

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

MFC Agenda Item No. 6
LAFKSC Agenda Item No. 3
Revised Report

Date: January 25, 2018

To: The Municipal Facilities Committee
Proposition K – L.A. for Kids Steering Committee

From: CAO Staff

Subject: **RESEDA SKATE FACILITY (CD 3): APPROVAL OF CONCEPTUAL PLAN,
PROPOSED FUNDING AND IMPLEMENTING ACTIONS**

RECOMMENDATIONS

1. That the Municipal Facilities Committee (MFC) and the Proposition K - LA for Kids Steering Committee approves and authorizes staff to transmit the following recommendations to Council, for final consideration:
 - a. Acknowledge the actions taken by the Board of Recreation and Park Commissioners at its meeting held on January 17, 2018 (Board Report No. 18-014), authorizing the acquisition of parcels at 18128 and 18210 Sherman Way for construction of the Reseda Skate Facility, and acknowledge the action that is scheduled to be taken by the CRA/LA Bond Oversight Committee at its meeting scheduled to occur on January 25, 2018, to authorize the proposed use of CRA Excess Bond Proceeds towards the cost of site acquisition;
 - b. Approve the proposed project conceptual plan and the proposed project financing plan, as presented within this report;
 - c. Authorize MFC staff to provide Controller's instructions to utilize the designated project funding sources on an as-needed basis to acquire the site and fund project design and construction costs, including the transfer of project funds into an escrow account for site acquisition;
 - d. Instruct the Department of Public Works, Bureau of Engineering to implement the project design phase on behalf of the Department of Recreation and Parks following the completion of site acquisition for the subject facility;
 - e. Find that the proposed project is categorically exempt from CEQA pursuant to Article 19, Sections 15325 and 15332 of the State CEQA Guidelines, and direct staff to file a Notice of Exemption;
 - f. Direct MFC staff to provide quarterly updates to the appropriate oversight Committees on the status of project implementation, including any significant changes that impact the project timeline, estimated costs or financing plan; and,

- g. Authorize the City Administrative Officer to make technical corrections to the transactions authorized through this report, as needed to implement the Mayor and Council's intentions.
2. That the Municipal Facilities Committee, request that the Mayor exercise the City's Option to acquire the subject property, pursuant to the terms and procedures identified in the Option Agreement between the City of Los Angeles and CRA/LA, a Designated Local Authority and successor agency to the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) (City Contract No. C-125180; Option Agreement).
3. That the Proposition K - L.A. for Kids Steering Committee approves and authorizes staff to transmit the following recommendations to Council for final consideration:
 - a. Find that the proposed project conceptual plan for the Reseda Skate Facility conforms with the Proposition K specified project scope, as reflected in the 1997 Proposition K Ballot Measure that established the program – Reseda Skate Facility (Project ID: S23) – Acquisition and Construction of Ice Hockey and Roller Blading Facility;
 - b. Approve use of Proposition K funds totaling \$13,705,000, which consists of specified funds (\$4,000,000), program interest and inflation monies (\$2,943,600), and specified funding to be programmed in future years (\$6,761,400), to fund the acquisition and development of the Reseda Skate Facility Project;
 - c. Authorize the award of \$1,850,569 in 2017-18 Proposition K inflation funds for the project acquisition phase and authorize staff to take the necessary actions to reflect the inflation award as part of the adopted 2017-18 Proposition K Five Year Plan and related documents; and,
 - d. Authorize the Controller's to transfer \$1,850,569 in Proposition K inflation funds from Fund 43K, Department 10, Account 10P800 - "INFLATION" to a new account within Fund 43K, Department 10, Account TBD, Account Title "INF – Reseda Skate Facility."

SUMMARY

On August 18, 2017, Council adopted a Motion (CF 17-0832) instructing the Department of Recreation and Parks, with the assistance of the Bureau of Engineering (BOE) and other involved departments to proceed with the acquisition of a CRA/LA property located at 18210 Sherman Way and to prepare a financing plan for the development of an ice and roller rink facility at the property, which is located in Reseda. A working group team was formed to coordinate functions needed to implement Council's instructions, consisting of staff from Council District (CD) Three, the Office of the Mayor, City Administrative Officer, Chief Legislative Analyst, and City Attorney, the Economic and Workforce Development Department (EWDD), the Department of Recreation and Parks (RAP), the Department of Public Works, Bureau of Engineering (BOE), and the Department of General Services (GSD).

The property proposed for acquisition consists of four parcels (Los Angeles County Assessor's Parcel Numbers (APN) 2125-036-900, 2125-036-901, 2125-036-902, and 2125-036-903) that are currently owned by the CRA/LA, a Designated Local Authority and successor agency to the former Community Redevelopment Agency of the City of Los Angeles (the current owner is referred to herein as "CRA/LA"). Prior to the adoption of the aforementioned Motion, the City had already entered into an Option Agreement (Property Retained for Future Development) with the CRA/LA to acquire the property. Under this Option Agreement (City Contract No. C-125180), the City has the exclusive right to exercise its option to acquire the property. However, the City must provide due notice, in writing, to the CRA/LA by March 2, 2018, that the City wishes to exercise the option to acquire. Any extension of this deadline would require approval by the CRA/LA Governing Board.

On January 17, 2018, the Board of Recreation and Park Commissioners (RAP Board) authorized RAP to proceed with the acquisition of the property for park purposes (Report No. 18-014). The RAP Board action includes various requests for the GSD to implement the property acquisition on behalf of RAP. The Board also approved the proposed conceptual plan for the project to locate the roller hockey rink and the ice skating rink on the 18210 Sherman Way parcel and locate the parking lot on the 18128 Sherman Way parcel. The detailed conceptual plan for the Reseda Skate Facility Project is provided as an attachment to this report. The project conceptual plan assumes the development of:

- A 60 feet x 120 feet roller hockey rink built on grade with a shade structure and 1,200 square foot building to house related rink offices, restrooms and storage.
- An approximately 26,800 square foot ice rink building with a 85 feet x 200 feet ice surface, cooling infrastructure, ice grooming equipment storage, Zamboni machine room, locker rooms for two teams, restrooms, office space, public seating, skate rental area, pro shop and concessions space, and other ancillary spaces required by ice hockey and figure skating.
- A 127-space parking lot with driveways, fencing, landscaping and security lighting.

The facility will be designed to be Americans with Disabilities Act (ADA) accessible. The total cost estimate for the preferred option, including land acquisition costs, design and soft costs, construction costs, and project escalation and contingencies is approximately \$25,705,000.

Proposition K Scope Conformity and Proposed Funding Plan

The Ballot Measure for Proposition K – LA For Kids Program includes a specified line item for Reseda Skate Facility (Project ID: S23) that funds “acquisition and construction of an ice hockey and roller blading facility.” The Ballot Measure identifies \$4,000,000 in specified funds for this project. City Attorney has advised that in order to utilize Proposition K Program monies for the proposed project, a finding on the part of the L.A. for Kids Steering Committee is needed that the proposed conceptual plan adopted by the RAP Board conforms with the Proposition K specified scope, as reflected in the 1996 Proposition K Ballot Measure that established the Program. Additionally, Proposition K funds must be utilized for both acquisition and development costs for both the ice rink and the roller rink to fully satisfy the specified scope. Staff has included Proposition K program monies as part of the project funding plan, subject to the required finding, as detailed in the table below:

Proposed Funding Plan – Reseda Skate Facility		
Source	Interim Funding	Permanent Funding
Proposition K – Specified Funds	\$ 4,000,000	\$ 4,000,000
Proposition K – Interest and Inflation	2,943,600	2,943,600
Proposition K – Future Allocations of Additional Specified Funding ¹	1,761,400	6,761,400
Private Contribution ²	6,500,000	6,500,000
Private Loan ³	5,000,000	--
CD 3 CRA/LA Excess Bond Proceeds ⁴	4,000,000	4,000,000
Community Development Block Grant (CDBG) Funds ⁵	1,000,000	1,000,000
Park Fees ⁶	500,000	500,000
TOTAL:	\$ 25,705,000	\$ 25,705,000

¹ *Proposition K – this additional specified funding reflects a future allocation. Approval of these funds will be requested in subsequent annual Proposition K Assessment Reports to fund construction.*

² *Refer to the section below titled “Public Private Partnership.”*

³ *Private Loan is an interest-free contribution from the Operator to be used as cash flow for eligible acquisition and construction costs that would be repaid by future-year allocations of Proposition K additional specified funds, allocated through the annual Proposition K Assessment Report and budget adoption process. Refer to the section below titled “Public Private Partnership.”*

⁴ *Allocation of CRA/LA Excess Bond Proceeds is subject to the approval of the Bond Oversight Committee, to be considered at its meeting scheduled for January 25, 2018, and subsequent Council approval.*

⁵ *CDBG Funds is a future allocation that is subject to Council approval as part of the annual City budget adoption process.*

⁶ *The allocation of Park Fees was approved by the RAP Board on January 17, 2018 (BR 18-014).*

Public Private Partnership

The project is proposed as a public private partnership to be operated by an outside vendor. As currently reflected in the draft term sheet, the City would execute a Lease/Operating Agreement with a joint venture to be formed between the Anschutz Entertainment Group, Inc., or designated subsidiary (AEG); American Sports Entertainment Company, LLC (ASEC), and the Los Angeles Kings Hockey Club, L.P. (LA Kings) to serve as the operator of the facility. The joint venture is hereafter referred to as the “Operator.” The City, through RAP, would retain

ownership of the facility, with BOE managing the design and construction. Design would be subject to final approval by the RAP Board, which would also bid out of the project and award the construction contract.

Discussions on the Lease/Operating Agreement between City staff and the proposed operator are ongoing. As currently proposed, the provisions set forth in the draft term sheet would require the operator to provide the following financial contributions to the project:

- Temporary, Interest-Free Cash Flow Loan (\$5 million) – the Operator would be required to provide the City with a \$5 million interest-free loan to cash flow eligible Proposition K acquisition and construction expenses (the “Private Loan”). This loan would be repaid with future-year allocations of Proposition K additional specified funds.
- Permanent Funding (\$6.5 million) - The Operator would also be required to contribute \$6.5 million in permanent funding towards the cost of constructing the skate facility (the “Private Contribution”). The Operator’s investment would include \$2.6 million in equity and \$3.9 million in private debt (total investment of \$6.5 million). The private debt would be repaid annually by the Operator from the revenue from the Facility after operating expenses. The City would receive funds either as a flat percentage of net cash flow or as part of a revenue sharing agreement for revenue over a certain threshold. The equity investment would be recouped from net cash flow after the City’s funds are deducted.

Staff will report back to the respective oversight committee(s) on the results of these discussions prior to the execution of a Lease/Operating Agreement that would be subject to final approval by the RAP Board.

Assessed Fair Market Value

The Option Agreement with the CRA/LA specifies the process for determining the fair market value of the property and the purchase price. GSD reviewed the appraisal reports to determine if the purchase price for the property is consistent with their professional opinion of market value, including escrow fees and title insurance fees. Based on the process defined in the Option Agreement, the purchase price of the property is \$6,845,000.

Project Implementation

The Option Agreement includes various terms and conditions for the acquisition. One of these conditions is that the City acquires the property in an “As-Is” condition. To that end, the City has undertaken a Phase I and subsequent Phase II Environmental Site Assessment (ESA) for Hazardous Materials. Based on the results of the Phase I ESA, which identified the potential for site contamination, a Phase II study was undertaken. The Phase II study has been completed, however, based on the results additional testing has been requested. That testing is currently underway but results are still forthcoming and the anticipated likelihood for significant contamination is low based on the initial Phase II testing.

On January 17, 2018, RAP Board found that the proposed project is categorically exempt from California Environmental Quality Act (CEQA) and directed staff to file a Notice of Exemption. It should be noted that if the results of further testing trigger additional CEQA compliance, that compliance and any actions by the RAP Board will occur prior to initiating the construction phase of the project

BOE will initiate the design process for the project once site acquisition is complete, which will be subject to RAP Board approval. RAP Board approval will also be required to authorize bid and award of the construction contract. BOE's current project schedule anticipates that project construction would begin in November 2019, with an anticipated completion date of March 2021.

Environmental Impact Statement

The proposed project will consist of acquisition of a 2.2-acre parcel of land for future park purposes, including construction of a skate facility consisting of a 28,000 square foot indoor ice rink, an 8,445 square foot roller rink, project required parking, fencing, landscaping, and security lighting.

Environmental due diligence in the form of a Phase I Environmental Site Assessment (ESA) was performed for the subject property on November 8, 2017, in accordance with the American Society for Testing and Materials (ASTM) Standard Practice for Environmental Site Assessment: Phase I Environmental Site Assessments (Standard Designation E 1527-13) approved in November 2013, and the United States Environmental Protection Agency (US EPA) 40 CFR Part 312 Standards and Practices for All Appropriate Inquiries (AAI) – Final Rule adopted November 1, 2006. The ESA initially found that a vapor encroachment condition (VEC) exists due to the site's proximity to several dry-cleaning establishments. Upon further review of additional information, the City's Bureau of Engineering Geotechnical Group determined that a Phase II soil sampling to confirm possible off-site contamination affecting the project site was needed.

According to the preliminary Phase II report, on-site soil vapor levels were slightly above residential screening levels at the northeast section of the project site. Therefore, to delineate further the extent of potential site contamination, BOE's Geotechnical Group recommended additional sampling. Groundwater sampling was also recommended, to help identify any off-site sources of contamination, in addition to Cavalier Cleaners (i.e., the current RWQCB Leaking Underground Fuel Tank [LUFT] site to the east). If the responsible party for the off-site contamination is not Cavalier Cleaners and remains unidentified, regulatory agencies could require the City, as a new landowner, to proceed with further investigation.

Based on the current information, the current plans identify the area of potential contamination as a portion of the parking area that forms a cap on the soil contamination. This area would remain capped as a proposed parking lot. As such, potential significant impacts related to hazardous materials can be ruled out at this time.

Therefore, the project currently qualifies for a California Environmental Quality Act (CEQA) exemption as an acquisition of land for future park development. In addition, it qualifies as an urban in-fill development, as it meets the following conditions:

1. It will be located within City limits on a site no larger than five acres that is substantially surrounded by urban uses;
2. It will be consistent with the City General Plan designation and policies, as well as zoning regulations;
3. It does not have any value as habitat for endangered, rare or threatened species;

4. It will not have any significant environmental effects to traffic, noise, air quality, or water quality based on the results of various related technical studies; and,
5. It will be adequately served by all required utilities and public services.

Therefore, staff recommends that Council determine that the project is categorically exempt from the provisions of CEQA pursuant to Article 19, Sections 15325, Class 25(f), and 15332, Class 32 of the State CEQA Guidelines. Filing of a Notice of Exemption with the Los Angeles County Clerk will occur upon Council approval.

If the Project changes or the circumstances that define the project change at any time, a re-evaluation of CEQA will be required.

FISCAL IMPACT

There is no impact on the General Fund anticipated. The proposed funding plan would utilize a combined total of \$25,705,000 comprised of Special Funds (\$14.2 million - interim funding; \$19.2 million - permanent funding) and private contributions (\$11.5 million - interim funding; \$6.5 million - permanent funding) that would be provided by the proposed operator through a public private partnership. Of this total amount, \$14.26 million in proposed funding sources are subject to additional approvals, as noted within this report for the following sources: Proposition K - future allocations of additional specified funds (\$6.76 million); Private contributions (\$6.5 million); and, CDBG funds (\$1 million).

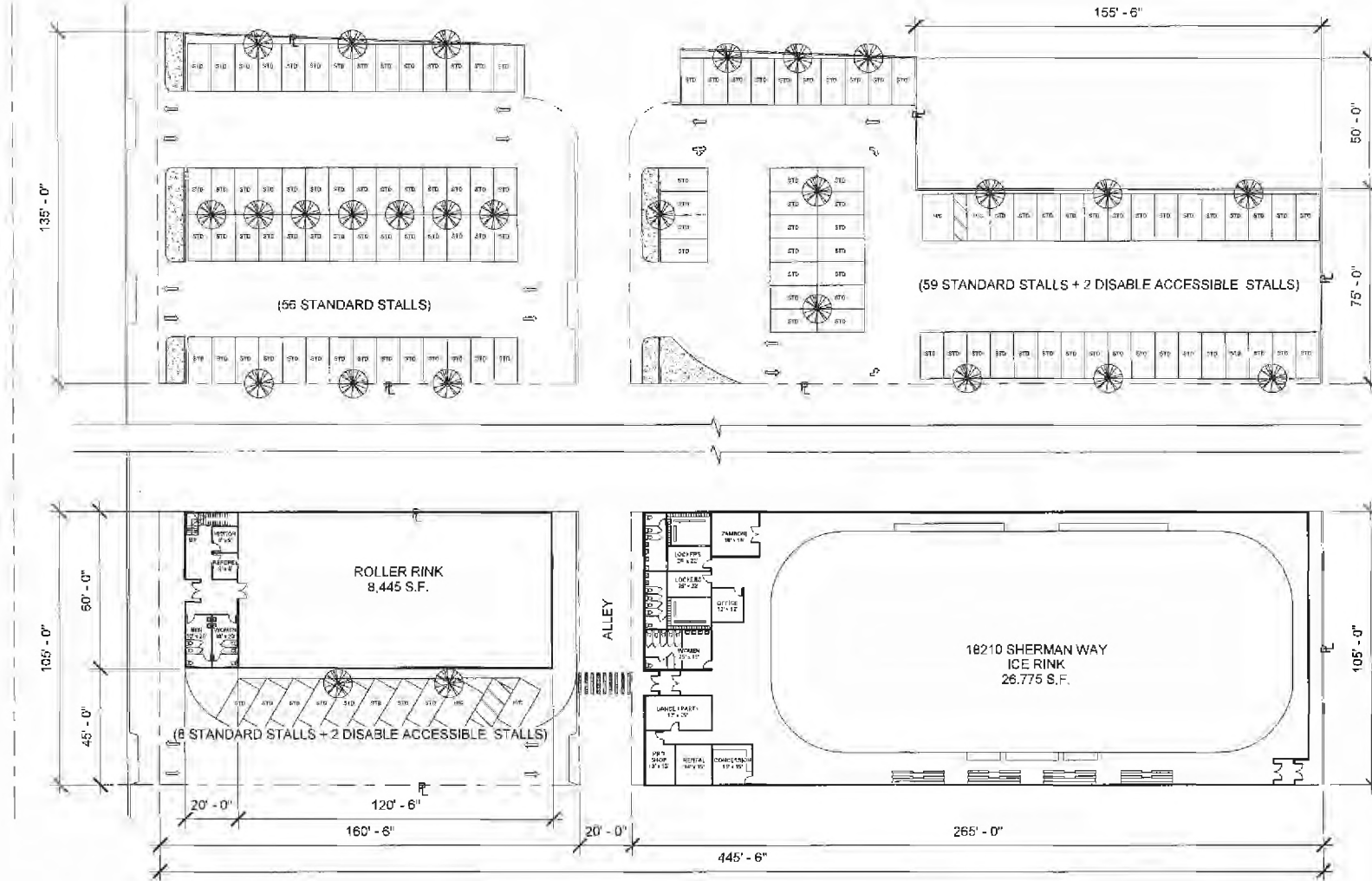
In the event that the project is not completed, any expenditures funded by Proposition K, CDBG funds and potentially the CRA/LA Excess Bond Proceeds (if not used for an acceptable redevelopment purpose) would have to be reimbursed from other funding sources. To the extent that sufficient Special Fund monies cannot be identified, any potential repayment of expended project funding sources could become a General Fund liability.

RHL:MGR:05180085c

Attachment - Reseda Skate Facility Preferred Option Conceptual Plan

SHERMAN WAY

SHERMAN WAY



① OPTION 3
1" = 40'-0"



NORTH

ENGINEERING

SITE PLAN - OPTION 3

CITY OF LOS ANGELES

A101

Project number E170121D
Date 7/26/2017
Drawn by T. YOUNG
Checked by R. ABANO

Scale 1" = 40'-0"

CITY ENGINEER

RESEDA ICE AND ROLLER RINK

18210 SHERMAN WAY
LOS ANGELES, CA. 91335

GARY LEE MOORE, PE, ENV SP