

APPROVED

SEP 02 2009

REPORT OF GENERAL MANAGER

NO. 09-234

DATE September 2, 2009

**BOARD OF RECREATION
and PARK COMMISSIONERS**

C.D. 12

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: OAKRIDGE RESIDENCE - AUTHORIZATION TO ACQUIRE ADDITIONAL PROPERTY AT 18650 DEVONSHIRE STREET AND ALLOCATION OF SUBDIVISION/QUIMBY AND ZONE CHANGE/PARK FEES

R. Adams	_____	J. Kolb	_____
H. Fujita	_____	F. Mok	_____
S. Huntley	_____	K. Regan	_____
V. Israel	_____	*M. Shull	<u><i>M. Shull</i></u>

[Signature]
General Manager

Approved *[Signature]*

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Reaffirm Resolution No. 10246, adopted on July 9, 2008, that approved the acquisition of the "Oakridge Residence" and grounds totaling 1.95 acres, located at 18650 Devonshire Street in Northridge and being a portion of Assessor Parcel Number (APN) 2729-011-002, which totals 9.47 acres;
2. Adopt the Resolution, on file in the Board Office, expanding the acquisition to include the rest of the adjacent land in this parcel;
3. Authorize the General Manager to execute a Purchase and Sale Agreement (PSA) for the acquisition of the 9.47 acres, the PSA being substantially in the form on file in the Board Office including the seller's request for a full release and indemnification from future claims for environmental risk, subject to the approval of the City Attorney as to form;
4. Direct the Board Secretary to transmit forthwith the proposed PSA to the City Attorney for review as to form;
5. Authorize the General Manager to execute the PSA upon receipt of the necessary approvals;

REPORT OF GENERAL MANAGER

PG. 2 NO. 09-234

6. Authorize the Department's Chief Accounting Employee to transfer \$1,439,912.41 in Subdivision/Quimby Fees collected in Fiscal Year 2006-2007 from Account 460K-00 to Oakridge Residence Account 460K-OA;
7. Authorize the Department's Chief Accounting Employee to transfer \$128,050.00 in Zone Change/Park Fees collected in Fiscal Year 2007-2008 from Account 440K-00 to Oakridge Residence Account 460K-OA;
8. Approve the allocation of these two amounts, totaling \$1,567,962.41, from Oakridge Residence Account 460K-OA for the expanded acquisition and thereafter, to fund certain repairs, grounds clean-up and fencing, the installation of security equipment and a preliminary structural preservation plan; and,
9. Direct the Board Secretary, upon the successful close of escrow, to accept the grant deed to the parcel, which is to be set apart and dedicated as park property in perpetuity.

SUMMARY:

Periodically since May 2006, the Office of Council District Twelve has communicated with successive owners of an estate in Northridge about the City's acquiring a portion for public recreation. The estate totals 9.47 acres and is located at 18650 Devonshire Street, just west of the intersection with Reseda Boulevard and east of Wilbur Creek or Wash (Assessor Parcel No. (APN) 2729-011-002).

The estate's long-time owner was a versatile vaudeville performer/film comedian who took the stage name "Jack Oakie". He acquired the property in 1940, a few years after moving from New York to Southern California, and lived there until his death in 1978. Jack named the estate "Oakridge". The two-story house of nearly 6,000 square feet crowns a large, gently sloped knoll of approximately 1.95 acres near the northeast corner of the estate and is reached by a long, curving drive off Devonshire. The exterior is faced with field stone and stucco. There are two patios, four fireplaces and an attached three-car garage. Interior decoration includes hand-painted murals and redwood paneling. The structure is sometimes called the "Oakie House". The adjacent grounds have flagstone walks, mature trees, a lighted tennis court and a swimming pool bordered with flagstones. The rest of the property is a vacant field.

By 1980, Northridge was becoming so urbanized that landmarks connected to early film stars, directors and musicians were being replaced and estates subdivided. In recognition of Jack's fondness for the estate, which hosted a generation of entertainers, his widow Victoria, a former character actor, wrote the book, "Jack Oakie's Oakridge"; she later wrote three others celebrating his career. She initiated the process by which, in 1990, the house and grounds were designated City Historic-Cultural Monument No. 484 (C. F. No. 90-0029). Ten years later she donated the

REPORT OF GENERAL MANAGER

PG. 3 NO. 09-234

estate to the University of Southern California (USC) in Jack's memory; he had filmed comedies there and given career memorabilia to the film school. Victoria retained a life interest in the estate, after which it was to be sold with the proceeds funding the "Jack Oakie Endowed Chair in Comedy", the successor to a film scholarship she had established. Victoria died in 2003, at the age of 91.

USC then negotiated the estate's sale to a firm intending to build private homes on the vacant land. In turn, the firm expressed interest in selling to the City the knoll of 1.95 acres. The firm's transaction with USC was never completed. A second private firm succeeded in buying the estate and resumed negotiations with the Councilmember. Department staff recommended acquiring the 1.95 acres, which the Board approved on July 9, 2008, through Resolution No. 10246 (Board Report No. 08-208). The Board also allocated funds totaling \$2,250,000 in Subdivision/Quimby Fees. This sum was transferred from other accounts into the new Oakridge Residence Account 460K-OA. Funds remaining after the acquisition were to be used for roofing and plumbing repairs, a grounds clean-up and security equipment. The Board also authorized staff to hire a consultant to draft a structural treatment and management plan in keeping with the site's historic status. The plan would also evaluate potential public use of the site, perhaps including a small museum on the area's film associations with other rooms and the grounds restored to become a rental venue.

By the fall of 2008, the private firm's financial status led to a default of the purchase terms with USC, which initiated foreclosure. It was completed in May 2009. The City now has the opportunity to acquire the entire 9.47 acres for \$3,350,000. The price represents a sum, secured by the property that USC "carried back" or loaned to the second firm plus USC's foreclosure costs. The price is supported by a summary Class "A" appraisal dated June 10, 2009.

Upon approval of this report, additional funds totaling \$1,567,962.41 can be transferred to Oakridge Residence Account 460K-OA for the expanded acquisition as follows:

- \$1,439,912.41 in Subdivision/Quimby Fees collected in Fiscal Year 2006-2007 from Account 460K-00;
- \$128,050.00 in Zone Change/Park Fees collected in Fiscal Year 2007-2008 from Account 440K-00.

The total was collected within two miles of Oakridge, which is the standard distance for allocating these fees for a community park, as defined in the Public Recreation Plan. With the new allocation, the total available is \$3,817,962.41. Staff anticipate that nearly \$445,000 will remain after the acquisition for needed repairs and other expenditures.

REPORT OF GENERAL MANAGER

PG. 4 NO. 09-234

Board Report No. 08-208 was presented when the Board initially approved the acquisition and cited the estate's environmental status. A Phase I assessment of the entire 9.47 acres, conducted in January 2007, found that there were no recognized environmental concerns. The assessment did mention a small abandoned, underground fuel-storage tank near the garage. An earlier, limited assessment in 2002 noted that the residence has asbestos-containing material and lead-based paint, which is typical for historic sites. The later study included the general location and condition of these materials, giving the Department much of the information needed to assess future abatement as part of a larger restoration before opening the residence to the public. Department environmental staff concluded there was no environmental impediment to the acquisition.

Recently, further research into the site's environmental condition has become necessary because of certain terms in the proposed Purchase and Sale Agreement (PSA). USC wants a full release and indemnification from future claims for environmental risk, including the presence of any hazardous materials; USC also wants a release from any other potential, third-party liability associated with the estate (PSA Sections 6.6 – 6.7.4 and 27). The City would have a year's discovery period after the close of escrow to lodge a claim against USC involving alleged misrepresentations concerning the sale.

The PSA was referred to the City Administrative Officer (CAO). Their risk management staff stated that the City does not typically indemnify sellers of the real estate it acquires or include in PSA's the liability wording sought by USC; the CAO Risk Manager did not recommend doing so. However, both the CAO and the Department Risk Managers generally support the City's acquiring the estate if other staff determines that the environmental condition does not pose additional or unacceptable risk or liability. Neither Risk Manager considers the presence of asbestos and lead-based paint to be a deterrent, given that the Department regularly conducts abatement in the historic properties it manages.

As a result of these opinions, Department environmental staff obtained supplemental documentation from USC on the assessments performed from 2002 to 2009. There were three Phase I assessments, at least two performed in full compliance with national standards. These two studies included "all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice" needed for landowner liability protection under longstanding federal guidelines. All three studies concluded that the estate has no recognized environmental concerns.

In 2007, a limited Phase II study focused on the abandoned, underground fuel tank. The study concluded that the tank has no substantial residue and no discernible leakage into the surrounding soil. The tank can be removed or abandoned in place under standard Fire Department protocols.

REPORT OF GENERAL MANAGER

PG. 5 NO. 09-234

Department environmental staff thinks that the more recent analysis reinforces the earlier determination that the estate is suitable for park purposes. Staff also thinks that the extensive assessments minimize any potential risk of extending indemnification and liability protection to USC. Environmental and other staff conclude they can reasonably recommend to the Board to accept USC's wording for the PSA. The transaction will secure the preservation of this unique property.

The previous report citing the initial environmental analysis also had a determination with respect to the California Environmental Quality Act (CEQA). Given that the City's acquisition was for the purpose of ensuring the historic site's long-term preservation and eventual enjoyment by the public, the project is considered exempt pursuant to Article III, Section 1, Class 16 (2) and Class 31 of the City CEQA Guidelines. The CEQA determination also includes the restoration, reconstruction and ongoing maintenance of a resource consistent with the federal Department of the Interior's standards for the treatment of historic property. The acquisition of seven additional acres of vacant land for the same overall purpose does not change the initial CEQA determination.

In addition to the Office of Council District Twelve, the Assistant General Manager of Operations West and the Acting Superintendent of the Valley Region concur with staff's recommendations.

FISCAL IMPACT STATEMENT:

Acquisition costs, including title and escrow fees, are estimated at \$3,375,000. Thereafter, Valley Region staff proposes certain work involving the house and grounds. This overgrown site will need cleaning up with dead tree limbs removed; the estimated cost is \$150,000. The main water line from the meter to the house needs repairing at a cost of \$10,000. Immediate repairs to the gabled, cedar-shake roof and dormers are also estimated at \$10,000. Fencing will be \$15,000. The cost of a security system has not yet been determined; however, the nearly \$445,000 in allocated funds remaining after the acquisition are sufficient for this and other initial expenditures. The house is unoccupied, so there are no relocation costs. Annual upkeep of the grounds surrounding the house will cost approximately \$12,000 and can be requested in an upcoming budget cycle.

This report was prepared by Joan Reitzel, Senior Management Analyst in Real Estate and Asset Management, Planning and Construction Division.