

APPROVED

REPORT OF GENERAL MANAGER

MAY 13 2013

NO. 13-128

DATE May 13, 2013

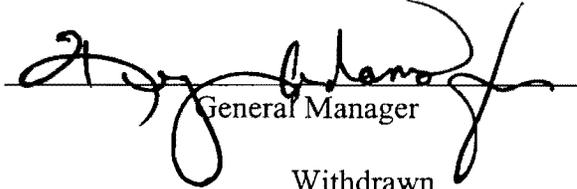
**BOARD OF RECREATION
& PARK COMMISSIONERS**

C.D. 9

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GILBERT W. LINDSAY COMMUNITY CENTER – TERMINATION OF CURRENT LEASE AGREEMENT AND NEW LEASE AGREEMENT BETWEEN CITY OF LOS ANGELES AND KEDREN COMMUNITY HEALTH CENTER FOR THE OPERATION AND MAINTENANCE OF A COMMUNITY MENTAL HEALTH FACILITY

R. Adams	_____	K. Regan	_____
H. Fujita	_____	*M. Shull	<u>MS</u>
V. Israel	_____	N. Williams	_____


General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve the termination of the current Lease Agreement between the City of Los Angeles and Kedren Community Health Center (Kedren), a non-profit corporation, for the operation and maintenance of a community mental health facility;
2. Approve a proposed new thirty (30) year Lease Agreement, substantially in the form on file in the Board Office, between the City of Los Angeles, acting by and through its Board of Recreation and Park Commissioners (Board), and the Kedren Community Health Center (Kedren), a non-profit corporation, for a term not to exceed thirty (30) years for the operation and maintenance of a community mental health facility on a three and one-third (3-1/3) acre portion of the Department of Recreation and Park's (Department) Gilbert W. Lindsay Community Center, subject to the approval of the Mayor, City Council, and City Attorney as to form;
3. Direct the Board Secretary to transmit the new Lease Agreement to the Mayor in accordance with Executive Directive No. 3 and concurrently to the City Attorney for review and approval as to form; and,

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4. Authorize the Board President and Secretary to execute the new Lease Agreement upon receipt of the necessary approvals.

SUMMARY:

The current location for the Gilbert W. Lindsay Community Center was the former site of the Old Wrigley Field. From 1925 through 1957, it was owned by William K Wrigley Jr., the chewing gum magnate. It was used to host major outdoor wrestling and boxing programs as well as baseball games of the Pacific Coast League. The City of Los Angeles obtained ownership of the property in 1959 and the Wrigley Field stadium was demolished in the mid-1960's. Under City ownership, the property was under the jurisdiction of the Department of Recreation and Parks.

In July 1968, the Board of Recreation and Park Commissioner's (Board) approved the proposed project of a neighborhood health center (health center) to be constructed on a portion of the former Wrigley Field. The health center was proposed by the Central City Community Health Center (Central City), a non-profit corporation. The proposal suggested the development of the subject facility on approximately 4-1/3 acres of park property. Central City further proposed to provide comprehensive health, welfare, educational, recreational and social services to residents of the area. It presented that funding for the proposal was to be provided by grants from the National Institute of Mental Health, the Office of Economic Opportunity, and the Department of Housing and Urban Development.

At the time of the approval of the proposal, the General Manager of the Department expressed concern that the development of the health center on a portion of Wrigley Field was inconsistent with the Department's responsibility to develop a community recreation center to serve local needs. The Board disagreed with the General Manager and approved the proposal. The approval of the proposal would eventually lead to the granting of a long term lease agreement with Central City for the use of park property and the construction and operation of the health center. It should be noted that, at that time, the City Attorney opined that the City could lease the property to Central City based upon the fact that a public health center served a public and recreational purpose.

On June 18, 1970, a fifty (50) year lease agreement, approved by the Board, was executed between the Department and Central City, for the use of a three and one-third (3 1/3) acre parcel comprising a portion of the Gilbert W. Lindsay Community Center. The purpose of the lease was to allow Central City to construct and operate a community mental health facility for inpatient and outpatient treatment. The lease was subsequently approved by the City Council through Ordinance No. 140,368.

Central City, subsequent to the execution of the agreement, encountered several problems, beyond their control, which precluded the start of construction on or before the date required in the agreement. On April 1, 1971, the Board approved the First Amendment to the Lease Agreement

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which changed the commencement date of construction of the mental health facility from June 1, 1970 to May 5, 1971 and the construction completion date from September 1, 1971 to May 5, 1973. On May 27, 1971, the Board approved the Second Amendment to the Lease Agreement which changed the commencement date of the construction of the mental health facility from May 5, 1971 to June 1, 1971 and the construction completion date from May 5, 1973 to June 1, 1974. Construction began as scheduled and the mental health facility was completed.

On October 7, 1983, Central City filed for bankruptcy. They subsequently entered into an agreement with Kedren Community Health Center, Inc. (Kedren), a California non-profit corporation, granting Kedren the right to manage and use the mental health facility. This agreement was approved by the Bankruptcy Court and Board approved the assignment of the Lease Agreement from Central City to Kedren on January 8, 1988. The assignment agreement was executed on November 20, 1989. It should be noted that aside from the assignment of the lease and the First and Second Amendments changing the construction start and completion dates, all other terms and conditions from the original lease approved and executed in 1970 remain the same.

Kedren has operated and maintained the mental health facility at its own expense since 1989. They intend to continue doing so for the foreseeable future. However, the current lease executed in 1970 has seven (7) years remaining in its term and this is of concern to them. They have indicated that they would like to have a longer term lease agreement in order to provide continuity to their various programs and open opportunities to vie for various grants and government funding programs that requires site control. Kedren has informed the Department that it has applied for and been granted a \$1.8 million dollar loan from the California Endowment – Capital Investments for Community Clinics and Health Center – Program Related Investment (PRI). This loan is intended to fund a children's outpatient expansion within the footprint of the current lease premises. Department staff is aware of the proposed expansion project but has not been presented with any plans for review. It is anticipated that the proposed project will be presented to the Board for its consideration at a future date.

Kedren has indicated to Department staff that if the new longer term lease is not granted, they will lose their eligibility for the \$1.8 million dollar loan. This will impact their operations such that they may not be able to provide services at current levels. Kedren representatives have indicated that the loan requires them to have a lease for the property with, at minimum, a twenty (20) year term but would prefer a fifty (50) year term.

The City Attorney has advised that, in order to comply with the Government Code, the former lease should be terminated and a new lease with a term of thirty (30) years should be approved and executed. The Department is recommending that the Board approve the new thirty (30) year lease in order for Kedren to be able to keep their eligibility for the \$1.8 million dollar loan. As stated above, if Kedren is not granted the new lease it will lose the loan which would impact the level of service they currently provide. This situation would then give the City cause to terminate the former lease

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under Section 7 (b) “in the event the Lessee is no longer financially able, as determined by auditors agreeable to both parties, to continue the operation of the mental health facility.” The City Attorney has further advised that the City Attorney determination that allowed for the leasing of the property to Central City in 1970 is relevant and equally applicable for the granting of this new lease agreement.

Staff has determined that the subject project will consist of the issuance of a lease to allow the continued use of an existing facility involving negligible or no expansion of use. Therefore, the project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Article III, Section 1, Class 1 (14) of the City CEQA Guidelines.

FISCAL IMPACT STATEMENT:

There will be no fiscal impact to the Department’s General Fund associated with this project. All costs for the continued maintenance and operation of facility will be the responsibility of Kedren.

This report prepared by Cid Macaraeg, Sr. Management Analyst II, Planning, Construction, and Maintenance Branch.