. Installation of audio, visual, lighting, film and Phase I equipment upgrades
5. General capital improvements

Breakdown of Phase I's estimated budget is as follows:

Design

Geotechnical Engineering (Consultant)	\$ 22,419
Architectural (Consultant)	\$700,000
Environmental (Consultant)	<u>\$ 32,239</u>
	\$754,658

Permits

Building & Safety	\$ 33,628
Public Arts	\$ 22,419
Public Works	<u>\$ 10,105</u>
	\$ 66,152

Construction

Construction - GSD	\$1,852,299
Construction Contingency	\$ 185,230
Construction Inspection	<u>\$ 129,661</u>
	\$2,167,190

Project Contingency	<u>\$ 2,000</u>
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**Total Phase I Estimated I Cost                      \$2,990,000**

Phase II improvements will cost approximately \$6,504,273. Funding for Phase II is being identified as its development is independent of Phase I's. The combined Phase I and II estimated cost is \$9,494,273.

Phase I construction will begin in April 2020 with a duration of 12 months. Completion is targeted for March 31, 2021.

BOE will report on its work accomplishments to the CAO, and funds expended to EWDD, on a quarterly and as-needed basis for their respective reports to the Bond Oversight Committee, Mayor and CRA/LA.

**BENEFITS TO THE AFFECTED TAXING ENTITY**

The expenditures set forth in this report will provide community benefits in the Project Area which will benefit the affected taxing entities by revitalizing the arts community in the Project Area, improving a critical community facility center and support the viability

of adjoining commercial and residential districts, improving pedestrian safety, and enhancing public infrastructure and the appearance of buildings along the commercial corridor. The rehabilitation of public infrastructure will allow for greater social equity by making a positive impact on the built environment while complementing other community development efforts and aims to improve goods and services, create new jobs, attract patrons, enhance the cultural experience, and enliven the neighborhood which will promote economic development to complement the Madrid Theater Cultural Hub. The Madrid Theater Cultural Hub will provide art spaces for a diversified performance arts community. Enhanced connectivity along the commercial corridor will benefit school-age children, pedestrians, and bicyclists in general, promote public peace, health, safety, and public welfare in an effort to increase economic vitality for property owners and improve the overall quality of life for the area's residents

## **ENVIRONMENTAL REVIEW**

The recommended actions are not considered a "project" pursuant to CEQA. Consistent with CEQA Guidelines Section 15378(b)(4), approving the appropriation of funds for the Project and concurrently withholding any expenditure of those funds pending the completion, review, and consideration of planning and environmental documents and consideration of whether or not to approve the Project, is not a project. Such actions are intended to only create a funding mechanism or other government fiscal activity that does not commit to a project that may result in a potentially significant impact on the environment. Instead, the funds would be made available to the Project, similar to other regular government budgeting activities. But, just as such occurs with other City budgeting procedures, no construction of the Project will occur until the City has complied with CEQA (including the preparation and consideration of an environmental review document, if needed), and until the BPW has ultimately reviewed and determined whether or not to approve moving forward with, and expending the funds on, the Project.

Accordingly, after preparing preliminary planning and environmental documents, BOE's expenditure of the remainder of the funds will not occur until all of the following have occurred: (1) BOE has completed the preliminary planning and environmental review documents; (2) the City has complied with the requirements of the CEQA with respect to the Project, including obtaining any necessary CEQA clearances prior to final consideration and approval of the Project by the BPW; (3) and the BPW has considered and approved the Project. This process is intended to ensure compliance with CEQA by evaluating and considering the environmental impacts before deciding whether to proceed with the Project. If the BPW ultimately determines not to proceed with the Project, the remaining funds will not be used on the Project.

Also, consistent with CEQA Guidelines Section 15378(b)(5), preparing preliminary planning and environmental documents is not a project pursuant to CEQA, because it is only an administrative activity that will not result in physical changes in the environment. Preparing such preliminary documents does not commit the City to completing the Project. Rather, such documents merely facilitate assisting the BPW with evaluating whether the Project will potentially impact the environment when it


considers whether to approve the Project.

### **CAO BOND COVENANT REVIEW**

The CAO has completed its review of the original bond documents and covenants, and has found that the proposed use of EBP, as presented, is consistent with those covenants.

### **FISCAL IMPACT STATEMENT**

There is no impact on the City's General Fund from the proposed appropriation of EBP. The EBP Fund No. 57D is funded solely from transfers of approximately \$86 million in pre-2011 tax allocation bond proceeds from CRA/LA to the City (C.F. 14-1174 & 14-1174-S36). Said Transfers have been deposited with the Office of the Controller.



JOHN L. REAMER, JR.  
Interim General Manager

JLR:SH:DH:MMS

ATTACHMENTS:   1. Motion (Blumenfield-Ryu) C. F. 14-1174-S25  
                      2. Amending Motion C.F. 14-1174-S25

## MOTION

The communities of Reseda and Canoga Park contain historic central business districts that have, over the years, seen significant disinvestment. The former Community Redevelopment Agency of the City of Los Angeles established the Reseda/Canoga Park Redevelopment Project Area covering portions of Reseda, Winnetka, and Canoga Park to provide for and facilitate the repair, restoration, demolition and/or replacement of property, areas, or facilities damaged as a result of the 1994 Northridge Earthquake. Through an exhaustive community-based process, a vision has been identified for the revitalization of the communities in the Reseda/Canoga Park Redevelopment Project Area. Councilmember Bob Blumenfield has transformed this vision into the multi-front West Valley Improvement Plan Initiative. This initiative is a ten-point plan of improvements and amenities throughout the area's commercial corridors; a reinvestment in these historic communities to help them attain their former glory as destinations for commerce, art, and culture.

Located in the heart of Canoga Park, the Madrid Theatre is a 440-seat professional-level performing arts facility recognized as the West Valley's premier performance venue. The Madrid Theatre is dedicated to artistic excellence and committed to supporting the artistic experience of this vital community. Professionally managed by the Department of Cultural Affairs, the Madrid Theatre works in close partnership with dynamic arts organization to bring world-class art and entertainment to our community. The former Community Redevelopment Agency of the City of Los Angeles acted as the City's agent in acquiring the Madrid Theater and made large investments in its rehabilitation. The property currently finds itself in need of additional investment to help leverage non-City funds for activities necessary to reactivate the space and there is also an effort to acquire additional commercial space to create a Madrid Theater Cultural District. A Madrid Theater Cultural District area would provide physical space for rehearsal and recording studios and space for an arts-oriented non-profit incubator to attract arts-oriented vendors, artists, and organizations in this newly created area.

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 tax-exempt CRA/LA Excess Bond Proceeds towards capital improvements to public facilities and taxable CRA/LA Excess Bond Proceeds towards Business Assistance and Catalytic Commercial Development are generally an eligible use of these funds. Providing business assistance through facade improvements, tenant improvements, capital purchases, and other qualifying grants or loans is directly identified as an eligible expenditure in the Bond Expenditure Agreement and Bond Spending Plan.

I THEREFORE MOVE that tax-exempt and taxable CRA/LA Excess Bond Proceeds available to Council District 3 in an amount not to exceed \$2,990,000 from the Reseda/Canoga Park Redevelopment Project Area be utilized to leverage non-City funding to reactivate the Madrid Theater in Canoga Park along with investment in catalytic commercial development in the surrounding area that support the creation of the Madrid Theater Cultural District as described above.

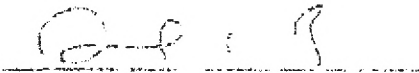


I FURTHER MOVE that the Economic and Workforce Development Department, with the assistance of the City Administrative Officer, Chief Legislative Analyst, Department of Cultural Affairs, and any other applicable City department, provide a report with recommendations to the CRA/LA Bond Oversight Committee to allocate tax-exempt and taxable CRA/LA Excess Bond Proceeds in an amount not to exceed \$2,990,000 to leverage non-City funding to reactivate the Madrid Theater in Canoga Park along with investment in catalytic commercial development in the surrounding area that support the creation of the Madrid Theater Cultural District as described above and as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Reseda/Canoga Park Redevelopment Project Area.

PRESENTED BY

  
BOB BLUMENFIELD  
Councilmember, 3<sup>rd</sup> District

SECONDED BY:



(Amending Language to C.F. 14-1174-S25)

**MADRID THEATER CULTURAL DISTRICT  
SMALL BUSINESS ASSISTANCE PROGRAM**

I THEREFORE MOVE that tax-exempt and taxable CRA/LA Excess Bond Proceeds available to Council District Three in an amount not to exceed \$2,990,000 from the Reseda/Canoga Park Redevelopment Project Area be utilized to create a small business assistance program that leverages non-City funding to reactivate the Madrid Theater in Canoga Park along with investment in catalytic commercial development in the surrounding area that support the creation of the Madrid Theater Cultural District as described above.

I FURTHER MOVE that the Economic and Workforce Development Department, with the assistance of the City Administrative Officer, Chief Legislative Analyst, Department of Cultural Affairs, and any other applicable City department, provide a report with recommendations to the CRA/LA Bond Oversight Committee to allocate tax-exempt and taxable CRA/LA Excess Bond Proceeds in an amount not to exceed \$2,990,000 to create a small business assistance program that leverages non-City funding to reactivate the Madrid Theater in Canoga Park along with investment in catalytic commercial development in the surrounding area that support the creation of the Madrid Theater Cultural District as described above and as identified in the Bond Expenditure Agreement and Bond Spending Plan for the Reseda/Canoga Park Redevelopment Project Area.