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CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS

June 5, 2013

TO: BOARD OF RECREATION AND PARKS COMMISSIONERS
FROM:  JON KIRK MURKI
General Manager
SUBJECT: HOPE STREET FAMILY CENTER (VENICE HOPE RECREATION CENTER)
– QUIMBY COVENANT AND AGREEMENT

BACKGROUND:

The Hope Street Family Center (formerly known as the Venice Hope Recreation Center) is located on an approximately 17,234 square foot site at the southeast corner of Venice Boulevard and Hope Street in the South Park neighborhood of Los Angeles. The project consists of a 25,159 square foot facility offering approximately 21,580 square feet of indoor multi-purpose recreational, classroom and support space in a four-story structure; 3,580 square feet for a licensed childcare facility; 4,630 square feet of outdoor multipurpose recreation space that includes a Proposition K funded Outdoor Athletic Court and Lighting Project; and 3,470 square feet of outdoor play space for child care.

Renderings of Hope Street Family Center and the associated site plan and floor plans are attached as Exhibit A.

Recreational activities at the Hope Street Family Center will focus on serving at-risk youth between the ages of four (4) and eighteen (18), and will include basketball, volleyball and other court sports in the outdoor space, exercise and movement classes in the exercise area, as well as aerobics, movement, dance, yoga, table tennis and other indoor recreation inside the structure.

Construction of the Hope Street Family Center commenced in July 2011 and the project is currently more than ninety percent (90%) complete. It is anticipated that construction of the project and all related closeout activities will be completed by the end of June 2013.

The Hope Street Family Center was jointly developed by Dignity Health (formally Catholic Healthcare West), which operates the nearby California Hospital Medical Center (CHMC), and the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA). When the project was originally conceived, it was planned that CRA/LA would assemble and own the land; work with Dignity Health to fund and develop the project; and, once the project was complete, have Dignity Health manage, operate, and maintain the facility through a ground lease from the CRA/LA. However, pursuant to a recently approved Disposition and Development Agreement (DDA) between CRA/LA and CHMC Hope Street Family Center Property Management LLC (CHMC LLC), a single-purpose limited liability company whose sole member is Dignity Health, the ownership of the site and certain grant funds that had been awarded to the CRA/LA for the project were transferred to CHMC LLC. The Hope Street Family Center will now be wholly owned and operated by CHMC LLC.

Acquisition of 320 and 324 Venice Boulevard with Quimby funds

In order to develop the Hope Street Family Center project the CRA/LA needed to assemble at least three (3) contiguous parcels. In 2004, CRA/LA, which was the owner of 1600 South Hope Street, which is located on the southeast corner of Venice Boulevard and Hope Street, was negotiating to purchase two (2) nearby parcels located at 320 and 324 Venice Boulevard. However, the (3) three parcels (1600 South Hope Street and 320 and 324 Venice Boulevard) were not contiguous parcels because 330 Venice Boulevard is located between 1600 South Hope Street and 324 Venice Boulevard. Therefore, CRA/LA was also negotiating with the owner of 330 Venice Boulevard (owned by DLDG, LLC, a private entity), as that owner had agreed to exchange 330 Venice Boulevard for 320 Venice Boulevard in order to provide contiguous parcels for the Hope Street Family Center project.

On June 1, 2004, the Board of Recreation and Park Commissioners (Board) authorized payment of \$1,000,000 in Quimby funds to the CRA/LA to be used solely toward the purchase of 320 and 324 Venice Boulevard for the future development of the Hope Street Family Center project (Board Report No. 04-170). As a condition of the Board's authorizing use of Quimby funds for CRA/LA to purchase 320 and 324 Venice Boulevard, at close of escrow a covenant (Quimby Covenant) was to have been recorded restricting the use of the property for public park and recreational purposes and requiring that any facility constructed thereon be maintained for such purposes. Nonetheless, when use of the Quimby funds was approved by Board on June 1, 2004, the Board did acknowledge that the CRA/LA intended to exchange 320 Venice Boulevard (one of the parcels to be acquired with Quimby funds) for 330 Venice Boulevard, and that such exchange would be subject to approval by the Board and City Council and recordation of a new Quimby covenant restricting the use of 330 Venice Boulevard for public park and recreational purposes and requiring that any facility constructed thereon be maintained for such purposes.

The CRA/LA accepted title to 320 and 324 Venice Boulevard on June 9, 2004. The Quimby covenant, however, was not recorded at that time because of the property exchange that was anticipated for 320 Venice Boulevard.

On August 4, 2005, CRA/LA approved the exchange of 320 Venice Boulevard (which had been purchased by CRA/LA with Quimby funds) for 330 Venice Boulevard. This resulted in CRA/LA owning three contiguous parcels which created a 17,234 square foot site on which the recreation center and outdoor athletic court would be developed. On March 1, 2006, the City Council authorized the exchange of the parcels and requested that the Board approve a master covenant restricting all three parcels (1600 South Hope Street, 324 Venice Boulevard and 330 Venice Boulevard) and any facility constructed thereon to be used for public park and recreational purposes (Council File No. 03-2456-S3). On June 7, 2006, the Board approved the exchange of 320 Venice Boulevard (purchased by CRA/LA with Quimby funds) for 330 Venice Boulevard, and approved a Quimby Covenant restricting all three (3) parcels and any facility constructed thereon to be used for public park and recreational purposes (Board Report No. 06-149). The CRA/LA accepted title to 330 Venice Boulevard on July 28, 2006, and the Quimby Covenant affecting all three (3) parcels was recorded on August 16, 2007.

A parcel map detailing the history of the various parcel exchange for the Hope Street Family Center project is attached as Exhibit B.

Quimby Covenant

As previously noted, a Quimby Covenant was filed on August 16, 2007, after CRA/LA completed the acquisition and exchange of the parcels to assemble the three (3) continuous parcels necessary for development of the Hope Street Family Center project. The Quimby Covenant restricts the use of all three (3) parcels to public park and recreational purposes and requires that any facilities constructed thereon shall be maintained for such purposes. The conformed version of the Quimby Covenant indicates that Attachment A to the Quimby Covenant, which was the legal description of the three (3) parcels that comprise the site for the family center, was missing from the recorded Quimby Covenant. However, the recorded covenant did identify the three (3) parcels by their street address, which enabled the County Recorder to record the Quimby Covenant against all three (3) parcels that comprise the Hope Street Family Center site. The Quimby Covenant continues in effect until the Board and the City Council terminate the covenant.

A copy of the recorded Quimby Covenant is attached as Exhibit C.

Additionally, a Lot Tie Covenant was recorded on March 3, 2010, which ties all three (3) lots permanently, unless terminated by the City. Both the Quimby Covenant and the Lot Tie Covenant run with the land and are binding on all successors.

It should also be noted that for several years CHMC has successfully operated a family center located on their adjacent hospital campus, including a licensed childcare facility and other family oriented programs. The childcare program and other family oriented programs will be relocated to the new Hope Street Family Center to be managed by CHMC along with the new recreational activities. A Los Angeles Unified School District (LAUSD) continuation school that is also currently housed at the existing family center will, however, not be relocated to the new Hope Street Family Center. Relocating the continuation school now located at the old family center onto the new Hope Street Family Center would not be a park and recreational purpose and thus would violate the Quimby Covenant. CHMC LLC is aware of this issue and the continuation school will not be relocated onto the new Hope Street Family Center.

CRA/LA Disposition and Development Agreement

On November 18, 2010, the CRA/LA Board of Commissioners approved the DDA with the CHMC LLC, which transferred ownership of the site and provided funding for development of the Hope Street Family Center. The City Council approved the DDA on December 17, 2010. The DDA was executed and became effective on March 8, 2011.

Under the DDA, CHMC LLC will own the project site and will develop the Hope Street Family Center. In addition to conveying the land for the Hope Street Family Center to the CHMC LLC, the DDA sets forth the financial investment and contributions to be made by CRA/LA and other parties in connection with the development of the Family Center. CRA/LA's investment in the master project includes: a) Proposition K grant of \$591,000; b) Proposition 40 grant of \$3,000,000; c) Proposition 1C grant of \$2,000,000; d) CRA/LA loan to CHMC LLC in the amount of \$2,545,137 for pre-development and construction costs; and e) acquisition of the three (3) parcels on which the master project is located.

CHMC LLC took title to the property on March 8, 2011, and the grant deed was recorded on May 2, 2011. The loan from the CRA/LA is secured by a Note and Deed of Trust on the property. That Deed of Trust was recorded on May 2, 2011. The DDA also mandates that a covenant agreement be recorded that requires CHMC LLC and its successors to devote the site solely for park and recreational uses and other uses permitted in the DDA. That Covenant Agreement was executed on March 8, 2011 and was recorded on May 2, 2011.

Upon completion of project construction, the CHMC LLC will be obligated to operate and maintain the Hope Street Family Center in accordance with the various grant agreements and would, as a successor to the CRA/LA, be bound by the existing obligations to provide services and maintenance for the project.

CRA/LA Disposition and Development Agreement - Agreement Containing Covenants

The Agreement Containing Covenants that was filed on May 2, 2011, as required by the DDA, also restricts the use of the property and facilities constructed thereon to park and recreational purposes.

As detailed in Exhibit A, the predominant use of the site is for park and recreational purposes in compliance with the Quimby Covenant. If the amount of indoor and outdoor space devoted to park and recreational purposes were to be reduced from what is now depicted in Exhibit A, the predominant use of the site would not be for park and recreational purposes. Thus, any reduction in park and recreational space would be a violation of the Agreement Containing Covenants as well as the Quimby Covenant.

FISCAL IMPACT STATEMENT:

The actions and activities described in this report will not have any impact on the Department's General Fund.

This report was prepared by Darryl Ford, Management Analyst II, Planning, Construction and Maintenance Branch.