REPORT OF GENERAL MANAGER

DATE September 11, 2013

NO. 13-230

C.D. 1

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: 50 PARKS INITIATIVE – ALPINE RECREATION CENTER EXPANSION PROJECT (ORD AND YALE STREET PARK) – ACQUISITION OF VARIOUS PARCELS – APPROVAL OF PURCHASE AND SALE AGREEMENTS AND EXEMPTION FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

R. Adams K. Regan
H. Fujita M. Shull
V. Israel N. Williams

Approved Disapproved Withdrawn

RECOMMENDATIONS:

That the Board:

1. Rescind Recommendation No. 1 and Recommendation No. 2, of Board Report No. 13-106 and Resolution No. 10371;

2. Adopt the Resolution, substantially in the form on file in the Board Office, which authorizes staff to request the assistance of the Department of General Services (GSD) and other City entities, per Charter Section 594(a) and (b), in obtaining fee title to three (3) parcels totaling 0.242 acre or 10,570 square feet, located at 524 West Ord Street Los Angeles, California 90012, Los Angeles County Assessor Parcel Numbers (APN) 5407-025-009, APN 5407-025-010, and APN 5407-025-015, with an option to purchase a portion of a fourth Parcel with APN 5407-025-017, to be purchased within a year subject to the owner being able to obtain all approvals and clearances necessary for a lot split or lot line adjustment;

3. Approve the use of Capital Park Development B Account funds (Department No. 89, Fund No. 302, Account No. 89270K-CG) or alternative funding source undetermined as of the drafting of this Report, for the acquisition of three (3) parcels through fee title and the option to purchase a portion of a fourth parcel within a year, all near 524 West Ord Street, Los Angeles, California 90012 identified by APN 5407-025-009, APN 5407-025-010, and
APN 5407-025-015 and APN 5407-025-017 (the option Parcel) respectively for the Alpine Recreation Center Expansion project (also known as Ord and Yale Street Park);

4. Authorize the Department's Chief Accounting Employee to process or to instruct/request the Department of Public Works, Accounting Office to expedite the processing of a demand to the City Controller for three (3) parcels (APN 5407-025-009, APN 5407-025-010, APN 5407-025-015) in the estimated amount of $864,000.00, payable to Commonwealth Land Title Company from Proposition K Funds or Capital B Funds or an alternative funding source, and for a portion of a fourth parcel, identified by APN 5407-025-017, in the estimated amount of $217,990.99 within a year;

5. Find that the project is exempt from the provisions of the California Environmental Quality Act;

6. Grant final approval to purchase the properties upon the completion of the preliminary acquisition activities, contingent on the following conditions:

   A. Funding will be available for the acquisition of the properties either through: Proposition K Funds, Capital Park Development B Funds (Capital B Funds); or an alternative funding source yet to be determined;

   B. Appropriate California Environmental Quality Act (CEQA) documentation will have been completed, which would also be needed for Proposition K reimbursement of Capital B Funds;

   C. Any additional required environmental assessments if needed, will have been completed and satisfied prior to the close of escrow;

   D. Clearance/resolution of all and any Title issues prior to closing of escrow and, with respect to the portion of the fourth parcel, APN 5407-025-017 (the option Parcel), all lot split or lot line adjustment clearances and approvals and a prepared legal description by the owner; and,

   E. GSD will have negotiated a purchase price that is consistent with their professional opinion of market value and based on prepared appraisals approved by GSD and a recommend by GSD that City proceed with acquisition.
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7. In order to expedite the acquisition of the proposed project, authorize the Board President and Secretary to execute three (3) Purchase and Sale Agreements (PSAs) upon receipt of the necessary approvals, and request and grant authority to GSD and to the City Attorney’s Office to review, negotiate, draft, finalize and execute forthwith the three (3) PSAs on behalf of the Board, if necessary, pending final review and approval by GSD Asset Management Division subject to the approval of the City Attorney as to form, and upon completion and approval of all conditions indicated in this Board Report;

8. Authorize GSD, the Department of Public Works, and the Department’s Chief Accounting Employee to make technical corrections as necessary to establish the necessary accounts to acquire and or reimburse accounts for the project site, and to accept, and transfer the necessary monies to fund the acquisition to the appropriate City Department accounts or escrow company account in order to expeditiously complete the acquisitions of the Alpine Recreation Center Expansion project (Ord and Yale Street Park); as intended by the City of Los Angeles, City Council; and,

9. Authorize the Board Secretary to execute the escrow instructions and to accept the grant deeds for the subject properties, as approved by the City Attorney, which shall be set apart and dedicated as park properties in perpetuity; and,

10. Direct Staff to file a Notice of Exemption with the Los Angeles County clerk.

SUMMARY:

The Alpine Recreation Center Expansion project (Ord and Yale Street Park) is a Proposition K Specified project. The Proposition K line item scope of work states "property acquisition for park expansion" for Alpine Recreation Center, which is located at 817 Yale Street in the Chinatown Area of the City.

On November 7, 2006, California voters passed the "Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006" (Proposition 84), which authorizes $5.4 billion in general obligation bonds for a number of State grant programs. One of the grant programs created was the Statewide Park Development and Community Revitalization Program. A total of $368,000,000.00 has been dedicated to this program to make grant awards to projects that demonstrate the creation of new park and recreation facilities in proximity to the most critically underserved communities throughout California on a competitive basis in two (2) rounds ($184,000,000.00 available each round).
The 1st round request for proposals for the Statewide Park Program was released in September 2009. At its meeting of February 20, 2010, the City Council authorized the Community Redevelopment Agency of Los Angeles (CRA/LA) to submit grant applications for the development of the Ord and Yale Street Park project (Council File No. 09-2839-S2). In November 2010, the CRA/LA was awarded a $4,999,705.00 Proposition 84 grant for Ord and Yale Street Park. In January 2012 however, the CRA/LA was dissolved. As a result of the dissolution of the CRA/LA, RAP was asked to assume the grants and complete the projects on behalf of the City of Los Angeles (City). On May 24, 2012, RAP received notification from the State that the Ord and Yale Street Park project would receive further consideration for the Proposition 84 Statewide Park Program grants. In order to complete the assumption of this grant, the State Office of Grants and Local Services requested that the City submit by August 31, 2012, a City Council approved Resolution authorizing the grant application. On August 14, 2012, the City Council adopted the actions under Council File No. 09-2839-S2, a resolution which approved the assumption, transfer and filing of an application for the Ord and Yale Street Park (project also known as Alpine Recreation Center Expansion project) to RAP on behalf of the City.

The Proposition K funding that is available for the Alpine Recreation Center Expansion project (Ord and Yale Street Park) can only be used for acquisition related costs; including, appraisals, environmental site assessments costs, escrow closing costs, and site preparation. The Proposition 84 grant funds that were awarded to the project can only be used for park development costs.

In order to expedite and not lose $4,999,705.00 in State Proposition 84 funds for development or the opportunity to acquire these properties, the Board is being asked to grant all the necessary authorities required to complete this acquisition as intended by Council and previous Board actions taken on Proposition 84 concerning this project. To further expedite this acquisition an alternative funding source will need to be used that will enable RAP to cash flow this acquisition until Proposition K can reimburse RAP’s/City’s acquisition and related costs. Capital B Funds will be used.

On September 5, 2012, the Board authorized through Board Report No. 12-241 the use of Capital B Funds for the 50 Park Projects. RAP is now requesting approval to use the Capital B Funds for Account 89270K-CG to cash flow this acquisition and to be reimbursed by Proposition K grant funds or an alternative fund yet to be determined once they become available if Capital B Funds are used. Final amounts will be determined and verified upon receipt and approval of the final Closing Statement by GSD.

On May 1, 2013, the Board granted final authority to acquire three (3) parcels through Board Report No. 13-106. The Board authorized the acquisition of parcels identified by APN 5407-025-009, APN 5407-025-010 and APN 5407-025-015, as part of the Alpine Recreation Center Expansion Project (Ord and Yale Street Park).
Since that action was approved by RAP Board on May 1, 2013, through Board Report No. 13-106, it has now been determined that the City wishes to also acquire an irregular shaped portion of an existing fourth parcel that will require a lot split or lot line adjustment to meet the overall project scope as was presented by the CRA/LA to the State. A portion of Parcel identified by APN 5407-025-017 has now been added to the list of properties to be acquired as part of this project.

In recognition of the need to develop a coordinated long-term strategy to meet the recreation needs of current and future residents of the City, RAP has launched an initiative to acquire and develop at least fifty (50) sites into new public parks - The 50 Parks Initiative. The primary goal of the initiative is to increase the number of parks and facilities across the City of Los Angeles (CITY) with a specific focus on densely populated neighborhoods and communities that lack sufficient open space and recreational services.

The development of fifty (50) new public parks will provide innumerable physical, social, health, and environmental benefits for local communities. These new parks will help stabilize neighborhoods and property values by providing needed public infrastructure improvements, removing blight caused by abandoned buildings and empty lots, and beautifying underutilized public property.

As part of the 50 Parks Initiative, RAP now is interested in acquiring three (3) parcels and a portion of a fourth parcel all located near 524 West Ord Street in Los Angeles, California 90012. The total lot area for the three (3) parcels is approximately 0.242 acre or 10,570 square feet. Parcel APN 5407-025-009 is approximately 5,193 square feet, parcel APN 5407-025-010 is approximately 1,793 square feet and parcel APN 5407-025-015 is approximately 3,584 square feet. Currently, the parcels identified by APN 5407-025-009, APN 5407-025-010, and APN 5407-025-015 are all vacant lots. The fourth parcel that the RAP is interested in acquiring is a parcel identified by APN 5407-025-017. RAP is interested in acquiring only the vacant portion of parcel APN: 5407-025-017. The parcel has an apartment building on it and the City is required to acquire the vacant portion of APN 5407-025-017 located to the south of the parcel identified by APN 5407-025-015 because this portion is included in the initial project scope that was prepared by the former CRA/LA. The Department of Public Works, Bureau of Engineering, Survey Division has estimated the portion to be approximately 4,769 square feet. RAP will acquire an as yet undetermined portion of APN: 5407-025-017 after a lot split is completed by the owner at no cost to RAP and a legal description is prepared by the owner identifying the exact boundary and area of the fourth parcel that is to be acquired. The proposed purchase price for the portion of the fourth parcel is $45.71 per square feet for an estimate of $217,990.99. The estimate is based on 4,769 square feet.
Projected Acquisition Plan:

The plan is to acquire the three (3) parcels identified by APN 5407-025-009, APN 5407-025-010, and APN 5407-025-015 in fee title and to acquire an irregular shaped portion of a fourth parcel identified by APN 5407-025-017 (the Option Parcel) that will require a lot split or lot line adjustment to be completed and cleared/approved within a year after the owner of record obtains all approvals and meets all requirements for a lot split or lot line adjustment and provides City a legal description for the option parcel that the City will purchase for $217,990.99. The 1st phase of this acquisition will consist of the acquisition of parcels identified by APN 5407-025-009, APN 5407-025-010, and APN 5407-025-015 at the estimated prices listed below and provided by GSD:

1. APN: 5407-025-009 estimated final price $432,000.00 (Parcel Appraised at $378,000.00). Agreed on August 16, 2013.
2. APN: 5407-025-010 estimated final price $144,000.00 (Parcel Appraised at $126,000.00)
3. APN: 5407-025-015 estimated final price $288,000.00 (Parcel Appraised at $252,000.00). Agreed on August 16, 2013.
4. Option parcel - portion of APN: 5407-025-017 within a year at the negotiated estimate price of $45.71 per square feet for an estimated amount of $217,990.99.

Total for 3 parcels: $864,000.00
Total for 4 parcels: $1,081,990.99

According to GSD, offer letters were sent out on August 15, 2013 and offers were accepted on August 16, and 20, 2013. GSD has indicated that it has reviewed and concurs with all appraisals for all prospective acquisition parcels and has approved all appraisals and estimated negotiated prices.

The acquisition of these parcels is necessary due to its potential for enhancement and enrichment of the surrounding community. This area lacks parks and would tremendously benefit from a park in the area. The area features many apartment complexes and senior living housing that would benefit from additional parks that are within walking distance to many of the families and seniors in the area while helping the community grow. The area is also a very densely populated area which increases the need for parks in the area. These acquisition sites were presented to RAP by Council as part of several CRA/LA projects that had been awarded funds by the State. Upon the CRA’s dissolution, the City approved the transfer of this and other projects to RAP for acquisition and/or development. As of the drafting of this Report a final development plan has not yet been finalized. Therefore, there is no information available on development costs or funding for the development of this site. There could be a need to acquire additional parcels including easements, street vacations in order to develop the park as first presented by the CRA/LA to the State. The goal now is not to lose the State Proposition 84 funding for this proposed park development project and to use the available Capital B Funds and/or Proposition K funds to acquire the necessary parcels needed to develop a park as proposed by the CRA/LA and Proposition 84 scope.
Pending title issues involving, encumbrances, vacations, lot splits, and additional parcels could affect cost and liability for RAP if these issues have significant impact on the project site and the development of a park. As of the drafting of this Report, there is the possibility that vacations of existing parcels and acquiring additional parcels could result in additional costs to this project. Also, at this time the projected cost/estimate of a portion of the fourth parcel or option parcel could increase from $217,990.99 to include unknown title costs. These issues are being analyzed and reviewed, and depending on the findings, additional costs could result. At this time, RAP cannot determine the potential costs related to this and other issues. Council District No.1 is aware of these issues and has been informed. Nevertheless, Council District No.1 strongly supports this acquisition and stresses that this site meets all requirements for a new park in the area. As part of its due diligence RAP has indicated to GSD that all title issues must be resolved prior to acquisition of the parcels and that it should only acquire the option parcel after all title and lot split or lot line adjustment issues have been resolved, approved and cleared. Although the site itself would make for a good park in the area, the environmental and/or title issues are a concern to RAP staff and, therefore, staff recommends caution with this acquisition and that all title and acreage issues be resolved and clearly understood prior to RAP acquiring the parcels. Should other conditions arise beyond those already covered in this report, the Board’s approval will be obtained prior to the close of escrow.

To determine the fair market value for the above mentioned properties identified by APN 5407-025-009, APN 5407-025-010, APN 5407-025-015, and the option parcel APN 5407-025-017, GSD used Formal Appraisals prepared by an independent appraiser. Appraisals were prepared on July 23, 2012. According to GSD, the estimated values of the appraisals for APN 5407-025-009 and APN 5407-025-015 were determined to be $325,000.00 and $215,000.00 respectively as of July 23, 2012. An appraisal for APN 5407-025-010 and a portion of parcel APN 5407-025-017 was prepared on July 23, 2013 with a value of $195,000.00. GSD had concurred with the appraiser’s valuation methodology used to arrive at the value for the subject properties. As of the drafting of this Report, GSD was negotiating a purchase price that is consistent with their professional opinion of market value for the properties. GSD continues to negotiate and has made a new offer to the owners of APN 5407-025-009 and APN 5407-025-015 and to the owners of APN 5407-025-010 and a portion of parcel APN 5407-025-017. These new offers are based on new appraised value estimates that GSD had indicated it has prepared and will provide documentation at a later time. The new appraised values are as follows: $378,000.00, $126,000.00, $252,000.00, for parcels APN 5407-025-009, APN 5407-025-010, APN 5407-025-015. GSD has made new offers to the owners of APN 5407-025-009, APN 5407-025-010, APN 5407-025-015, and APN 5407-025-017 in the amounts of $432,000, $144,000, $288,000, and $217,990.99. GSD will confirm final price once it is determined and approved by GSD. Expediency is necessary so that RAP will not lose Proposition 84 funding which requires that PSA be executed no later than September 30, 2013. Final acquisition costs will be provided and approved by GSD in the final closing statement.
Offer letters in the amount of $432,000.00 and $288,000.00 were first presented on August 15, 2013 to the property owners of APN 5407-025-009 and APN 5407-025-015. An offer letter for the property owner of APN 5407-025-010 and APN 5407-025-017 (the Option Parcel) in the amount of $144,000.00 and $187,920.00 respectively were first presented to the owner on August 15, 2013. The owner of parcel identified by APN 5407-025-017 has made a counter offer to the City and the City and owner have unofficially reached an agreement on the amount of $217,990.99. The property owner of APN 5407-025-009 and APN 5407-025-015 has agreed to the City’s offers. The owner of parcels identified by APN 5407-025-010 and APN 5407-025-017 are negotiating a final purchase price for the option parcel, APN 5407-025-017 with GSD as of the drafting of this report. The projected total for the acquisition of the three (3) parcels identified by APN 5407-025-009, APN 5407-025-010, and APN 5407-025-015 is estimated at $864,000.00 and the total for all four (4) parcels which includes the option parcel (estimated at $217,990.99) is $1,081,990.99. It is estimated that an additional $10,000.00 is required for payment of closing fees. Therefore, the total property acquisition is estimated to be $864,000.00 for three (3) parcels and $1,081,990.99 for four (4) parcels plus $10,000.00 in closing fees. Escrow costs and related pre-acquisition costs will initially be funded by Capital B Funds: Fund 302, Department 89, Account No. 89270K-CG to be reimbursed by Proposition K at later time. Capital B Funds are being used as a cash flow funding source. Funds for the acquisition of the subject property are to be made available from Fund 302, Department 89, Account 89270K-CG. Proposition K funds will be used to reimburse RAP, an account number will be determined at a later date.

It should be noted that funding for the development of the subject property will be provided from Proposition 84. At this time, further study is needed to determine the appropriate development plan for the project site as the site presents several complex engineering difficulties that will need to be analyzed before the site is developed and that could increase the cost of the development. There is no additional information on development plans or costs. This Report addresses only the acquisition of the parcels for acquisition identified by APN 5407-025-009, APN 5407-025-010, APN 5407-025-015 and APN 5407-025-017.

Funding Sources

There is sufficient funding available for the acquisition of parcel identified by APN 5407-025-009, APN 5407-025-010, APN 5407-025-015, and APN 5407-025-017. Estimated acquisition cost for four (4) parcels is $1,081,990.99. Staff is unable to determine an accurate complete total, which would include closing costs, as this information has not been made available as of the writing of this report. Staff does however estimate that up to an additional $10,000.00 in closing costs fees will be needed to complete the acquisition. As part of its due diligence, GSD and RAP will verify correct costs prior to the closing of escrow based on information provided by GSD.
Funding for the acquisition will come from Proposition K. Capital B Funds Account No. 89270K-CG will be used if Proposition K funds are not available. Proposition K Funds will be used to reimburse Capital B Funds which will come from the Alpine Recreation Center Expansion project. Escrow costs and related pre-acquisition costs will be funded by Capital B Funds, Account 89270K-CG. All funding used on this acquisition is expected to be reimbursed by Proposition K funds once the funds are made available and will be used to reimburse Capital B funds, if Capital B Funds are used. The Proposition K funds are available for this acquisition, but RAP must still meet all requirements for release of funds, including all environmental issues and related title issues.

Again, it should be noted that Proposition K funds are expected to be used to pay for all acquisition related costs such as appraisals, environmental site assessments costs, escrow closing costs, and site preparation; and that Proposition 84 funds are expected to be used for park development costs, Capital B Funds will be used to cash flow the project acquisition.

Acquisition Cost:

The cost of the proposed Ord and Yale Street Park acquisition, as recommended by GSD and presented to the Board in Board Report No. 13-106 approved on May 1, 2013, was initially estimated to be $756,000.00 for three (3) parcels. The estimated appraisal value for APN 5407-025-009 and APN 5407-025-015 were $378,000.00 and $252,000.00 respectively. The estimated appraisal value of APN 5407-025-010 was $126,000.00. However, after further review and negotiations, the recommended acquisition price by GSD is $1,081,990.99 for four (4) parcels based on the estimate of $45.71 per square feet for the acquisition of the option parcel. The updated estimated value of each parcel as presented by GSD is as follows: APN 5407-025-009 - $432,000.00; APN 5407-025-010 - $144,000.00; APN 5407-025-015 - $288,000.00 and APN 5407-025-017 - $217,990.99. GSD has indicated that as part of its professional expertise that a fair negotiated price for all four (4) parcels would be $1,081,990.99. GSD recommends and supports the negotiated price. Estimated closing costs are estimated to be approximately $10,000.00 in total. The closing costs are estimates only and are subject to change and are for reference purposes only. The projected total acquisition cost is estimated at $1,091,990.99. GSD will confirm final closing costs and review said costs before it approves the acquisition and the associated closing costs and other related costs based on its professional expertise. The City Attorney’s Office will draft three (3) Purchase and Sale Agreements based on negotiation points provided by GSD to the City Attorney’s Office.

Purchase and Sale Agreement:

The City Attorney office will prepare three (3) Purchase and Sale Agreements that will address and separate the properties by ownership. The parcels that are part of this acquisition are owned by two (2) different owners. One (1) of the PSA that will be prepared will be for parcels APN 5407-025-
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009 and APN 5407-025-015. A second PSA will be for Parcel APN 5407-025-010 and the third PSA will be for the acquisition of parcel APN 5407-025-017. Parcels APN 5407-025-017 and 5407-025-010 are owned by the same owner. The PSAs will address the approved purchase prices for each parcel that is to be acquired and the obligations of each party involved. Each PSA will indicate that the City will only be responsible acquisition costs and its share of closing costs. The third PSA will also define the obligations of the seller as it relates to parcel APN 5407-025-017. The third PSA will mandate that Seller of said parcel be responsible for all lot split or lot line adjustment costs and related costs as well as it own Attorney’s fees and costs or any other costs that the seller will incur as part of its clearances for all title and lot split or lot line adjustment issue and any other related matter concerning the parcel in general.

Environmental Impact:

A Phase I Environmental Site Assessment has not been performed for the project site. However, a Phase II Site Investigation was prepared to assess the presence of any subsurface soil contamination, and determined that no evidence of significant soil contamination was observed or measured during the collection of the soil samples. Additionally, analytical results did not indicate the presence of significant contaminants. Minor levels of volatile hydrocarbon contamination at nonhazardous levels were found in a few borings. The use of the site for a park is not compromised by these findings. It should be noted that staff has ordered a Phase I Environmental Site Assessment for the project site in order to satisfy requirements to qualify for liability protection under Comprehensive Environmental Response, Compensation, and Liability Act. It is estimated that this assessment will be completed prior to the execution of the PSA’s.

Staff has determined that the subject project consists of the acquisition of property with the intent to preserve open space for park purposes, and the construction of new small structures (i.e., play equipment, a small accessory building, benches, and tables). The project would otherwise not involve any unusual circumstances, sensitive environments, scenic or historic resources that would result in significant and/or cumulative environmental impacts. Therefore, the project is categorically exempt from the provisions of California Environmental Quality Act (CEQA), pursuant to Article II, Section 1, Class 3(6) of the City CEQA Guidelines, and Article 19, Section 15325, Class 25(f) of the State CEQA Guidelines. A Notice of Exemption (NOE) was previously filed by CRA with the Los Angeles County Clerk on February 19, 2010 for the acquisition and development of the park in connection the Proposition 84 grant. In addition, an NOE was filed on June 27, 2012 for the acquisition and development of the property in connection with a Proposition K grant. However, a new NOE reflecting the revised project scope for the acquisition of a portion of parcel APN: 5407-025-017 will be filed when the final area to be acquired is determined. The new NOE will not be filed until a description of the portion of the fourth parcel has been identified. However, this would not change the determination that the project is exempt from CEQA.
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In addition to the Office of Council District 1, the Assistant General Manager of the Planning, Construction and Maintenance Branch and Superintendent for the Metro Region have been consulted and concur with staff’s recommendations.

FISCAL IMPACT STATEMENT:

As indicated in the Summary of this Report, the design of the proposed park has not been determined and will be presented to the Board for final approval at a later time. At this time, the impact to the RAP’s General Fund is the costs for Acquisition which is estimated at $1,081,990.99 plus $10,000.00 in closing costs. Once this project is completed, operational maintenance costs will be determined. Upon project completion, a request for funding will be submitted in future Department annual budget requests.

This Report was prepared by the Real Estate and Asset Management, Planning and Construction Branch Staff.