

APPROVED

MAR 05 2008

REPORT OF GENERAL MANAGER

NO. 08-62

DATE March 5, 2008

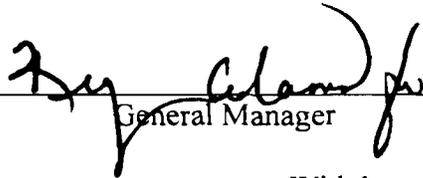
BOARD OF RECREATION
and PARK COMMISSIONERS

C.D. 7

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: HANSEN DAM EQUESTRIAN CENTER - ASSIGNMENT OF CONCESSION AGREEMENT NO. 235 FROM EDDIE MILLIGAN TO THE HANSEN DAM EQUESTRIAN CENTER, LLC; SECOND AMENDMENT TO THE CONCESSION AGREEMENT PROHIBITING RESIDENCY AT THE CONCESSION AND REQUIRING ADDITIONAL IMPROVEMENTS; RELEASE OF ALL CLAIMS BETWEEN EDDIE MILLIGAN AND THE CITY OF LOS ANGELES

R. Adams _____	J. Kolb _____
H. Fujita _____	*F. Mok _____
S. Huntley _____	K. Regan _____
V. Israel _____	M. Shull _____



 General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the assignment, substantially in the form on file in the Board Office, of Concession Agreement No. 235 for the operation of the Hansen Dam Equestrian Center (HDEC) from Eddie Milligan to the Hansen Dam Equestrian Center, LLC, subject to approval of the Mayor, in accordance with Executive Directive No. 3, the City Attorney for approval as to form, and the United States Army Corps of Engineers, as required by the Hansen Flood Control Basin Lease No. DACW09-1-69-45;
2. Approve the second amendment to Concession Agreement No. 235, substantially in the form on file in the Board Office, prohibiting residency at the concession and requiring improvements, subject to approval of the Mayor, in accordance with Executive Directive No. 3, the City Attorney for approval as to form, the City Council, and the United States Army Corps of Engineers, as required by the Hansen Flood Control Basin Lease No. DACW09-1-69-45;

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3. Approve the Release of All Claims Agreement between Eddie Milligan and the City of Los Angeles, substantially in the form on file in the Board Office, and subject to approval of the City Attorney as to form;
4. Direct the Secretary to transmit the assignment and the second amendment, concurrently, to the Mayor, and the United States Army Corps of Engineers for approvals, and to the City Attorney for approval as to form; and,
5. Authorize the Board President and Secretary to execute the subject assignment, second amendment, and release of all claims subsequent to the necessary approvals.

SUMMARY:

The Hansen Dam Equestrian Center (HDEC) is located at 11127 Orcas Road in Lake View Terrace, adjacent to Hansen Dam Park. HDEC is within the Hansen Flood Control Basin owned by the United States Army Corps of Engineers (COE) and leased to the City of Los Angeles under lease agreement number DACW09-1-69-45. The concession is on approximately 35 acres of land and features a barn with an office, barns that include 120 horse boarding stalls, paddocks, wash and grooming stalls, and over a dozen arenas of various sizes. Services include horse boarding, riding instruction, and show events.

Concession Agreement No. 235, between the City of Los Angeles and Eddie Milligan, was executed in October 1997. The term of the agreement was originally set to expire in September 2019; the First Amendment to Concession Agreement No. 235 extended the term until April 2028, to coincide with the expiration of the lease agreement between the City and the COE.

On September 14, 2007, the Department received a request from Mr. Milligan to assign the agreement to Mr. Sterling Champ. In accordance with Section XIII.B of the Concession Agreement, assignment and transfer is allowed with written consent of the City and the COE, provided that the assignee is found to have the abilities, resources, conduct, and experience necessary for the successful operation of the concession.

Mr. Milligan has pursued the assignment and transfer of the Concession Agreement over the past several years. None of the previous discussions resulted in assignment of the concession. One issue consistently raised by the prospective assignees was the ability to continue the use of the two (2) habitable living trailers on the premises. On July 21, 2006, the Department sent a written request to the COE to allow the continued use of the habitable living trailers. On November 13, 2006, the COE denied the request as it was against their general policy to allow human habitation within the Flood Control Basin. The approval for habitable living trailers in the current Concession Agreement was a one-time exception. Mr. Milligan's current proposal states that upon assignment of the agreement, one trailer will be removed from the premises and the

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other trailer will be converted into an office. COE staff has preliminarily concluded that this makes the current proposal acceptable to them.

Staff reviewed the request for assignment and transfer of the Agreement to the Hansen Dam Equestrian Center, LLC, to determine whether they have the qualifications to successfully take over the management and operation of the Concession.

Background and Experience

The Hansen Dam Equestrian Center, LLC, is operated by Mr. Sterling Champ, who is a Senior Vice President at CB Richard Ellis, a large commercial real estate brokerage company in the United States. Mr. Champ has also successfully built and sold Bridgewood Properties, a commercial real estate sales and management company.

Mr. Champ has fifteen years experience in the operation of family farms in New Jersey and Florida. Both farms had commercial horse boarding operations similar to HDEC. Mrs. Kathryn Champ will be serving on the Board of Directors for HDEC and has almost 30 years experience with family farms and horse boarding and training. Horses trained by Mrs. Champ have won national awards, including Show Jumping "Horse of the Year."

Other key partnerships under Mr. Champ will include Eddie Milligan (as a consultant), Kevin Sterling (current Assistant General Manager at HDEC), and Bill Gerber (to assist in promoting the facility for film and television productions; his experience includes President of Theatrical Productions at Warner Brothers). Horse rentals and pony rides will occur under a subcontract with "Jim" Pedro Perez.

Rental Payment to the City

The Hansen Dam Equestrian Center will pay a percentage of gross revenue to the City in the amount designated in Concession Agreement No. 235; four percent (4%) of services and two percent (2%) of product sales.

Ability to Finance

Mr. Champ's tax returns for 2004, 2005, and 2006 demonstrate that he is able to fund renovation and improvements as detailed in the proposed business plan, as earned income is stated as over \$2 million, \$1.9 million, and \$1.5 million, respectively.

Proposed Improvements

The proposed business plan submitted by the Hansen Dam Equestrian Center, LLC, proposes to fund and construct the following improvements:

12' X 12' stalls (30)	\$	150,000
80' X 100' Training Ring (1)		15,000

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Barn Renovation	30,000
Monument Sign (1)	10,000
Trailer Renovation (Office and Restroom)	30,000
Clubhouse Renovation	<u>40,000</u>
TOTAL IMPROVEMENT COST	\$ 275,000

All improvements will be made within one year of the execution of the assignment of the Concession Agreement, will be subject to General Manager and COE approval, and will become the property of the City of Los Angeles. All costs associated with compliance with the California Environmental Quality Act (CEQA) shall be borne by the Hansen Dam Equestrian Center, LLC.

Operations and Maintenance

The Hansen Dam Equestrian Center, LLC, will continue the existing services, as well as: 1) enhance services and improve the facility for the benefit of the community; 2) develop a detailed website to promote the facility and services available, including a brochure and marketing program (advertising in magazines, newspapers, and equestrian publications); 3) offer training programs for riders (boarding at HDEC not required); 4) increase the number of horse shows from approximately 12 in 2006 and 18 in 2007 to approximately 25 per year; and, 5) continue the community service programs/activities currently promoted by Eddie Milligan (outreach to youth groups, NAACP, Child and Family Services, and other organizations).

In accordance with Article XIII.B of Concession Agreement No. 235, the Hansen Dam Equestrian Center, LLC, has been found by staff to have the abilities, resources, conduct and experience necessary for the successful operation of the Hansen Dam Equestrian Center. It is therefore recommended that the Hansen Dam Equestrian Center, LLC, be assigned Concession Agreement No. 235 for the operation of the Hansen Dam Equestrian Center.

The second amendment to the Concession Agreement prohibits residency at the Hansen Dam Equestrian Center; requires that one trailer be removed and the other trailer be renovated within sixty (60) days; provides improvements to the facility that will be made within one (1) year; and requires compliance with various City requirements, such as the Living Wage Ordinance, the Service Contract Worker Retention Ordinance, and the Equal Benefits Ordinance. It is therefore recommended that the second amendment to Concession Agreement No. 235 be approved.

The City's consent to the assignment and approval of the second amendment is subject to Mr. Milligan and the City executing The Release of All Claims agreement releasing Mr. Milligan and the City from all past, present, and future claims between them. The Release of All Claims agreement is conditioned upon the City and the COE consenting to the assignment and the assignee accepting the assignment. Under the terms of the release, Eddie Milligan is still required to pay rent due up to the assignment of the contract and vacation of the premises, and

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will be required to dismiss with prejudice the pending litigation entitled, Milligan v. City of Los Angeles, PC 040121.

FISCAL IMPACT STATEMENT:

During the first year of operation, it is estimated that gross revenue will be \$1,227,600. The Department would then receive \$49,104 in rent. Of that amount, \$44,194 will be deposited into the Department's General Fund and \$4,910 will be deposited into the Concession Improvement Account. Capital improvement will be made within the first year at the contractor's expense and will be maintained at the contractor's expense.

Report prepared by Stanley Woo, Management Analyst II, and Robert N. Morales, Senior Management Analyst II, Concessions Unit, Administrative Resources Section, Finance Division.