

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

M E M O R A N D U M

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DATE: APRIL 7, 2016

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER

SUBJECT: CINERAMA DOME OWNER PARTICIPATION AGREEMENT. First Amendment to the Owner Participation Agreement with Dome Entertainment Center, Inc. to resolve certain payment and other obligations between the parties.

RECOMMENDATION

That the Governing Board, subject to Oversight Board approval, authorize the Chief Executive Officer to execute a First Amendment to the Owner Participation Agreement with Dome Entertainment Center, Inc., eliminating CRA/LA's \$400,000 public improvement expenditure obligation; reducing the Developer's Community Improvement fee obligation from \$735,000 to \$435,000; and eliminating the Developer's Job Training Initiative fee of \$100,000.

SUMMARY

Pursuant to the dissolution legislation, CRA/LA must sell the Cinerama Dome Parking Garage ("Garage"). The Garage was part of the wide marketing effort conducted by Cushman and Wakefield on behalf of CRA/LA. Dome Entertainment Center, Inc. ("Developer") exercised its First Right of Refusal to acquire the Garage, and CRA/LA staff has negotiated a Purchase & Sale Agreement accordingly. The disposition of the Garage is scheduled to be considered on the same agenda as the proposed 1st Amendment to the Owner Participation Agreement ("1st Amendment").

The proposed sale of the Garage will enable CRA/LA to pay off the outstanding bond debt of approximately \$33 million; reimburse the Developer for the amounts drawn against the Developer's Letter of Credit (i.e. \$4 million principal and \$5 million interest); and sell the asset in accordance with the dissolution legislation.

The 2007 Settlement Agreement between the Former Agency and the Developer obligates CRA/LA to expend \$400,000 on infrastructure improvements on or adjacent to the Cinerama Dome Retail and Entertainment Center located at 6360 Sunset Boulevard. The Owner Participation Agreement ("OPA") between the Former Agency and the Developer requires the Developer to pay CRA/LA a Community Improvement fee of \$735,000 and a Job Training Initiative fee of \$100,000, for a total of \$835,000, after certain conditions are met. The 1st Amendment will eliminate CRA/LA's obligation to expend \$400,000 on public infrastructure improvements and reduce the Developer's financial payment obligations by an equal amount of \$400,000. The Developer's Community Improvement fee obligation would be reduced from \$735,000 to \$435,000 and the Job Training Initiative fee of \$100,000 would be eliminated.

There are no enforceable obligations that specify the use of the Community Improvement and Job Training Initiative fees. Consequently, the 1st Amendment reclassifies the fees as payments, and CRA/LA will use those payments to pay enforceable obligations via the Recognized Obligation Payment Schedule process.

The 1st Amendment will facilitate the sale the Garage by eliminating obligations that would negatively impact the timeline for disposition of the asset, while eliminating the need for CRA/LA to hire infrastructure experts to develop and negotiate an acceptable scope of work for the improvements; conduct a competitive bid process; and expend \$400,000 on said improvements.

DISCUSSION AND BACKGROUND

In 2000, the Former Agency entered into an OPA with the Developer for the development of the an approximately 173,000 square foot retail and entertainment center, including the rehabilitation of the historic 959-seat Cinerama Dome Theatre, located at 6360 Sunset Boulevard in the Hollywood Redevelopment Project Area. The retail and entertainment center included the construction of the 1,713-space Cinerama Dome parking garage, which is owned by CRA/LA and subject to disposition as part of the wind-down process.

To facilitate the construction of the public parking garage, the Former Agency issued Parking System Revenue Bonds Series 2000A (the “Bonds”) in the amount of \$44,235,000. The Bonds were used to pay for the acquisition of the site; the construction of the parking garage; and all staffing and administrative costs associated with the development of the public parking garage. The Bonds have a maturity date of July 1, 2032 and an outstanding balance of approximately \$33 million, plus interest. The Developer was required to provide the Former Agency with a \$9.2 million Letter of Credit to be drawn upon when the parking revenue was insufficient to pay the debt service. To date, \$4,036,715 was drawn upon by the Former Agency for operation of the parking garage. The parking garage began operation in 2001, and is open for public parking 24 hours each day. CRA/LA contracts with Parking Concepts, Inc. for the day-to-day operations of the parking garage.

With the exception of expending \$400,000 on public infrastructure improvements, the Former Agency fulfilled its obligations outlined in the OPA. CRA/LA, as successor in interest to the Former Agency, will fulfill the any other obligations (i.e. repayment of Letter of Credit to Developer) upon disposition of the Garage.

The 1st Amendment allows CRA/LA to eliminate an outstanding obligation that will cost \$400,000, while reducing the Developer’s financial obligation to CRA/LA by \$400,000.

SOURCE OF FUNDS

No CRA/LA funds are required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

Approval of the recommended action will relieve the Successor Agency’s obligation to expend \$400,000 on public infrastructure improvements and reduce the receipt of fees paid to CRA/LA by the Developer by \$400,000, from \$835,000 to \$435,000.

ENVIRONMENTAL REVIEW

The recommended action does not constitute a “project” as defined by the California Environmental Quality Act (CEQA).



Steve Valenzuela
Chief Executive Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

Attachment: 1st Amendment to OPA

FIRST AMENDMENT TO OWNER PARTICIPATION AGREEMENT

This First Amendment to Owner Participation Agreement (this "First Amendment") is made and entered into as this ____ day of April, 2016 by and between CRA/LA, a Designated Local Authority, a public body formed pursuant to California Health & Safety Code Section 34173(d)(3) ("CRA/LA"), and successor to The Community Redevelopment Agency of the City of Los Angeles (the "Former Agency"), and Dome Center, LLC, a Delaware limited liability company ("Developer"), as successor-in-interest to Dome Entertainment Center, Inc., a California corporation ("Former Developer"), with reference to the following facts.

RECITALS

A. The Former Agency and Former Developer entered into that certain Owner Participation Agreement dated as of July 17, 2000 (the "OPA") for the development of, among other things, the Developer Parcel (as such term is defined in the OPA), which was owned by Former Developer, and the Parking Facility Parcel (as such term is defined in the OPA), which was owned by the Former Agency.

B. Former Developer conveyed all of its right, title and interest in and to the Developer Parcel to Developer and Developer has succeeded to the rights and obligations of Former Developer under the OPA and the Settlement Agreement (as defined below).

C. Initially capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the OPA.

D. CRA/LA, as seller, and an affiliate of Developer (the "Buyer"), as buyer, have entered into that certain Agreement for Purchase and Sale of Property dated as of April ____, 2016 (the "Purchase Agreement"), pursuant to which CRA/LA will sell the Parking Facility and the Parking Facility Parcel to the Buyer.

E. Concurrent with the closing of the sale of the Parking Facility and the Parking Facility Parcel under the Purchase Agreement, CRA/LA will repay the outstanding principal balance of the Parking Facility Bonds and reimburse the Developer for any draws on the Letter of Credit as set forth in the Gap Funding Agreement.

F. The Developer Release Date under the OPA will occur upon the repayment of the Parking Facility Bonds and the reimbursement of the Developer for the draws on the Letter of Credit.

G. Section 807 of the OPA provides that as of the Developer Release Date, the Developer shall make the following payments to CRA/LA:

- i. The Community Improvement Fee in the amount of Seven Hundred Thirty Five Thousand Dollars (\$735,000); and
- ii. A payment of One Hundred Thousand Dollars (\$100,000) for the development of a job training program (the "Job Training Payment")

H. The Former Agency, Former Developer and Nationwide Theatres Corp., a California corporation ("NTC"), entered into that certain Settlement Agreement dated as of February 28, 2007 (the "Settlement Agreement") pursuant to which the Former Agency, Former Developer and NTC settled certain claims related to the Project.

I. As part of the Settlement Agreement, the Former Agency agreed to spend Four Hundred Thousand (\$400,000) to pay the costs of new public improvements on and/or adjacent to the Project (the "Public Improvement Obligation"). As successor to the Former Agency, CRA/LA has succeeded to the Public Improvement Obligation under the Settlement Agreement.

J. Due to the dissolution of redevelopment agencies, CRA/LA no longer has the capacity to perform the Public Improvement Obligation and, as a result, the Parties wish to amend the OPA to reduce the developer payments under Section 807 of the OPA by Four Hundred Thousand Dollars (\$400,000) to offset and relieve CRA/LA of the Public Improvement Obligation.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

1. Subsection 807(1): Community Improvement Fee. The first sentence of subsection 807(1) of the OPA is hereby deleted in its entirety and replaced with the following:

"The Developer shall pay CRA/LA or its designee Four Hundred Thirty Five Thousand Dollars (\$435,000) (the "CRA/LA Payment")."

2. Subsection 807(2): Job Training Initiative. Subsection 807(2) of the OPA is deleted in its entirety and replaced with "Intentionally Omitted".

3. Public Improvement Obligation. By reducing the Community Improvement Fee payment from Seven Hundred Thirty Five Thousand Dollars (\$735,000) to Four Hundred Thirty Five Thousand Dollars (\$435,000) and by deleting the One Hundred Thousand Dollar (\$100,000) Job Training Initiative payment; CRA/LA and Developer, and, by its countersignature below, NTC, agree that CRA/LA has satisfied in full the Public Improvement Obligation under the Settlement Agreement.

4. Approvals. As soon as is practical after the full execution and delivery of this First Amendment by the parties hereto, CRA/LA shall submit this First Amendment to (i) CRA/LA's Oversight Board (the "Oversight Board") and (ii) the California Department of Finance ("DOF") for approval (collectively, the "Approvals"). This First Amendment shall not be effective until such time as the Approvals have been obtained. Should either the Oversight Board or DOF disapprove this First Amendment, this First Amendment shall be null and void and the existing terms of the OPA shall govern.

5. Termination of OPA. The Purchase Agreement provides that, upon the occurrence of the closing thereunder and the occurrence of the Developer Release Date under the OPA (collectively, the "Termination Conditions"), CRA/LA and Developer shall terminate the OPA and any memorandum thereof, and, for the avoidance of doubt, the Approvals will include the approval, upon satisfaction of the Termination Conditions, of such termination.

6. No Other Changes; Estoppel. Except as expressly modified hereby, all of the terms and provisions of the OPA and the Settlement Agreement remain unmodified and in full force and effect. The parties hereto acknowledge that, as of the date hereof, no default, or event which, with the passage of time or the giving of notice (or both), has occurred and is continuing under the OPA or the Settlement Agreement.

SIGNATURES ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this First Amendment as of the date first hereinabove set forth.

CRA/LA:

CRA/LA, A DESIGNATED LOCAL AUTHORITY, a public body formed pursuant to California Health & Safety Code Section 34173(d)(3)

By: _____
Estevan Valenzuela
Chief Executive Officer

APPROVED AS TO FORM:

Thomas H. Webber
CRA/LA Legal Counsel

DEVELOPER:

DOMI CENTER, LLC,
a Delaware limited liability company

By: Dome Entertainment Center, Inc.,
a California corporation,
its sole member

By: _____
Name: _____
Title: Jill Saperstein
Secretary

ACKNOWLEDGED AND AGREED:

NTC:

NATIONWIDE THEATRES CORP.,
a California corporation

By: _____
Name: _____
Title: Jill Saperstein
Secretary