

APPROVED
JUN 06 2018

BOARD REPORT BOARD OF RECREATION AND PARK COMMISSIONERS NO. 18-112

DATE June 6, 2018 C.D. 4

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PAN PACIFIC PARK – AMENDMENT NO. 2 TO THE LEASE AGREEMENT NO. 278 BETWEEN THE LOS ANGELES MUSEUM OF THE HOLOCAUST AND THE CITY OF LOS ANGELES; CONSIDERATION OF CALIFORNIA PUBLIC RESOURCES CODE (PRC) SECTION 21065 [“PROJECT”] AND OF CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) GUIDELINES TITLE 14, SECTION 15378(b)(2) AND (5) [DEFINITION OF “PROJECT”]

for AP Diaz _____
*R. Barajas DF _____
H. Fujita _____
V. Israel _____
S. Piña-Cortez _____
N. Williams _____

M. Sluce

General Manager

Approved X Disapproved _____ Withdrawn _____

RECOMMENDATION

1. Approve a proposed Amendment No. 2 to the Lease Agreement No. 278 (Lease Agreement), substantially in the form on file in the Board of Recreation and Park Commissioners' (Board) Office, between the Los Angeles Museum of the Holocaust and the City of Los Angeles (City) for the use of a portion of the City's Pan Pacific Park for the operation and maintenance of the Holocaust Museum, subject to the approval of the City Council and the approval of the City Attorney as to form;
2. Direct the Board Secretary to transmit the proposed Amendment No 2 to the City Attorney for review and approval as to form;
3. Authorize the Board President and Secretary to execute the proposed Amendment No. 2 upon receipt of the necessary approvals; and,
4. Find that the proposed project does not constitute a "Project" subject to CEQA in accordance with Section 15378(b)(2) and (5) of the State CEQA guidelines.

SUMMARY

On May 16, 2007, the Board of Recreation and Park Commissioners (Board), Report No. 07-111, approved the relocation of the Los Angeles Museum of the Holocaust (Museum) to a portion of Pan Pacific Park. By the same action, the Board also approved a 50-year Lease Agreement for the use of a portion of Pan Pacific Park for the construction and

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operation of the Museum building at the Museum's sole cost. Construction was completed in late 2010.

On May 4, 2011, the Board, Report No. 11-420, approved Amendment No. 1 that modified Section 5.2.1 - Hours of Operations - to allow the Museum to operate on Saturdays and Sundays and Section 19.2 - Notices – Where Sent - that updated the mailing addresses for the Museum and the City.

In March 2017, the City was informed that the Museum was in the process of refinancing its loans through Wells Fargo Bank. As part of the refinancing, the Museum intended to encumber its leasehold interest in the remaining term of the 50-year Lease Agreement, which the City executed in 2007. The bank was to record a leasehold deed of trust to secure a new loan to consolidate the Museum's existing loans for the purpose of funding the Museum's operations. The City did not object to this proposal as no deed of trust or liens of any kind could be recorded against or otherwise encumber the fee interest in the land owned by the City. In the event that the Museum were to default on its loan, the bank would replace the Museum as the tenant. The City's position on this matter was memorialized in an April 5, 2017 letter mailed to the Museum.

In March 2018, the City was informed that Title Company involved in the processing of the loan requested that changes be also made to the Lease Agreement. The proposed changes involved changing Section 13.7 Mortgages; Mechanic's And Materialmen's Liens and adding Section 17.3 Right to Encumber; Mortgagee Protection. With the assistance of the City Attorney, these proposed changes were reviewed and are now recommended for approval as presented. This proposed language mirrors similar language that the Board previously approved in authorizing the HOLA lease agreement at Lafayette Park in 2017.

ENVIRONMENTAL IMPACT STATEMENT

California Public Resources Code (PRC) § 21065 defines a "Project" subject to the California Environmental Quality Act (CEQA) as an activity which may cause a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378(b)(2) of CEQA Guidelines states that a project does not include continuing, administrative or maintenance activities. In addition, Section 15378(b)(5) of CEQA Guidelines states that a project does not include organizational or administrative activities that will not result in direct or indirect physical changes in the environment. Therefore, Staff recommends that the Board find that the Lease Agreement between the Los Angeles Museum of the Holocaust and the City of Los Angeles consists of an administrative and organizational activity that will not result in direct or indirect physical changes to the environment, and thus is not a project subject to CEQA.

FISCAL IMPACT

There is no fiscal impact to the Department of Recreation and Parks' General Fund as a result from the approval of the proposed Amendment No. 2.

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This Report prepared by Cid Macaraeg, Sr. Management Analyst II, Real Estate and Asset Management.

LIST OF ATTACHMENT

Amendment No. 2 to Lease Agreement No. 278

AMENDMENT NO. 2
TO
LEASE AGREEMENT NO. 278 BETWEEN
CITY OF LOS ANGELES
AND
THE LOS ANGELES MUSEUM OF THE HOLOCAUST
FOR
THE CONSTRUCTION AND OPERATION OF
THE LOS ANGELES MUSEUM OF THE HOLOCAUST

This Second Amendment to Lease Agreement No. 278 ("Amendment") is entered into this _____ day of _____, 20__, by and between the CITY OF LOS ANGELES, a municipal corporation, acting by and through its Board of Recreation and Parks Commissioners, as Landlord ("CITY"), and the LOS ANGELES MUSEUM OF THE HOLOCAUST, a California public benefit 501(c)(3) non-profit corporation ("MUSEUM"), with a principal mailing address at 100 S. The Grove Drive, Los Angeles, CA 90036, as Tenant, and amends that certain Lease Agreement by and between CITY and MUSEUM entered into October 31, 2007 as described below.

1. Section 13.7 Mortgages; Mechanic's And Materialmen's Liens shall be amended in its entirety to read as follows:

13.7 Mortgages; Mechanic's And Materialmen's Liens. During the Term, other than as set forth in Section 17.3, the real property underlying the Premises shall not be used as security for any loans or mortgages or otherwise have any liens placed on it. By way of specification without limitation, MUSEUM shall keep the Premises free from any liens arising out of work performed, materials furnished, or obligations incurred by MUSEUM and shall indemnify, hold harmless and defend CITY from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of MUSEUM shall not, within thirty (30) calendar days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, CITY shall have in addition to all other remedies provided herein and by law, the right, but no obligation to cause, upon five (5) business days prior written notice to MUSEUM, the same to be released by such means as it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. All such sums paid by CITY and all expenses incurred by it in connection therewith, including costs and attorneys' fees, shall be paid by MUSEUM to CITY on demand.

2. Section 17.3. Right to Encumber; Mortgagee Protection shall be added as follows:

17.3 Right to Encumber; Mortgage Protection. Provided MUSEUM is not in default under this Lease, MUSEUM may, at any time and from time to time during the term hereof, encumber to any Lender by deed of trust or mortgage or other security instrument ("Leasehold Mortgage"), all of MUSEUM's right, title, and interest under this Lease and the leasehold estate hereby created in MUSEUM or any of the improvements or personal property of MUSEUM ("Personal Property") for any purpose or purposes without the consent of the CITY. MUSEUM has no authority to and, therefore, shall not, under any circumstance, encumber CITY's fee interest in the Premises, and CITY shall have no obligation to encumber its fee interest in the Premises or otherwise pledge its fee interest in the Premises as collateral for any debt in connection with the development, maintenance, and/or operation of the MUSEUM. The Leasehold Mortgage and all rights acquired under it shall be subject to each and all of the

provisions, covenants, conditions, and restrictions stated in this Lease and to all rights and interest of the CITY except as otherwise specifically provided in this Lease. MUSEUM's right to enter into a Leasehold Mortgage transaction shall be at MUSEUM's sole cost and expense. As used herein, the term "Lender" shall mean any lender or lenders advancing funds to MUSEUM to assist MUSEUM in the construction, operation and/or maintenance of the MUSEUM.

17.3.1 In the event the Lender exercises its remedies under the Leasehold Mortgage and Lender acquires MUSEUM's interest in the Premises through foreclosure or otherwise, so long as no default has occurred or occurs and is continuing beyond any cure periods provided in this Lease as would entitle the City, as landlord, to terminate the Lease or would entitle the City to dispossess MUSEUM thereunder, City (including any successor to City) shall not terminate the Lease, nor interfere or disturb the Lender's use, possession or enjoyment of the Premises pursuant to the terms of the Lease.

17.3.2 In the event the Lender exercises its remedies under the Leasehold Mortgage and Lender acquires MUSEUM's interest in the Premises through foreclosure or otherwise, Lender shall have the right to sublet the Premises, subject to the terms of this Lease, or any part thereof to a 501(c)(3) non-profit organization or other similar group or organization, provided that the organization as part of such sublet agrees to assume and perform all of the obligations of MUSEUM under the terms of the Lease. Lender shall not sublet or assign this Lease without the consent of the BOARD and the City Council. Nothing in this Section shall be construed to permit uses of the Premises not otherwise allowed under the provisions of the Lease, nor shall anything in this Section be construed to negate or modify any Lease requirement for prior approval of subletting, special events, or activities.

17.3.3 If the interests of MUSEUM under the Lease shall be transferred to the Lender or a third party by exercise of power of sale, foreclosure or otherwise (a "Foreclosure Transferee"), the City shall be bound to the Foreclosure Transferee and shall recognize the Foreclosure Transferee as the tenant under the Lease for the balance of the term thereof entitled to all rights provided and obligations required thereunder. Following any such transfer, the Foreclosure Transferee shall perform all obligations of lessee under this Lease for the remaining term hereof. These provisions shall become effective immediately upon receipt of written notice from the Foreclosure Transferee that such party has succeeded to the interest of MUSEUM hereunder, provided that the parties hereto agree to execute such further instruments to confirm or effectuate the same as may be reasonably requested by any party. Lender, and its successors and assigns, shall be an express third-party beneficiary of this Section 17.3.

[Signature Page to Follow]

IN WITNESS WHEREOF, parties hereto have caused this Amendment No. 2 to Lease No. 278 to be executed by their duly authorized representatives.

Executed this _____ day
of _____, 20__

THE CITY OF LOS ANGELES, a municipal corporation, acting by and through its Board of Recreation and Park Commissioners

By _____
PRESIDENT

By _____
SECRETARY

Executed this _____ day
of _____, 20__

LOS ANGELES MUSEUM OF THE HOLOCAUST, a California public benefit 501-c-3 non-profit corporation

By _____
CHAIRPERSON

By _____
SECRETARY

Approved as to Form:

Date: _____
MICAEL N. FEUER
City Attorney

By _____
DEPUTY CITY ATTORNEY
Michael Dundas

ATTEST:

Date: _____
HOLLY WOLCOTT, City Clerk

By _____
DEPUTY CITY CLERK

Council File Number: _____ Date of Approval: _____

Said Agreement is Number _____ of City Contracts