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TRANSMITTAL

TO Council	DATE 11-10-22	COUNCIL FILE NO. 14-1174-S34; 14-0425-S2, S3
FROM Municipal Facilities Committee	COUNCIL DISTRICT 3	

At its meeting held on October 27, 2022, the Municipal Facilities Committee (MFC) approved the recommendations of the attached Economic and Workforce Development Department (EWDD) report, which is hereby transmitted for Council consideration. Adoption of the report would authorize EWDD to execute a fifth amendment to the Disposition and Development Agreement, (C131475), authorizing the transfer to a new business entity from Reseda Theatre Senior Housing L.P to the Reseda Theatre and Public Market, a California limited partnership (as a developer), and amending the previously approved economic develop opportunity from a multi-screen theatre with space for dining to a public market with two smaller theaters.

There is no anticipated impact on the General Fund.



Matthew W. Szabo
Chair, Municipal Facilities Committee

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER



ERIC GARCETTI
MAYOR

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017

October 27, 2022

Council File: 14-1174-S34
14-0425-S2, S3
Council District: 3
Contact Person: Fred Jackson,
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Matthew W. Szabo, City Administrative Officer
Chair of the Municipal Facilities Committee
Room 1500, City Hall East

COMMITTEE TRANSMITTAL: REQUEST APPROVAL OF THE FIFTH AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT OF THE RESEDA THEATRE PROJECT

RECOMMENDATIONS:

That the City Council, subject to the approval of the Mayor:

1. CONFIRM that the sale of the City-optioned property at 18447 W. Sherman Way will assist in the economic development of the City and that the public interest is best served by the direct sale of the property;
2. APPROVE the transfer from Reseda Theatre Senior Housing LP, a California limited partnership to Reseda Theatre and Public Market, a California limited partnership as "Developer" pursuant to Article 8 of the Disposition and Development Agreement (C-131475) ("DDA");
3. APPROVE the assignment of the DDA to Reseda Theatre and Public Market, a California limited partnership.
4. APPROVE, subject to the receipt of a Letter of Substantial Conformance from the Department of City Planning, the request to amend the use of the theater site from a multi-screen theater with space for dining to a public market with two smaller movie theaters;
5. AUTHORIZE the General Manager of the Economic and Workforce Development Department (EWDD), or designee, to prepare and execute all documents necessary to carry out the transfer and the assignment of the DDA to Reseda Theatre and Public Market, a California limited partnership, and to reflect the use of the theater site as a public market with two smaller movie theaters; and
6. AUTHORIZE the General Manager of EWDD to make technical corrections consistent with the Mayor and Council Action on this matter.

SUMMARY

The Redevelopment Agency of the City of Los Angeles (CRA/LA) purchased two adjacent properties in 2004 and 2005 with the intention of creating community benefits for the Reseda neighborhood. These community benefits included (1) an affordable housing proposal on Canby Avenue and (2) an economic development opportunity in the form of a movie theater on Sherman Way,.

While the Canby Avenue affordable housing portion of the development is now complete, the economic development component of this project is still in process.

The original DDA allows the General Manager of EWDD in her sole discretion to extend the closing deadline for the completed development of the Sherman Way property. The DDA has been amended four times, each time for the sole purpose of granting a time extension for the closing of escrow.

Due to a shift in the economics of movie theaters since the pandemic, EWDD is requesting Council authorization to change the type of economic development opportunity approved in the DDA.

Additionally, as the affordable housing is now owned by a single asset entity, EWDD is requesting Council authorization to amend the name of the controlling limited partnership.

If Council grants the requested authorization, EWDD will sign a fifth amendment to the DDA with these approved changes and an additional time extension.

BACKGROUND

18447 W. Sherman Way is the location of the former Reseda Theatre, an 8,000 s.f. structure occupying an approximately 9,000 s.f. site in Reseda. The theater, which was built in 1948, has been vacant and deteriorating since the 1994 Northridge earthquake.

CRA/LA acquired the Reseda Theatre parcel in 2004, and in 2005 CRA/LA acquired a vacant 11,000 s.f. former parking lot at 7217-7227 Canby Avenue immediately across the alley to the north. Soon after purchase the CRA/LA issued a Request for Proposals (RFP) for both parcels as the "Reseda Theatre Project", and a development team was selected. In 2006, a DDA was executed with the developer for the adaptive reuse of the Reseda Theatre site as a live entertainment venue, with the Canby parcel to be used for surface parking. The DDA was terminated in 2009. The CRA/LA released another RFP in 2010, but due to the dissolution of the CRA/LA, the developer selected through the 2010 RFP was unable to proceed with its plan to develop the site.

In 2013, the Council and Mayor requested that CRA/LA include the Property as a Future Development property on the CRA/LA Long Range Property Management Plan (CF# 14-0425). By doing so and entering into an Option Agreement for the property, the City secured the opportunity to ensure that the disposition of the Property would provide ongoing community benefits, rather than being sold at auction to the highest bidder, as otherwise required in the State Dissolution statutes. The project vision was updated to include affordable housing.

In 2014, the Council authorized the Mayor to execute the Option Agreement for 18447 W. Sherman Way and 7217-7227 Canby Avenue, and authorized the Economic and Workforce Development Department (EWDD) to identify development opportunities, solicit development proposals, and to return to Council with a proposed Disposition Plan.

In 2015, the City entered into an Option Agreement with CRA/LA to purchase both properties (C-12517).

In response to a 2016 RFP issued by EWDD, Thomas Safran & Associates Development Inc. and Laemmle Theater (Developer) submitted a proposal to provide a catalytic mixed use urban infill development featuring affordable housing, a multi-screen movie theater and space for dining. As directed by Council (CF 14-0425-S2), EWDD signed an Exclusive Negotiating Agreement with Reseda Theatre Senior Housing LP in 2016 for the proposed development (the "Project").

Theater - Approval Path and Current Status

In May 2018, a joint report from EWDD and LAHD requested authorization from the City Council to approve the sale of the parcel at 18447 W. Sherman Way to Reseda Theatre Senior Housing LP for the fair market value, and to approve the form and substance of the Disposition and Development Agreement subject to the provision of community benefits and the future development of the parcel (C.F. 14-0425-S34.) Council approved the request in June 2018 and amended it to add authorization for the ordinance to transfer the property in October 2018.

In July, 2018, the City of Los Angeles entered into a Disposition and Development Agreement (C-131475) with Reseda Theatre Senior Housing L.P., a California Limited Partnership to sell the City-owned property at 18447 W. Sherman Way for the fair market value of the site. In November 2018, the City exercised its Option Agreement with the CRA/LA to purchase both properties (C.F. 14-1174-S34) for fair market value using CRA/LA Excess Non-Housing Bond Proceeds from the Reseda/Canoga Park Redevelopment Project Area (C-131999).

Laemmle Theaters was the intended partner with Reseda Theatre Senior Housing LP. Unfortunately, the movie theater industry has changed dramatically due to the pandemic, and the proposed five screen movie theater is no longer viable. Laemmle is still involved in the project, but their role has shifted.

The Reseda Theatre will be reimagined as a 21st Century food court or public market. The market will feature a variety of locally owned small restaurants and chefs. The types of food will reflect the diverse cultures in the Reseda neighborhood. The market will create a meeting place where people from the neighborhood can gather for a meal, or pick up food to take home.

On the first level, there will be indoor seating for 92 guests, a lounge area for the wine and craft beer bar and the kitchen and service areas. On the second level, there will be two movie theaters with a total of 100 seats. Each auditorium will feature stadium seating and first class amenities including a lounge area with food, drinks and seating for people to relax in before or after a movie. The theater will be programmed by Laemmle, and may show mainstream movies on weekends, local interest movies during the week and can be used for community events and non-profits during off-peak hours. Local high schools and area colleges will be encouraged to consider screening student films at Reseda Theatre to ensure the new development is a true community asset.

The public market and theater is anticipated to create 24 new permanent full-time local jobs. This is an increase of 14 jobs over the previously anticipated community benefit. In addition, post all available positions with the sixteen (16) WorkSource Centers as part of their normal recruitment process, for no less than the first two (2) years of the Covenant Agreement.

In addition to the changes to the proposed Project, there is a proposed change in ownership of the Sherman Way site. For financing purposes, the developer has requested permission to change the entity to one that is specifically focused on the development of the public market.

Reseda Theatre Senior Housing, LP is now a single asset entity that cannot take on additional liability without affecting the structure of the financing with the lenders and investors for the housing portion of the Project. It was always anticipated that a new entity would be formed to own the theater portion of the project, and it was intended that that entity would include Laemmle Theater, which is no longer an option.

The new entity, Reseda Theatre and Public Market, has the same ownership structure as Reseda Theatre Senior Housing, LP. Azure Development Inc. is the 45% owner and managing member of Reseda Theatre and Public Market, and Thomas Safran & Associates Development Inc. is the 55% owner and non-managing member.

The property will be sold for Fair Market Value, and the proceeds will be deposited in the Affordable Housing Trust Fund.

Affordable Housing - Current Status

In November 2020, the same Partnership purchased the City-owned site at 7217-7227 Canby Avenue (APN 2119-020-024), with the intention to produce affordable housing.

Construction of 26 units of affordable housing at 7217-7227 Canby Avenue began in December 2020, and construction on this portion of the Project is now complete. The building is awaiting the Certificate of Occupancy. It is anticipated that the building will be fully rented by early 2023. Called Reseda Theatre Senior Housing, it includes 26 units of housing, with one manager's unit, 13 units that are permanent supportive housing for formerly homeless seniors, and 12 units that are affordable to households earning less than 60% of the Area Median Income. The housing will be managed by Thomas Safran and Associates, Inc.

Theater Roof Repair

In late 2021, EWDD staff were made aware that the disrepair of the theater roof was contributing to the accelerated deterioration of the property, as rainwater is able to enter the building through holes in the roof. EWDD requested a proposal from the Department of General Services (GSD). A walkthrough of the property was conducted in March 2022. The proposal from GSD was received in April 2022, and included hazardous materials testing and abatement, truss shoring, truss and roof repairs. As part of the work, the billboard on the roof will be removed by the billboard owner, Outdoor Media.

Based on the proposal from GSD, the Reseda Roof Rehabilitation Project received an allocation of \$450,000 in MICLA funds in the FY 2022-2023 budget to fund the roofing repairs. Funds were recommended to be transferred in the Second CPR to GSD's budgetary accounts. The Second CPR has not yet been approved by Council, but GSD is moving forward with shoring design in anticipation of approval.

Environmental Review

The Department of City Planning is the lead agency for the Project for purposes of the California Environmental Quality Act of 1970 (CEQA). On April 4, 2018, DCP determined that the proposed project is categorically exempt from provisions of CEQA, pursuant to the City of Los Angeles Guidelines for the implementation of CEQA and the State CEQA Guidelines Article III, Section 1, Class 1, Category 1, and Class 31, respectively (Case No. ENV-2017-4760-CE and DIR-2017-4758-CDO).

This categorical exemption is anticipated to apply to the revised proposal for the theater, because the premises will host the same activities (food service and theater), but in different proportional use of the space. The Class 1 exemption is for projects that are maintaining their original use, and the Class 31 exemption is for the preservation of historic structures.

As part of the entitlements process, the developer will request a Letter of Substantial Conformance from the Department of City Planning, to confirm that the categorical exemption applies to the revised proposal.

FISCAL IMPACT STATEMENT

The proposed actions regarding the sale of the Property will have no immediate impact on the General Fund.


Carolyn M. Hull (Oct 21, 2022 09:11 PDT)

Carolyn M. Hull
General Manager

CH:FJ:BLM