

MEMORANDUM

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DATE: APRIL 7, 2016 WA2120 & WC2120

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER

SUBJECT: **WATTS CINEMA EDUCATION CENTER DISPOSITION AND DEVELOPMENT AGREEMENT - NON-MONETARY AMENDMENT.** Amend the Disposition and Development Agreement with the Watts Cinema Education Center, Inc., to modify the Schedule of Performance and grant authority to re-enter into certain leases.

RECOMMENDATIONS

That the Governing Board, subject to Oversight Board approval, take the following actions:

1. Authorize the Chief Executive Officer (“CEO”) or designee to negotiate and execute a Fourth Amendment to the Disposition and Development Agreement (“DDA”) with the Watts Cinema Education Center, Inc. (Developer) to modify the Schedule of Performance; and
2. Authorize the CEO to re-enter into the lease agreement and sublease agreement with the Developer for the use of CRA/LA-owned property located adjacent to Grandee Avenue, between 104th and 107th Streets (the “Lease”) and use of the property that CRA/LA leases from MTA located adjacent to the Metro Blue Line at 105th Street (the “Sublease”), once the Developer secures financing for the project and begins construction pursuant to the modified schedule of performance.

SUMMARY

The recommended actions will modify the Schedule of Performance to allow the Developer additional time to commence construction of the project and will authorize re-entry into lease and sublease agreements with the Developer for long-term use of CRA/LA-owned and controlled properties to provide parking for the project.

In 2010, the Former Agency entered into a DDA with the Developer for the construction of the Watts Cinema Education Center. The Watts Cinema Education Center Project is an approximately 24,000 square foot development that includes a four-screen movie theatre along with an education and training center in the Watts and Watts Corridors Redevelopment Project Areas (the “Project”). The Developer has now entered into a management agreement with Regency Theatres, Inc. (Regency) for the operation of the theatre component, and is working with Regency to identify funding for a portion of the Project. Regency was established in 2000 and has its corporate office in Agoura Hills, CA. Regency operates 29 theatres with a total of 195 screens in Southern California, including the iconic Village and Bruin Theatres in Westwood, the Lido in Newport Beach and the Casablanca themed dine-in theatre.

The DDA has been previously amended to provide additional time for the Developer to secure necessary project financing. The most recent amendment required the Developer to commence construction by September 15, 2015. However, the Developer was unable to secure the financing necessary to begin construction. CRA/LA staff is recommending this amendment to provide the Developer an additional seven (7) months to secure Project financing, with a construction commencement deadline of December 20, 2016.

On June 25, 2015, the City of Los Angeles filed a lawsuit against the Developer for breach of contract associated with Community Development Block Grant funds provided to the Developer by the City. The Developer is working with its legal counsel, Latham & Watkins, to resolve the matter.

PREVIOUS ACTIONS

February 6, 2014 – CRA/LA approved the 3rd Amendment to the DDA, modifying the Schedule of Performance.

February 20, 2013 – CRA/LA approved the 2nd Amendment to the DDA, modifying the Schedule of Performance.

December 30, 2010 – Former Agency approved the 1st Amendment to the DDA, documenting the development entity's name change; correcting the legal description of the project site; and making other clarifications to the DDA.

DISCUSSION & BACKGROUND

In 2010, the Former Agency entered into a DDA with the Developer for the development of the Project. The cinema component will occupy the majority of the building's net useable square feet. The Project's education component measures approximately 11,000 square feet and is envisioned to offer a variety of free/low-cost youth and adult apprentice programs to the residents in the Watts and Willowbrook communities of south Los Angeles. The Developer envisions that programs will be housed in center classrooms and laboratories to educate and train young people in the creative disciplines of video/film production, post-production, animation, music editing, web design, Microsoft certification, and business development or expansion. Anticipated users of the facility include schools, community organizations, small businesses, and non-profits.

The Developer, a 501 (c)(3) non-profit corporation, was founded in 1995 to enhance opportunities in the Watts community for education/vocational training, economic development and cultural experiences. The sole mission of the entity is to construct and operate the Watts Cinema Education Center to facilitate quality family entertainment, educational enrichment, and economic development through job training and business development in the entertainment industry.

The Project is located at 10361 S. Graham Avenue, directly south of 103rd Street. The Project site consists of three (3) properties that total approximately 174,588 sf. (4.01 acres) of relatively flat land located adjacent to the 103rd Street/Kenneth Hahn Blue Line Metro Station.

The Former Agency conveyed the property located at 10341 S. Graham Avenue (APN 6065-023-001) to the Developer for the Project. The property is approximately 88,750 square feet, including the land associated with a street vacation that was conducted for the Project. The

Former Agency leased the approximately 5,800 square foot parcel located adjacent to Grandee Avenue, between 104th and 107th Streets (APN 6065-023-911) to the Developer for Project parking. The CRA/LA-owned parcel mentioned above is subject to an Option Agreement with the City of Los Angeles, under the Retain for Future Development section of the Long Range Property Management Plan.

The Former Agency also subleased the approximately 60,300 square foot property located adjacent to Graham Avenue, between 105th and 107th Streets (portion of APN 6065-023-909) to the Developer for Project parking. The Former Agency leases the property from MTA. Both leases had 40-year terms, with options for 99-year extensions.

On March 23, 2015, CRA/LA terminated the Lease and Sublease agreements for two parcels because the Developer failed to provide written notice of the commencement of the leases. This required CRA/LA to continue its maintenance of the properties, including property and liability insurance. One the recommendations requests authorization to re-enter into the Lease and Sublease arrangements provided the Developer is able to secure financing for the Project and begins construction pursuant to the modified schedule of performance.

As part of the Former Agency's financial assistance to the Project, the Former Agency disbursed \$598,000 in construction financing to the Developer, structured as a residual receipts loan. The funds have not been spent by the Developer. On March 11, 2016, the Developer and CRA/LA entered into an agreement which resulted in the return of the loan proceeds to CRA/LA. If the proposed amendment is approved and the Developer secures construction financing, CRA/LA would disburse the \$598,000 loan proceeds to the Developer.

SOURCE OF FUNDS

No CRA/LA funds are required for this action. The Developer returned the \$598,000 on March 23, 2016. The funds, which are classified as Special Revenue, have been placed in a Loan Disbursement Account and will be released to the Developer when the project's financing has been secured and construction is scheduled to begin.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The Successor Agency staffing costs associated with this item are characterized as specific program implementation activities. Pursuant to H&SC Section 34171(b), employee costs associated with specific program implementation activities are excluded from the administrative cost cap and are eligible for RPTTF funding.

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: Milestones for Schedule of Performance

SCHEDULE OF PERFORMANCE MILESTONES**April 2016**

ACTIVITY	DATE
Opening of Escrow; Submission/Approval of Formation Documents; Title Policy; Environmental Condition of Property; Submission of Construction Consultant; Submission/Approval of Construction Contract; Approval of Parcel Map; Close of Escrow; Submission of Developer's Certificate; Conveyance of Title to CRA/LA Property;	COMPLETED
Developer to Secure All Necessary Governmental Approvals	8/1/2016
Developer to Submit Final Construction Drawings	9/1/2016
CRA/LA Approval of Final Construction Drawings	9/15/2016
Developer to Submit Evidence of Financing	10/15/2016
CRA/LA to Convene Pre-Construction Conference	11/15/2016
Commencement of Construction	12/20/2016
Completion of Construction	12/30/2018