



MITCH O'FARRELL  
Councilmember  
13th District

June 8, 2021

Ms. Keyonna Kidd  
Office of the City Clerk  
Los Angeles City Hall  
200 N. Spring St.,  
Los Angeles, CA 90012

RE: Hollywood Arts Collective Art Building Term Sheet (12-0049-S9)

Dear Ms. Kidd:

I am requesting that the attached Ground Lease Terms and Conditions document for the Hollywood Arts Collective Art Building be uploaded to the Council File. Unfortunately, this document was omitted when the motion was introduced. The item has been scheduled for the June 9th Housing Committee meeting so it would be greatly appreciated if this could be added to the record for that meeting.

Thank you for your assistance and my apologies for the oversight.

Sincerely,

Craig Bullock  
Planning Director  
Thirteenth Council District

Attachment: Hollywood Arts Collective Art Building Term Sheet

## **Hollywood Arts Collective Arts Building Ground Lease - Key Terms and Conditions**

**1. Parties to the Agreement:**

The Ground Lease for the Hollywood Arts Collective Arts Building shall be entered by and between the City of Los Angeles, a municipal corporation ("City"), acting by and through its Housing and Community Investment Department ("HCIDLA"), and a to-be-formed Joint Venture TAF/TSA JV ("Lessee"). The Developer will be Thomas Safran & Associates Development, Inc. ("TSA") and The Actors Fund Housing Development Corporation ("TAF") (collectively "Developer").

**2. Site Description:**

The following parcel of land is currently owned by the City:

	Address	APN	Parcel Size (Sf)	Legal Description
<b>Site</b>	6518-6522 Hollywood Boulevard	5547-016-906	11,730	Attachment A

The Site is improved with an approximate 16,864 square foot gross building area ("GBA") building that was built in 1916 and includes non-profit tenants and a live theater ("Arts Building").

**3. City Site History:**

The Site, located in Council District 13, is owned and operated by the City's Department of Transportation ("DOT"). In 2016, the DOT made the parcel available for rehabilitation and assigned HCIDLA to manage the development activities. In November 2016, the City Council selected TSA and The Actors Fund for the rehabilitation of the Site. HCIDLA and the Developer entered into an Exclusive Negotiating Agreement ("ENA") on March 15, 2017 to rehabilitate the building into a street-level retail, gallery and theatre arts/rehearsal space, and offices for local non-profits.

The current tenants of the building include the following:

- Los Angeles Contemporary Exhibitions (LACE), an organization exhibiting experimental contemporary art;
- LA Freewaves, promoters of media arts, shares space with LACE;
- Los Angeles Filmforum, film screening organization, shares space with LACE;
- Los Angeles Forum for Architecture and Urban Design, curators of architecture and design, shares space with WUHO.

In December 2020, Woodbury University – Hollywood (WUHO), an architecture school, and Foxhole Theater, a for-profit group operating in the Cupcake Theater space, both vacated the building and terminated their leases. As part of its negotiations, the City has instructed the Developer to offer nonprofits LACE and WUHO the right of first refusal (“ROFR”) for long-term, below market leases in exchange for an ongoing contribution to the arts and culture of the Hollywood Community. Due to the termination of WUHO’s lease, the Developer will be offering the ROFR to LACE.

HCIDLA and the Department of Cultural Affairs (“DCA”) have worked together to negotiate with the Developer and current tenants in regard to proper space, programming needs, and vision for the community engagement space. In June 2019, the DCA issued a Request for Information (“RFI”) for the building to quantify in-kind services in exchange for a below market rent. These services will be memorialized in a Community Benefits Agreement (“CBA”) between the City and Lessee, and binding on sublessees..

**4. Environmental Issues with Site:**

The Lessee will be responsible for any environmental issues identified and process ways to mitigate any environmental issues on the Site.

**5. Rehabilitation Plan Summary:**

The Rehabilitation Plan shall be implemented and completed as described below, subject to receipt by the Developer of approval by the City of all discretionary land use applications; and the receipt by Developer of the necessary enforceable financing commitments:

**A. Site**

The Site includes one parcel totaling 0.27 acres.

**B. Gross Building Area**

The GBA of the existing Arts Building includes the following approximate square footages:

	Square Feet
Level 1 – Gallery Space	3,881
Level 1 – Storage Space	1,254
Level 1 – Theater	2,158
Mezzanine – Office Space	1,214
Second Floor Office Space	4,758
<b>Net Leasable Area</b>	<b>13,265</b>
Common Area / Circulation	3,599
<b>Total Gross Building Area</b>	<b>16,864</b>

**C. Tenant Mix**

The Lessee will use or sublease the space for use as follows:

	Square Feet
Level 1 – Theater	2,158
Level 2 – Office Space	4,758
<b>Net Leasable Area – TAF</b>	<b>6,916</b>

The Lessee will sublease the space as follows (“Sublessees”):

- LACE with the proposed leased space:

	Square Feet
Level 1 – Gallery Space	2,452
Level 1 – Storage Space	714
Mezzanine – Office Space	857
<b>Net Leasable Area – LACE</b>	<b>4,023</b>

- A to-be-determined local arts based organization with the proposed leased space:

	Square Feet
Level 1 – Gallery Space	1,429
Mezzanine – Office Space	357
<b>Net Leasable Area – TBD</b>	<b>1,786</b>

**D. Parking**

Any required parking will be provided through the replacement public parking component of the mixed-use development, at 1637 N. Wilcox.

**E. Rehabilitation Description**

The Lessee will be responsible for rehabilitating, or causing the rehabilitation of the Arts Building, including the following improvements: construction scope includes structural reinforcement of the foundation, roof, and walls as well as new built out spaces for the theater and office spaces.

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**F. Community Benefits Agreement (“CBA”)**

The final quantified in-kind services provided in exchange for a below market rent will be memorialized in a CBA between the City and the Lessee for implementation through the City lease. All sublessees shall be required to comply with the terms and conditions of the CBA. Lessee shall comply with the terms of the CBA for at least 55 years. Should Lessee fail to comply with the CBA, then the City may, among other remedies, increase the rent in an amount up to market rate or declare Lessee in default of the lease and terminate the lease, if Lessee fails to cure the default. The default may be cured by TAF providing the required community benefits

**G. Eligible Sublessees**

If there is a vacancy in the Gallery or office space, or LACE does not exercise the option to remain as a tenant post rehabilitation,

- Lessee will have four (4) months to fill the vacant space with a nonprofit arts organization.
- The new tenant will be subject to approval by the City of Los Angeles and must affirm the terms of the CBA in its sublease.
- If a good faith effort to find a nonprofit arts organization i by the Lessee, with participation of the City, is unsuccessful Lessee will have an additional two (2) months to fill such space with a nonprofit community benefits organization.
- If after the additional two months lessee is not successful, the City may, among other remedies, increase the rent in an amount up to market rate or declare lessee in default of the lease, and terminate the lease if lessee fails to cure the default. The default may be cured by TAF providing the required community benefits
- Category of Sublessees
  - Non-profit Arts Organization
  - Non-profit Community Benefits Organization
  - For-profit Community Benefits Organization
  - Commercial Tenant

**6. Ground Lease of the Site:**

The City agrees to ground lease to Lessee and Lessee agrees to ground lease from City, the leasehold interest in the Site in accordance with the DDA. The Ground Lease will have an initial term of 55 years and four 11-year extension terms. The term of the lease will be extended by each of the extension terms as long as Lessee is not in default of the terms of the lease and subject to the

requirements of Civil Code Section 719 and Government Code Section 37380(b)(1).

**7. Ground Rent for the Site:**

For the Term of the Ground Lease, if Lessee is not in default under the lease and is in compliance with the CBA, the Lessee will pay the City a base annual ground lease payment of \$1 per year (Base Rent). For any period during the term of the lease that Lessee is not in compliance with the CBA, then Base Rent shall be reassessed and may be increased up to market rate rent for similar properties in the area.

**8. Sublessee Rent:**

The Lessee will sublease the Site to the QALICB. The QALICB will sublease the Site and Arts Building to the TAF. There will be no restrictions in the ground lease with the JV on length of the sublease and subsublease terms that would adversely impact the NMTC financing. TAF will sublease the Site and Arts Building (or use the space itself) as follows: The ground lease will contain no restrictions on the term of subleases that may adversely affect the QALICB's ability to obtain NMTC financing

**A. 1<sup>st</sup> Retail Space – LACE**

LACE shall have the ROFR to remain as a tenant in the building. If LACE exercises the option to remain, the sublease terms shall be as follows:

- Provide LACE a 5-year, renewable lease for an approximately space of 4,023 square feet;
- The monthly lease rate will be \$1.25 per square foot for a total rent of \$5,028.75 per month. The initial rent is set at an approximately 70% discount from current market retail/office rents on Hollywood Boulevard.
- At the end of the initial five-year lease term, the subsidized lease rate will be re-evaluated with an increase to a maximum of 50% of current market rents.
- Lessee will provide LACE six months, but no sooner than June 2021 notification prior to construction, use of all common areas, and a budget for tenant improvements and relocation expenses.

- Relocation costs are estimated below and will be finalized by the Project's relocation consultant and be in compliance with all applicable relocation laws:
  - Gallery (\$20/Sf) \$44,900
  - Office (\$10/Sf) \$22,900
  - Estimated Relocation Costs \$150,000
  - Total Relocation Costs \$217,800
- In exchange for the below market rent in the rehabilitated Arts Building, LACE will agree in its sublease to terms and conditions contained in a CBA which will be monitored by the City.

**B. 2<sup>nd</sup> Retail Space – TBD Sublessee**

The second retail space will be sub-leased to a to-be-determined local arts based organization with the following terms:

- A 5-year renewable lease for approximately 1,786 square feet;
- The monthly lease rate will be \$3.00 per square foot for a total rent of \$5,358 per month.
- In exchange for the below market rent in the rehabilitated Arts Building, TBD Sublessee will agree in its sublease to terms and conditions contained in a CBA, which will be monitored by the City.

**C. 3<sup>rd</sup> Retail Space – The Actor's Fund**

The third retail space totaling approximately 6,916 square feet will be used for theater and office space.

**9. Monitoring of Community Arts Agreement**

The City will enter into a CBA with Lessee for implementation in the City lease with Lessee and the various subleases. HCIDLA or GSD will execute a MOU with the City to monitor the CBAs on an annual basis to confirm whether the tenants are in compliance with their respective CBAs.

**10. Developer Pro Forma:**

Attached ("Attachment B") is the current Developer Pro Forma for the Project.

**11. Project Site Plan:**

Attached ("Attachment C") is the current Site Plan for the Project.

**12. Labor Rates:**

The Project will be subject to the payment of prevailing wages under the requirements of the California Labor Code.

**13. Developer Fee and Profit:**

The total developer fee is estimated at \$1,200,000.

**14. Minimum Reserves:**

The following reserves are required to be maintained during the term of the Ground lease:

- Capitalized Operating Reserves – Six months of operating expenses
- Annual Replacement Reserves – Amount TBD at Ground Lease execution.

**15. Financing Plan:**

The Actor's Fund is fundraising up to \$12,000,000 to finance the substantial rehabilitation of the building. As part of the financing plan, the Project is anticipated to be financed with New Markets Tax Credit ("NMTC") financing. The following summarizes the NMTC transaction:

- The Lessee will enter into a long-term Lease with a new non-profit entity that will be a Qualified Active Low Income Community Business (a "QALICB", or an entity allowed to be a NMTC borrower). The QALICB will have a board that consists of TAF and TSA.
- The QALICB will then enter into a Master Lease with TAF for the Arts Building.
- As Master Tenant, TAF will manage the building, use a portion of the space for itself, and sub-lease a portion of the space to LACE and other arts tenants.
- The QALICB and/or TAF will mortgage its leasehold interest in the Site and the Arts Building (and rights to the Master Lease and/or subleases, as applicable) to lenders,
- Lessee will have customary notice and cure rights in favor of mortgagees for violations under leases, and the CBA.
- The subtenants, including LACE and other arts tenants will be subject to the CBA, to be monitored by the City. TAF will have the right, as sublessor, to notice and cure for any default relating to the CBA (allowing for TAF to cure prior to the City ground lease termination for failure to comply with CBA covenants).

The following summarizes the proposed funding sources:



Funding Source	
Land Value	\$0
TAF Fundraising	12,000,000
NMTC	\$2,500,000
<b>Total Funding Sources</b>	<b>\$14,500,000</b>

**16. Milestones:**

The Developer anticipates the following milestones for the Project:

Action	Timing
NMTC Allocation Approved	TBD
City Approval	TBD
Financing / Land Closing	TBD
Obtain Building Permit	TBD
Rehabilitation Commences	TBD
Rehabilitation Completed	TBD
Certificate of Occupancy	TBD
Stabilization	TBD

**17. Agreement of Key Terms and Conditions:**

This agreement of key terms and conditions is not a contract nor is it a guarantee of a funding commitment by the City. It is a worksheet that will be utilized to prepare the Disposition and Development Agreement, Ground Lease and associated City contractual documents.

**HCIDLA**

City of Los Angeles Housing and Community Investment Department

By: **Daniel  
Huynh**

Digitally signed by  
Daniel Huynh  
Date: 2021.05.25  
13:35:03 -07'00'

Date: \_\_\_\_\_

**LESSEE**

TAF/TSA JV

By: Actors Fund Housing Development Corporation

Keith McNutt  
Keith McNutt, Vice President

Date: 5/25/2021

By: Thomas Safran & Associates Development, Inc

Jordan Pynes  
Jordan Pynes, President

Date: 5/25/2021

**Attachment A**

**Parcel Legal Description**

**Attachment B**

**Developer Pro Forma**

**Attachment C**

**Site Plan**