

REPORT OF GENERAL MANAGER

NO. 15-245

DATE November 18, 2015

C.D. 14

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRAND HOPE PARK – ACCEPTANCE OF PROPERTY IDENTIFIED BY LOS ANGELES COUNTY ASSESSOR’S PARCEL NUMBER 5139-007-947 FOR OPEN SPACE PURPOSES FROM THE CRA/LA, A DESIGNATED LOCAL AUTHORITY; ASSUMPTION OF GROUND LEASE WITH GRAND HOPE PARK, INC.; ASSUMPTION OF THE RIGHT TO COLLECT OPEN SPACE MAINTENANCE FEES; EXEMPTION FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

<i>for</i> *R. Barajas	<u>CSD</u>	K. Regan	_____
H. Fujita	_____	N. Williams	_____
V. Israel	_____		

Ned Williams
General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Adopt the Resolution, substantially in the form on file in the Board Office, authorizing the acceptance of the transfer of real property known as Grand Hope Park (referred to herein as “Open Space” or “Grand Hope Park”) from the CRA/LA- A Designated Local Authority (CRA/LA-DLA), consisting of approximately 100,645 square feet or 2.31 acres, located at the intersection of 9th Street and Hope Street, at 900 South Hope Street, Los Angeles, California 90015, Los Angeles County Assessor’s Parcel Number (APN) 5139-007-947, and in the Central City Community Plan area of the City of Los Angeles (City);
2. Authorize the Board Secretary to accept and execute any and all documents necessary for the transfer of the Open Space subject to review and approval of the Special Counsel to the City;
3. Set apart, and dedicate Grand Hope Park as open space property in perpetuity;
4. Approve and authorize the execution by all appropriate parties of the following documents,

REPORT OF GENERAL MANAGER

PG. 2

NO. 15-245

substantially in the form on file in the Board Office, as they relate to and are conditioned upon the acceptance of Grand Hope Park as a whole, subject to review and approval of the Special Counsel to the City:

- Transfer of Jurisdiction Document
 - Assignment and Assumption of Lease and Related Assets; and
 - Assignment and Assumption Agreement (Open Space Maintenance Fees);
5. Request the City Clerk, Controller's Office, Chief Financial Officer, and any other appropriate City officers to set up the necessary accounts for the receipt and disposition of the annual Assessment Fees (as discussed herein) for the operations, maintenance and repair of the Open Space pursuant to the Ground Lease (as discussed herein);
 6. Establish a dedicated Grand Hope Park Trust Fund, and accept funding in the approximate amount of \$820,000 from CRA/LA-DLA for the operations, maintenance and repair of the Open Space pursuant to the Ground Lease;
 7. Authorize staff to work with the City Clerk, Controller's Office, Chief Financial Officer and any other appropriate City officers in connection with any release of funds from the above described accounts and Fund for the operations, maintenance and repair of the Open Space pursuant to the Ground Lease;
 8. Request the General Manager and City Administrative Officer (CAO) to maintain and appoint a Board Member(s) to the Grand Hope Park, Inc. Board;
 9. Find that the project is exempt from the provisions of the California Environmental Quality Act;
 10. Direct staff to file a Notice of Exemption with the Los Angeles County Clerk;
 11. Request and/or authorize the Department of General Services (GSD) to assist in processing the transfer of the Open Space to the Department of Recreation and Parks, (RAP) as requested by the Los Angeles City Council; and,
 12. Authorize staff to negotiate and draft, with the assistance of the Special Counsel to the City, and in consultation with CRA/LA-DLA and GHP, Inc. a modification to the Ground Lease in order to correct errors in the legal description describing the lease hold area and property that is to be transferred to RAP and authorize the Board Secretary, General Manager or other appropriate RAP staff person to execute such documents as may be necessary to effectuate such modification.

REPORT OF GENERAL MANAGER

PG. 3

NO. 15-245

SUMMARY:

The City has made it its goal since the 1970's to provide open recreational space for the downtown area and adjacent areas as a way of furthering economic growth along with providing for an infrastructure that will meet the demands of an increasing residential community. The Open Space has been one of a limited few parks to have opened in the area due to the high cost and lack of available open space for park development even though the need for park/open space is in great demand.

HISTORY OF THE DEVELOPMENT OF GRAND HOPE PARK BY THE COMMUNITY REDEVELOPMENT AGENCY (CRA/LA)

In 1994, following the City's decision not to assume responsibility for the completed Grand Hope Park, the CRA/LA (as Landlord) entered into a Ground Lease (Ground Lease) with Grand Hope Park, Inc. (referred to herein as "GHP, Inc." or "Tenant") for the operation, maintenance and phased development of Grand Hope Park as part of the Central Business District Redevelopment Project (Ordinance No. 147,480). The remaining term of the Ground Lease extends to February 28, 2024, and may be extended by the Tenant to 2044. GHP, Inc. is a public benefit non-profit corporation, with a Board of Directors that includes the Fashion Institute of Design and Merchandise (FIDM), CRA/LA-DLA, RAP, Renaissance Tower, 1010 Development Corporation, and the Office of Council District 14. As of today, there are currently eight (8) members on the Board of Directors of GHP, Inc.

The Ground Lease requires the Landlord to collect and deliver certain fees to the Tenant to pay in part the costs of operating, maintaining and repairing Grand Hope Park. Such fees are collected pursuant to agreements and covenants with various owners/developers of property in the South Park area of downtown Los Angeles which require said owners/developers to pay annual fees (referred to herein as "Assessment Fees" or "SPOSMP fees") to CRA/LA (and now CRA/LA-DLA) for the costs of operating and maintaining Grand Hope Park and other recreational facilities in South Park in connection with the South Park Open Space Maintenance Program (SPOSMP).

The CRA/LA Board adopted the SPOSMP in June 1988 pursuant to Resolution No. 3963. Under the SPOSMP, any development in the South Park community that entered into a development agreement with the CRA/LA was subject to an annual fee of up to \$170 per residential unit, and \$0.20 per square foot of commercial space. The SPOSMP fees collected are used to fund the maintenance and operation of open spaces in South Park, with a specific allotment available to fund the Open Space's maintenance and operation, which consists of 100% of the fees paid by developments located within a block or two of the Open Space, and 25% of the fees generated from developments located elsewhere in South Park. Although the Central Business District Project Area expired in 2010, and the SPOSMP with it, these already-negotiated payments will continue per existing Disposition and

REPORT OF GENERAL MANAGER

PG. 4

NO. 15-245

Development Agreements (DDAs) and related covenants. In addition, any future developments within the Los Angeles Sports and Entertainment District (LASED) are also subject to SPOSMP fees, through the LASED DDA. Finally, CRA/LA negotiated a one-time SPOSMP fee in the amount of \$500,000 from the Metropolis project, 100% of which would be reserved to fund operation and maintenance of the Open Space. Completion of the 2.31 acre Grand Hope Park occurred in the early 1990's, and features a children's play area, trees, two fountains, an art/clock tower and a system of gateways and entry courtyards and pergolas.

DISSOLUTION OF STATE REDEVELOPMENT AGENCIES

Pursuant to AB X1 26 (which became effective in June 2011, and, together with amendments, is referred to as the Dissolution Law) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal. 4th 231 (2011), the CRA/LA was dissolved as of February 1, 2012, and the CRA/LA-DLA was designated as the successor entity to the CRA/LA.

Pursuant to the Dissolution Law, CRA/LA-DLA is charged with disposition of all real property assets of the former CRA/LA. In November 2013, the CRA/LA-DLA Governing Board and the Oversight Board to the CRA/LA-DLA authorized the transfer of 36 real properties characterized as "Governmental Use" to the City. On December 18, 2013, the City Council acted on the recommendations of the Innovation Technology and General Services Committee Report to identify the properties the City was interested in acquiring from CRA/LA-DLA and instructed the offices of the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) to report on the results of negotiations with CRA/LA-DLA on a final list of recommended properties for transfer to the City (Council File 13-1482). On February 27, 2014, the California Department of Finance (DOF) approved the transfer from CRA/LA-DLA to the City of 31 Government Use properties, including the property known as Grand Hope Park. All Government Use properties, which include the Grand Hope Park property, will be encumbered with restrictions that require that the properties continue to be used for government use purposes in perpetuity, and will be conveyed by grant deed, quitclaim, or easement transfer (Transfer Documents) at no cost to the City.

On May 6, 2014, the City Council adopted the actions under Council File No. 13-1482, to allow the City to assume ownership of Government Use properties, as shown on Attachment "A" to the CAO and CLA joint report dated April 4, 2014 under Council File No. 13-1482. Pursuant to its action on May 6, 2014, the City Council instructed the General Services Department (GSD) to effectuate a non-financial transfer of jurisdiction of the following seven (7) park properties to the Department of Recreation and Parks (RAP) and requested the Board of Recreation and Park Commissioners to consider and accept the transfer of jurisdiction of such properties as park properties in perpetuity if there is no environmental impediment to doing so:

REPORT OF GENERAL MANAGER

PG. 5

NO. 15-245

- 1- Watts Towers Cultural Crescent - 1780 East Santa Ana, APN: 6065-033-900
- 2- Country Club Park Heritage Plaza - 1015 South Wilton Place, APN: 5081-024-902
- 3- San Julian Park - 312 East 5th Street, APNs: 5148-014-904, 905, 906
- 4- Pico/Union Community Garden - 1554 West 11th Place, APN: 5137-025-901, 902, 903,904
- 5- Challengers Track and Field Easement - 1046-1056 West 50th Street and 1047-1057 West 51st Street
- 6- Western/Gage Park Project - 6300 South Western Avenue, APN: 6002-030-906; APN: 5017-026-062
- 7- Grand Hope Park - 900 South Hope Street, APN: 5139-007-947.

As requested and recommended by City Council, RAP staff presents the recommendation from City Council that the Board consider the acceptance of the non-financial transfer/acquisition of the Open Space. This will help the City to accomplish the goals of various redevelopment projects and to serve the public interest by the elimination of blight and the continued furtherance of economic development and the creation and development of new parks as proposed by the 50 Parks Initiative. Transferring the seven (7) parks/open space (including Grand Hope Park) to RAP will help meet the intended goal of Council of ensuring that these parks/open space remain open and accessible to the public as proposed through City Council Resolution under Council File No. 13-0002-S21.

The Open Space is located in the Central City area of Downtown Los Angeles, also known as South Park, which is an area of continued and new economic development and growth near Los Angeles's Downtown entertainment center. As more Angelenos continue to move in to the Downtown area contributing to the economic growth and development of the area, additional open space/ park will become a necessity and stimulus for continued economic growth and social growth. The preservation of the Open Space will ensure that as families continue to move to the South Park area, families will have recreational amenities that they can use and enjoy. The Open Space will also serve the tourist population as an added recreation and passive use destination as they traverse through the City's many Downtown attractions helping to establish Los Angeles as a world class City. The continued use and addition of this open space parcel to RAP's inventory/stewardship will allow for an increase in recreational activities in this densely populated area of the Central City Community Plan area. The City Council and Council District 14 have expressed their strong support for this Open Space dedication through various motions and a resolution approving the continuation of this property as a park property. In addition, the Assistant General Manager of Operations Branch and the Superintendent for the Metro Region have been consulted and concur with staff's recommendations.

The loss of Grand Hope Park would mean the potential closure and loss of available park space that currently serves approximately 6,000 people. Such a loss of open space would be difficult to replace as there is limited amount of open space available in the downtown area. Aside from the lack of

REPORT OF GENERAL MANAGER

PG. 6

NO. 15-245

available property for parks, the cost to acquire an area of similar size could prove to be prohibitive along with additional costs for development of a park with similar amenities.

GRANT DEED AND RELATED TRANSFER DOCUMENTS OF RIGHTS, INTERESTS AND OBLIGATIONS

The CRA/LA-DLA and GHP, Inc. entered into a Settlement and Mutual Release Agreement dated as of February 5, 2015 (Settlement Agreement) which provides that CRA/LA-DLA will transfer its fee interest in Grand Hope Park to the City for the purpose of maintaining public open space in perpetuity.

Pursuant to the Settlement Agreement the Grand Hope Park property will be transferred subject to the existing Ground Lease and RAP will assume the rights, interests, duties, and obligations of CRA/LA as the Landlord under the Ground Lease pursuant to an Assignment and Assumption of Lease and Related Assets (Grand Hope Park) between CRA/LA-DLA and the City. In addition, pursuant to the Settlement Agreement CRA/LA-DLA will assign its rights and interest in and to the Assessment Fees to the City, and the City will accept such assignment, pursuant to an Assignment and Assumption Agreement (Open Space Maintenance Fees) between CRA/LA-DLA and the City.

The Open Space's operation and maintenance costs have been largely funded by the annual Assessment Fees. Other funds, such as proceeds from filming activity and special events fees, are also to be used by the Tenant to fund the Open Space operation and maintenance costs. The Landlord also agreed in the Ground Lease to allocate funding to the Tenant in the event of a projected operating shortfall, and to fund a certain amount of public art and to fund certain improvements to Grand Hope Park. To administer these various funding obligations, the Landlord created an internal fund called "Fund 5227" into which the Landlord deposited funds necessary to meet its various obligations to the Tenant under the Ground Lease. At the time of its dissolution, CRA/LA held approximately \$821,000 in Fund 5227. The Settlement Agreement provides that CRA/LA-DLA will transfer the balance of its Fund 5227 (approximately \$820,000) to the City for deposit into the Grand Hope Park Trust Fund to be created by the Board of RAP Commissioners.

Set forth below is a summary of certain of the provisions of Article 7 of the Ground Lease, and all references below to the "Landlord" will mean the City when the City becomes the successor in interest to the Landlord. In addition, the Board should be aware that the terms and conditions pertaining to the maintenance and operation of the Open Space is set forth in an exhibit attached to the Ground Lease and it will be binding upon the City upon the transfer and assignment.

REPORT OF GENERAL MANAGER

PG. 7

NO. 15-245

Staff recommends that the Board consider carefully and cautiously the recommendations summarized in this Report, and the conditions and obligations under the Ground Lease, including the obligations summarized below with respect to the collection of the annual Assessment Fees and the Shortfall funding.

The Annual Budget.

The Ground Lease requires that on or before March 31 of each year during the term of the Ground Lease, the Tenant shall prepare a budget describing the amount of funds and services required for the ensuing year to perform the Tenant's maintenance and operation obligations under the Ground Lease.

Each budget is to be reviewed and approved by the Board of Directors of the Tenant. The budget, however, is not subject to review or approval by the Landlord unless the budget requires additional funding from the Landlord in excess of the amount of moneys available in Fund 5227.

The Tenant is obligated to furnish to Landlord, within sixty (60) days of the end of each fiscal year during the term of the Ground Lease, a detailed statement of income and expenses, prepared and certified by the Tenant. The Landlord has, at all reasonable times and as often as the Landlord may reasonably request, the right to inspect all books of account of the Tenant and the right to have them audited by independent public accountants selected by the Landlord. Such inspections and audits are to be undertaken at the expense of the Landlord.

Pursuant to the Settlement Agreement, CRA/LA-DLA will make a payment to GHP, Inc. in the amount of \$400,000, which GHP, Inc. shall deposit and hold in an operating account and shall use for GHP, Inc. Board-approved budgeted expenses for the maintenance and operations of the Open Space in accordance with its annual budget, as well as emergency repairs.

Also, as mentioned above, pursuant to the Settlement Agreement, CRA/LA-DLLA will transfer the balance of the moneys in Fund 5227 to the City for deposit into the Grand Hope Part Trust Fund to be established by the Board of RAP Commissioners.

Collection and Disbursement of Assessment Fees.

The Ground Lease provides that it is the intent of the Landlord and Tenant that the maintenance and operation of the Open Space ultimately be solely funded from the Assessment Fees and other sources of revenues received by the Tenant from special public events (such as concerts, art displays, etc.), and movie filming and television productions, held or undertaken at Grand Hope Park. The Landlord covenants and agrees that all Assessment Fees that it collects from developers/owners for the benefit of the Open Space in accordance with Resolution No. 3963, and Section 7.2 of the Ground Lease, shall be made available to the Tenant for use in the maintenance and operation of the Open Space. The Landlord is further obligated to enforce the payment of the Assessment Fees due and owing by the various developers/owners, and to use all reasonable efforts, including litigation, to

REPORT OF GENERAL MANAGER

PG. 8

NO. 15-245

enforce such payment. In addition, the Landlord is obligated to pay an amount to the Tenant equal to the amount of any Assessment Fees that the Landlord fails to collect, or that are not otherwise paid directly to the Tenant. The transfer to the Tenant of Assessment Fees collected by the Landlord (and the Landlord's payment equal to those Assessment Fees it fails to collect, if any) is required by the Ground Lease, and it is not a discretionary act on the part of the Landlord.

Shortfall Fund.

As required by the Ground Lease the Landlord also established a Shortfall Fund, Fund 5227, and initially funded it in the amount of \$880,000 to meet that portion of the costs and expenses of maintaining and operating the Open Space to the maintenance standards set forth in the Ground Lease that exceed the monies made available to the Tenant from Assessment Fees and other sources of revenue from the operation of the Open Space. Unless otherwise agreed to by the Landlord and the Tenant, the Ground Lease provides that the Landlord is obligated to make the monies in the Shortfall Fund available to the Tenant in quarterly installments aggregating no more than \$110,000 per year. As mentioned above, the Settlement Agreement provides that the balance of the Shortfall Fund in the approximate amount of \$820,000 will be transferred to the City for deposit into the Grand Hope Park Trust Fund to be established by the Board of RAP Commissioners in conjunction with the transfer of the Open Space and the assignment of the Ground Lease, as discussed above.

If the Tenant determines that there is insufficient funding available to it to maintain the Open Space, it can terminate the Ground Lease, or it can locate other sources of revenue to fund operations and maintenance. In addition, it may determine what adjustments to the maintenance standards should be made to reflect the available amount of revenue and/or how much additional funding would be required to meet the unadjusted maintenance standards. In such event, the Tenant shall send to the Landlord the proposed adjustments to the maintenance standards, together with a request for whatever additional funding Tenant would require from Landlord to maintain the Open Space in accordance with the unadjusted maintenance standards. The Landlord then has 60 days to either agree or refuse to make such additional funds available to the Tenant. If the Landlord refuses to provide such additional funds, then Tenant may either terminate the Ground Lease or adopt the proposed adjusted maintenance standards.

CORRECTION OF LEGAL DESCRIPTION AND AMENDMENT OF GROUND LEASE TO CORRECT LEASE HOLD AREA TO MATCH LEGAL DESCRIPTION OF PROPERTY TRANSFER:

During the review of the legal description and survey of the Grand Hope Park property, the Department of Public Works discovered that the legal description that is presently attached to the Ground Lease and to the relevant vesting deeds concerning the fee interest in the property is incorrect. In order to correct this error, City staff drafted a corrected legal description. RAP staff,

REPORT OF GENERAL MANAGER

PG. 9

NO. 15-245

with the assistance of the Special Counsel to the City and in consultation with the Tenant, will draft a modification to the Ground Lease in order to correct the error in the legal description.

CONFLICTS BETWEEN THE LEASE AND THE CITY'S MUNICIPAL CODE:

Staff views any property set aside or dedicated for recreational purposes and public enjoyment to be governed by rules and regulations under the City Charter, Article 5, Section 590, and Municipal Code Section 63.44. However, the Ground Lease contains a number of provisions governing the use and operation of the Open Space which conflict or potentially conflict with provisions of the Municipal Code. Staff directs the Board's attention in particular to the following two provisions of the Ground Lease governing hours of operation and pets:

Hours of Operation

Section 6.2 of the Ground Lease requires the Open Space to be open to the public 7 days per week between 7:00 a.m. and 8:00 p.m. during Pacific Daylight Time and 7:00 a.m. to 6:00 p.m. during Pacific Standard Time. Section 63.44B14(a) of the Municipal Code provides that "No person shall enter, remain, stay or loiter in any park between the hours of 10:30 p.m. and 5:00 a.m. of the following day." Section 63.44 B14(c) lists various specific opening and closing hours for 40 City parks/recreational facilities, which closing and/or opening times are different than as specified in subdivision (a) of Section 63.44B14. The City could designate specific operating and closing hours for the Open Space that are consistent with the Ground Lease.

Pets

Section 6.13(11) of the Ground Lease grants the Tenant the right to prohibit or restrict any person from bringing pets into the Open Space (except for dogs trained to assist blind persons). Section 63.44 B2(c) of the Municipal Code has similar language, but Section 63.44 B2(d) also allows licensed dogs or cats if on a leash, or under the control of a person in designated dog exercise training areas at specified parks.

The Tenant has previously asserted that upon the transfer of the Open Space to the City and the assignment of the Ground Lease, the Tenant can continue to operate the Open Space solely in accordance with the existing Ground Lease provisions. However, Staff has consulted with the Special Counsel to the City and believes that the Tenant must comply with the applicable provisions of the Municipal Code. This is because Section 6.1 of the Ground Lease requires the Tenant to use the Open Space in accordance with the terms of the Ground Lease and the "Legal Requirements," and Section 13.1 requires the Tenant to comply with, or cause compliance with, all Legal Requirements applicable to the Open Space or the use, operation or occupation thereof. The Ground Lease defines "Legal Requirements" as including all laws, rules, regulations and other requirements

REPORT OF GENERAL MANAGER

PG. 10

NO. 15-245

formally adopted by the City and appropriate City commissions “now or hereafter in effect” which are or at any time hereafter (i.e., after the commencement of the Ground Lease) may become applicable to the Open Space or to the use or manner of use of the Open Space. Section 13.1 states that the Tenant, in the use and operation of the Open Space, must comply with all Legal Requirements applicable to the Open Space whether or not compliance is of a kind within the contemplation of the Tenant and Landlord at the time of entering into the Ground Lease. Section 13.2 of the Ground Lease provides that the Tenant may, in good faith and at its sole cost and expense, contest any Legal Requirement and that while so contesting, noncompliance will not constitute a crime or offense punishable by fine or imprisonment or be deemed a breach of the Ground Lease.

Thus, the Ground Lease contemplates that the Tenant will be subject to the applicable provisions of the Municipal Code upon the transfer of the Open Space to the City. Nevertheless staff recommends that the Board carefully consider the conflicts discussed above.

NEEDS ASSESSMENT:

The proposed transfer of Grand Hope Park to RAP would continue to provide a neighborhood park/open space in an area where City residents do not have sufficient access to improved open or green spaces or neighborhood parks. An estimated 6,605 residents live within a ½ mile walking distance of the existing Grand Hope Park. Of those 6,605 residents, 6,605 would lose access to any improved green, open spaces or neighborhood parks within a ½ mile walking distance of their homes.

TREES AND SHADE:

Grand Hope Park is a developed Open Space that has trees and pergolas that provide shade for visitors.

ENVIRONMENTAL IMPACT STATEMENT:

CRA/LA has indicated that the proposed project is an in-fill project and is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Article 19 Section 15332 of the State CEQA Guidelines. However, there is no documentation for this CEQA determination, which only applies for the previous park development. Since the parcel dedication involves the transfer of ownership of interests in land to preserve open space, this action is exempt from the provisions of CEQA pursuant to Article 19, Section 15325 of the State CEQA Guidelines.

A Phase I Environmental Site Assessment was prepared for the parcel proposed to be dedicated for Open Space purposes in accordance with the standards for All Appropriate Inquiries in April 2015.

REPORT OF GENERAL MANAGER

PG. 11

NO. 15-245

The report concluded that there were recognized environmental conditions on the parcel from previous land uses including two auto repair uses in 1929 and 1967, and a dry cleaner from 1924 to 1942. Since the Open Space has existed nearly 15 years, it is likely that any contaminated soil has already been removed during development or has naturally attenuated over time. Once the Open Space is dedicated by transfer, it will remain in open space use in perpetuity and will not be redeveloped into a different use. Therefore, no further environmental studies were recommended.

FISCAL IMPACT STATEMENT:

There will be no cost to RAP for the acquisition/transfer of this parcel. All costs will be incurred by CRA/LA-DLA and GSD. The Open Space is already developed.

As discussed herein, if the Tenant determines that there is insufficient funding available to it to maintain the Open Space, it can terminate the Ground Lease, or it can locate other sources of revenue to fund operations and maintenance. In addition, it may determine what adjustments to the maintenance standards should be made to reflect the available amount of revenue and/or how much additional funding would be required to meet the unadjusted maintenance standards. The Landlord can agree or refuse to make such additional funds available to the Tenant. If the Landlord refuses to provide such additional funds, then Tenant may either terminate the Ground Lease or adopt the proposed adjusted maintenance standards. Any added cost incurred to make additional funds available to the Tenant will require a budget increase which will be requested through the Department's standard budget process.

GHP, Inc.'s Annual Operations and Maintenance and Operations Budget

In recent years, GHP, Inc.'s annual maintenance and operations (O&M) budget has varied between \$340,000 and \$380,000. The annual budget is funded from various sources as described below.

Revenue Sources

SPOSMP(Assessment) Fees (\$260,000/yr on average – 70%)

The Ground Lease requires the Landlord to collect the SPOSMP fees for disbursement to the Tenant, but provides that developers/owners can send payments directly to the Tenant. Currently, GHP, Inc. receives all the SPOSMP fee payments directly.

Film and Event Revenue (\$75,000/yr on average – 20%)

Pursuant to the Ground Lease, revenues from rental for filming or other events (ranging

REPORT OF GENERAL MANAGER

PG. 12

NO. 15-245

between \$60,000 and \$90,000 per year) are to be used by the Tenant to fund its O&M budget.

Shortfall Funding (\$30,000/yr on average – 10%)

The above sources of funding do not currently cover the entire cost of the Tenant's annual O&M budget. As required by the Ground Lease the Landlord established a Shortfall Fund, Fund 5227, and initially funded it in the amount of \$880,000 to meet that portion of the costs and expenses of maintaining and operating the Open Space to the maintenance standards that exceed the monies made available to the Tenant from Assessment Fees and other sources of revenue from the operation of the Open Space. Unless otherwise agreed to by the Landlord and the Tenant, the Ground Lease provides that the Landlord is obligated to make the monies in the Shortfall Fund available to the Tenant in quarterly installments aggregating no more than \$110,000 per year.

The Settlement Agreement provides that the balance of the Shortfall Fund in the approximate amount of \$820,000 will be transferred to the City for deposit into the Grand Hope Park Trust Fund to be established by the Board of RAP Commissioners in conjunction with the transfer of the Open Space and the assignment of the Ground Lease, as discussed above. The balance includes moneys to fund a certain amount of public art and to fund certain improvements to the Open Space.

The Settlement Agreement also provides that CRA/LA-DLA will make a payment to GHP, Inc. in the amount of \$400,000, which GHP, Inc. shall deposit and hold in an operating account and shall use for GHP, Inc. Board-approved budgeted expenses for the maintenance and operations of the Open Space in accordance with its annual budget, as well as emergency repairs.

To date, Shortfall Funding requests are generally around \$30,000 per year.

Capital Repair Funds and Replacement Fund

The Tenant also annually provides \$5,000 in a Tenant's Repair and Replacement Fund. The Ground Lease established a \$200,000 fund to cover the cost of necessary capital repairs, of which \$21,196 remains to be disbursed, and a \$120,000 Art Fund for the restoration and repair of art pieces, of which \$32,111 remains to be disbursed. These moneys are included within the \$820,000 balance to be transferred to the City for deposit in the Grand Hope Park Trust Fund.

The Landlord is responsible for paying the Open Space utilities, at an annual cost averaging \$25,000.

REPORT OF GENERAL MANAGER

PG. 13

NO. 15-245

Utility costs will be an additional cost that RAP will have to absorb.

This Report was prepared by Cid Macaraeg, Senior Management Analyst II, of the Real Estate and Asset Management Unit, Planning, Construction and Maintenance Branch, and the City Group for Grand Hope Park, with the advisement of the Special Counsel to the City.