

MOTION BY SUPERVISOR SHEILA KUEHL

November 5, 2019

**AUTHORITY TO ENTER INTO LEASE, WITH OPTION TO PURCHASE, OF THE
WEST LOS ANGELES COURTHOUSE AND ADOPTION OF RESOLUTION FOR
SOLICITATION OF DEVELOPMENT PROPOSALS**

The West Los Angeles Courthouse (Courthouse), located at 1633 Purdue Avenue, Los Angeles (Property), was used for decades by the State of California, acting by and through the Judicial Council of California (Judicial Council) for courthouse purposes. The Judicial Council subsequently operated the Courthouse until June 14, 2013 when court proceedings were discontinued, and it vacated the Property. The Property remains vacant.

On September 19, 2018, Assembly Bill 2309 authorized the Judicial Council to sell the West Los Angeles Courthouse and gave the County of Los Angeles (County) the first right to purchase the Property. The County has been working through the Chief Executive Officer (CEO) Real Estate Division and with the Los Angeles County Development Authority (LACDA) regarding a proposed development of the Property. While the final project will be determined once a developer is selected through a Request for Proposals (RFP), the RFP will have requirements that the County retain long-term ownership of the property and make the property available to a developer through a ground lease with the requirement that any proposals submitted would have

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affordable and/or supportive housing. The Third Supervisorial District has held several community meetings to obtain the community's input on the type of development for the Property, in addition to considering the social and economic needs of the County.

The three-acre Property was recently appraised by the State and was valued at \$35,780,000. The County proposes to enter into a Lease Agreement (Lease) with the Judicial Council whereby the County will lease the Property while LACDA performs the procurement of a developer through an RFP process pursuant to Government Code section 25515 et seq.

The terms of the Lease are set forth in the Term Sheet attached as Attachment A, which include the following pertinent terms:

- A 24-month term (Lease Term);
- The County will be responsible for all operating costs, including maintenance, utilities, and security;
- Total rent (Lease Payments) during the Lease Term is \$3,578,100, with an initial Lease Payment of \$100 and eight Lease Payments of \$447,250 each;
- The first four Lease Payments, totaling \$1,341,850, are due in Fiscal Year 2019-20;
- Lease Payments 5 to 8, totaling \$1,789,000, are due in FY 2020-21;
- The final Lease Payment (No. 9), \$447,250, is due in FY 2021-22;
- The County will have an option to purchase the Property for a price of \$35,780,000 and the sale must be completed before the Lease expiration date. Should the County exercise its option to purchase, all Lease payments will be credited against the purchase price;

- The County will have the right to sublease, license, or permit third parties to use the Property during the Lease Term with all revenues generated belonging to the County; and
- The County will have rights to terminate the Lease early and rent will be prorated for the time the County has possession of the Property.

Upon Board approval of the recommended actions, the CEO will finalize the Lease consistent with the Term Sheet and proceed with its execution. Pursuant to the Master Agreement between the LACDA and the County, the LACDA will act as the agent of the County and assist with the site control of the Property and will use \$800,000 from the County's Catalytic Development Fund (CDF) to provide the payment for predevelopment costs associated with the Property as preliminarily approved by the County's Economic Development Policy Committee on October 24, 2019. Any revenue generated on the Property during the 24-month option period, such as from filming activities or other rental contracts, will be reinvested in the CDF. The Lease Payments will be funded with \$1,500,000 in Third District discretionary funds in the Board of Supervisors budget and \$2,100,000 in the CEO Affordable Housing Acquisition Funds in the Affordable Housing Programs Budget Unit.

After completing the RFP process and reviewing all development proposals received, CEO, with LACDA, acting as its agent, will return to the Board with a recommendation to execute an Exclusive Negotiating Agreement (ENA) with the selected developer, a proposed project description, authority to exercise the purchase option, and consideration of appropriate CEQA findings.

I, THEREFORE, MOVE that the Board of Supervisors:

1. Find that the proposed lease of the Courthouse from the Judicial Council "as is" is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to Government Code section 11011(k)(1). The appropriate environmental studies and documentation will be completed prior to returning to the Board for consideration and approval of any discretionary action that may impact the environment, such as exercising the purchase option and consummating the purchase of the Property.
2. Authorize the Chief Executive Officer, or her designee, to negotiate and execute a Lease for a 24-month term with the Judicial Council of California with the terms set forth in the Term Sheet for a total rent not to exceed \$3,578,100.
3. Delegate and authorize the Chief Executive Officer, or her designee, to execute any other ancillary documentation approved as to form by County Counsel, and to take all further actions necessary and appropriate to implement the terms and conditions of the Lease.
4. Authorize the LACDA to serve as the agent of the County in issuing an RFP on behalf of the County.
5. Instruct the CEO, in the FY 2019-20 First Mid-Year Budget Adjustment, to transfer \$1,500,000 in Third District Discretionary Funds, from the Board of Supervisors budget unit, to the CEO Rent Expense budget unit, to support Lease Payments due in FY 2019-20.
6. Instruct the CEO to allocate \$1,000,000 of the FY 2019-20 CEO Affordable

Housing Budget, from funding earmarked for the Acquisition Fund for the West Los Angeles Courthouse Project for anticipated costs for FY 2020-21.

7. Direct the CEO to allocate during the FY 2020-21 Recommended Budget phase, \$1,100,000 of the Affordable Housing Budget Unit's Acquisition Fund for the West Los Angeles Courthouse Project for anticipated costs for FY 2020-21 and FY 2021-22.
8. Direct the CEO to allocate during the FY 2020-21 Recommended Budget an amount not less than \$15,000,000 to the CEO Affordable Housing Budget Unit's Acquisition Fund.
9. Authorize the CEO, or her designee, to execute and if necessary, amend a Memorandum of Understanding with the LACDA to state forth the duties and responsibilities of each entity in managing the property.
10. Adopt the Resolution:
 - (a) approving and authorizing the issuance by the LACDA, on behalf of the CEO, of an RFP to solicit developers interested in developing a proposed development on this Property;
 - (b) delegating to the LACDA, by and through its Executive Director, or her designee, the authority to evaluate the qualifications of the responsive proposers;
 - (c) authorizing the CEO, by and through the LACDA to return to the Board with a recommendation to enter exclusive negotiations for a long-term ground lease with the selected proposer(s).

I FURTHER MOVE, that the Board of Supervisors, acting as the commissioners of the Los Angeles County Development Authority:

1. Find that the proposed lease of the Courthouse from the Judicial Council "as is" is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to Government Code section 11011(k)(1). The appropriate environmental studies and documentation will be completed prior to returning to the Board for consideration and approval of any discretionary action that may impact the environment, such as exercising the purchase option and consummating the purchase of the Property.
2. Delegate the LACDA to act on behalf of the County in issuing an RFP and authorize the Executive Director, or her designee, to issue the RFP.
3. Authorize the Executive Director, or her designee, to execute and if necessary, amend a Memorandum of Understanding (MOU) with the LACDA to state forth the duties and responsibilities of each entity in managing the property.
4. Authorize the use of CDF in an amount up to \$800,000 to pay for predevelopment costs during the predevelopment period for this Property.
5. Authorize rental revenue generated from the Property during the 24-month option period to be reinvested in the CDF.
6. Authorize the Executive Director, or her designee, to amend the existing contracts to be effective following approval as to form by County Counsel and execution by all parties:
 - (a) Alliance Land care, Inc. to increase the annual compensation amount by

\$63,000 for the fourth year of the contract, to a total of \$313,000, and \$64,500 for the fifth year of the contract, to a total of \$314,500 for landscaping services; and

- (b) Absolute Security International, Inc. dba Absolute International Security and GSSi, Inc. dba General Security Service to increase the aggregate annual compensation amount by \$109,500 for the fourth year of the contract, to a total of \$359,500 and \$113,000 for the fifth year of the contract, to a total of \$363,000 for security guard services.



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Chair of the Judicial Council

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Administrative Director

JOHN WORDLAW
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MIKE COURTNEY
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TERM SHEET

LEASE OF WEST LOS ANGELES COURTHOUSE WITH OPTION TO PURCHASE

1. Landlord: Judicial Council of California
455 Golden Gate Avenue
San Francisco, CA 94102
2. Tenant: County of Los Angeles
320 W. Temple Street, 7th Floor
Los Angeles, CA 90012
3. Property: West Los Angeles Courthouse
1633 Purdue Avenue, Los Angeles, California
APNs: 4261-011-908, -909, -910, -913, -914, -915
4. Agreement: Lease with Option to Purchase ("Lease Agreement") consisting of triple-net (NNN) lease of the Property with the Tenant's option to purchase the Property ("Purchase Option") by no later than the last day of the twenty-fourth (24th) month from full execution of the Lease Agreement (e.g., at the end of the two (2)-year period); a form of Purchase and Sale Agreement will be attached as an exhibit to the Lease Agreement, providing for the transfer of title to Tenant, to be entered into by the parties on or before thirty (30) days prior to Close of Escrow.
5. Close of Escrow: Sixty (60) days from notice by Tenant to Landlord exercising the Purchase Option which notice must be given no later than sixty (60) days prior to the last day of the twenty-fourth (24th) month from full execution of the Lease Agreement.

6. **Rent; Purchase Price:** Tenant will pay rent pursuant to the below schedule which includes a payment of \$100 as consideration for the Purchase Option to be paid upon execution of the Lease Agreement. Tenant may exercise the Purchase Option for a Purchase Price of \$35,780,000, based on appraisal report by Duff & Phelps, dated January 18, 2019, and subject to due diligence work by Tenant. If the Tenant exercises the Purchase Option, all amounts paid during the term of the Lease Agreement shall be credited towards the Purchase Price and the balance of the Purchase Price shall be paid at Close of Escrow (i.e., \$32,202,000 if Close of Escrow occurs on the last day of the twenty-fourth (24th) month from full execution of the Lease Agreement). Regardless of whether Tenant exercises the Purchase Option, all amounts paid during term of Lease Agreement shall be non-refundable.

Schedule of rent payments shall be as follows:

Payment	Due (on or before)	Amount
1	Lease Execution	\$100 as Purchase Option Consideration
2	End of Month 4	\$447,250
3	End of Month 5	\$447,250
4	End of Month 6	\$447,250
5	End of Month 9	\$447,250
6	End of Month 12	\$447,250
7	End of Month 15	\$447,250
8	End of Month 18	\$447,250
9	End of Month 21	\$447,250

7. **Term; No Extension:** The term of the Lease Agreement shall be twenty-four (24) months, subject to early termination as set forth below. There will be no extensions of the term of the Lease Agreement.
8. **Possession:** Immediately upon full execution of the Lease Agreement. Landlord shall ensure the Property is delivered vacant and free of any occupancy or tenancy upon full execution of the Lease Agreement.
9. **“As-Is” Basis:** Tenant’s possession of the Property under the Lease Agreement, and purchase of the Property under the Purchase and Sale Agreement, shall both be on an “as-is, where-is, and with all faults” basis with no right of set-off or reduction in the Purchase Price, except as specifically set forth herein.

10. Early Termination: Tenant may terminate the Lease Agreement early (as Tenant is not obligated or required to exercise the Purchase Option) at any time upon thirty (30) days' prior written notice; provided, however, Tenant shall be responsible for the payment of all rent accrued, on a prorated basis, up to and through the date upon which Tenant fully vacates the Property.

11. O & M: Tenant shall be solely responsible for any and all operations and maintenance associated with the Property including, but not limited to, all interior and exterior portions and building systems of the Property, and all costs and expenses therefor; provided, however, Tenant shall not be obligated to make inoperable building systems operable. Landlord shall not at any time be responsible for the performance or costs of any such operations and maintenance during Tenant's occupancy of the Property. Tenant shall maintain and operate the Property during the term of the Lease Agreement at the same level of service and care as normally and customarily provided by Tenant at other equivalent County of Los Angeles facilities; provided, however, neither Tenant nor Landlord shall be obligated to make any capital improvements to the Property during the term of the Lease Agreement.

12. Liability/Insurance: Tenant shall be solely responsible for any and all liability, claims, risks, perils, hazards, and insurance concerning the Property from the date of full execution of the Lease Agreement, and all costs and expenses therefor including indemnifying Landlord; except to the extent caused by the Landlord.

13. Income: Tenant shall be entitled to sublease, permit or license any portion of the Property and retain any amounts of income received during the term of the Lease Agreement including, without limitation, from the use of the Property's parking.

14. Improvements: Tenant shall have the right, at its sole cost and responsibility, to make improvements and alterations to the Property, which Tenant may elect to perform at its sole and absolute discretion, from and after the date of full execution of the Lease Agreement. Landlord shall not at any time be responsible for the performance or costs of any such improvements during Tenant's occupancy of the Property. In the event the Lease Agreement is terminated and/or Tenant does not exercise the Purchase Option, any and all improvements made by Tenant to the Property either shall be removed by Tenant, at Tenant's sole cost, upon Landlord's

reasonable request or Tenant's election or shall become the property of Landlord at no cost to Landlord.

15. Assignment: Lease Agreement is not assignable.
16. Brokers: No brokers are associated with this transaction.
17. Representations: Tenant and Landlord will make in the Purchase and Sale Agreement the usual and customary representations and warranties to each other.
18. Disclosures: Landlord to deliver to Tenant any and all documents in its possession related to the Property upon the full execution of the Lease Agreement.
19. Definitive Document: This Term Sheet is intended to be only a preliminary statement of basic interest and intent between the parties and does not contain all of the material business terms of the proposed transactions and is subject to the negotiation and execution of definitive documents. This Term Sheet is not legally binding upon the parties and neither Tenant nor Landlord shall be obligated by the terms and conditions herein unless and until the parties execute and deliver definitive, duly authorized documents. If the parties are unable to reach a full and final agreement on the Lease Agreement or any other documents referenced therein, for any reason whatsoever, neither party shall have any claim against the other, and all costs incurred by either party shall be the sole responsibility of the incurring party. This Term Sheet supersedes all previous letters, documents, and correspondence delivered as expressions of intent or interest and such prior letters, documents, and correspondence shall be deemed null and void and of no further force and effect. It is further expressly understood that neither party may rely on any oral agreements between the parties because only final, duly authorized and fully executed documents will be deemed binding.