

**MOTION BY SUPERVISOR MARK RIDLEY-THOMAS**

**February 19, 2019**

**Acquisition of Judicial Council's Equity Interest in the Former Kenyon Juvenile Justice Facility**

On March 27, 2018, the Board of Supervisors (Board) delegated authority to the Chief Executive Officer (CEO) or her designee to negotiate and execute a lease of the former David V. Kenyon Juvenile Justice Facility (Facility) located at 7625 S. Central Avenue in the City of Los Angeles to the Youth Justice Coalition (YJC) for a 10-year term. The lease of the Facility to YJC will allow the non-profit organization to provide a variety of programming and social services, including the operation of their alternative high school.

As a matter of background, the County of Los Angeles (County) owns fee title to the Facility, and the Judicial Council of California (Judicial Council) holds a 40.66% equity share in the Facility, as detailed in a Joint Occupancy Agreement (JOA) between the County and the Judicial Council dated December 16, 2008. A portion of the Facility was previously used by the County's Probation Department for juvenile probation services and the other portion was used by the Superior Court of California (Superior Court) for juvenile court services. The Superior Court and the Probation Department both vacated the Facility in 2013, following the State-ordered closure. Since then, the Facility had significantly deteriorated until the March 2018 Board action which authorized the CEO to coordinate with the Internal Services Department (ISD) for the repair, refurbishment, and remodeling of the Facility to meet YJC's proposed uses. The repair work previously approved by the Board is estimated to be completed by March 2019 for approximately \$1.8 million. YJC has agreed to

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MOTION

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reimburse the County for \$1.5 million of the costs through settlement funds they received from the Los Angeles County Metropolitan Transportation Authority (Metro) as part of their displacement by Metro from YJC's current rental property. YJC will be leasing the Facility for \$75,000 a year for an initial 10-year lease term. The rental payments generated by the lease will be used to repay an initial \$300,000 loan by the County to YJC for the County's remaining costs to repair, refurbish, and remodel the Facility in order to return it to habitable condition and to make it suitable for YJC's operations.

The County and the Judicial Council had originally agreed to have YJC enter into a lease of the Facility with the County, and the Judicial Council would maintain its equity share in the Facility. The Judicial Council was unwilling to assume any responsibility for the operations or maintenance of the Facility during the YJC lease term. However, in subsequent communications, Judicial Council representatives expressed an interest in selling its equity share in the Facility to the County for the sum of \$719,682 as set forth in an Equity Rights Purchase Agreement (Agreement) which the County and the Judicial Council have negotiated. This purchase price is consistent with fair market value. Following execution of the Agreement, and upon close of escrow, the JOA would terminate, and the Judicial Council's equity interest in the Facility would be granted to the County for the purchase price.

Once the \$300,000 required to rehabilitate the building has been fully repaid by YJC during the initial lease term, YJC's fixed rental payments will provide an additional \$450,000 as rent revenue to offset the purchase price. If YJC and the County mutually agree to exercise the 5-year lease extension, the additional rent revenue that would be generated will be more than sufficient to reimburse the County for the remaining costs associated with the purchase price for the Judicial Council's equity interest. Rent would revert to market rate in the first year of the extension term, with a 3% annual increase for each remaining extension term year, unless other terms are agreed to, such as a below market rate lease, which would require approval by the Board. YJC will be responsible for all repairs, utilities, maintenance, and operational costs during the lease term and any lease extensions.

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Acquisition of the equity rights in the Facility from the Judicial Council, and subsequent lease to YJC, will allow the County, as the sole owner of the Facility, to recapture all the repair costs that have been spent on the Facility through rental payments, in addition to providing YJC with a facility to facilitate their programing for the benefit of students, young adults and families across the County.

**I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

1. Find that the County of Los Angeles' (County) execution of the Equity Rights Purchase Agreement (Agreement) and acquisition of the Judicial Council of California's (Judicial Council) equity interest in the former David V. Kenyon Juvenile Justice Facility located at 7625 S. Central Avenue in the City of Los Angeles (Facility) are either not subject to the California Environmental Quality Act (CEQA) because they are activities excluded from the definition of a project by Section 21065 of the Public Resources Code and Section 15378(b) of the State CEQA Guidelines (Guidelines) or, in the alternative, are exempt pursuant to Class 15061(b)(3) of the Guidelines because it can be seen with certainty that the actions will not have a significant adverse impact on the environment, and none of the exceptions set forth in the Guidelines Section 15300.2 apply;
2. Find that the County's acquisition of the Judicial Council's equity interest in the Facility is authorized in accordance with Section 70391(c) of the Trial Court Facilities Act of 2002, California Government Code Section 70301 *et seq.* and Section 4.3.12 *et seq.* of the Joint Occupancy Agreement between the County and the Judicial Council dated December 16, 2008;
3. Authorize the Chief Executive Officer (CEO) or her designee to execute the Agreement to effectuate the purchase of the Judicial Council's equity interest in the Facility, for a purchase price of \$719,682, plus approximately \$10,000 for title and escrow fees. The purchase price and related fees would be fully-funded by forthcoming rental payments to be made by the Youth Justice Coalition during the term of their 10-year lease and an additional 5-year extension option;

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4. Authorize the establishment of Capital Project No. 77615, Kenyon Justice Center Acquisition, to facilitate the purchase of the equity interest from the Judicial Council;
5. Approve an appropriation adjustment transferring \$730,000 from the Asset Development Implementation Fund (ADIF) to Capital Project No. 77615, Kenyon Juvenile Justice Center Acquisition, to fully fund the equity purchase and associated escrow costs for the property to be repaid through rental payments from the YJC;
6. Authorize the CEO or her designee to take all further actions necessary and appropriate to effectuate the purchase by the County of the Judicial Council's equity interest in the Facility and the Judicial Council's relinquishment of its equity interest in the Facility, including without limitation, opening and management of escrow, accepting the deed conveying title to the County, and execution of any documentation to consummate the purchase and conveying title to the County, and to take any other actions consistent with and necessary for implementation of these approvals; and
7. Authorize the Auditor-Controller to issue warrants, as directed by the CEO or her designee, for the purchase and any other related transactional costs.

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February 19, 2019

COUNTY OF LOS ANGELES

**REQUEST FOR APPROPRIATION ADJUSTMENT**

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

**AUDITOR-CONTROLLER:**

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HER RECOMMENDATION OR ACTION.

**ADJUSTMENT REQUESTED AND REASONS THEREFORE**

**FY 2018-19**

**4 - VOTES**

**SOURCES**

**USES**

VARIOUS CAPITAL PROJECTS  
**KENYON JUSTICE CENTER ACQUISITION**  
 A01-CP-94-9924-65099-77615  
 OTHER MISCELLANEOUS/CP - EXCLUDING GRANTS AND CONTRIBUTIONS  
**INCREASE REVENUE** **730,000**

VARIOUS CAPITAL PROJECTS  
**KENYON JUSTICE CENTER ACQUISITION**  
 A01-CP-6006-65099-77615  
 CAPITAL ASSETS - LAND  
**INCREASE APPROPRIATION** **730,000**

**SOURCES TOTAL** **\$ 730,000**

**USES TOTAL** **\$ 730,000**

**JUSTIFICATION**

Reflects an appropriation adjustment transferring \$730,000 from the Asset Development Implementation Fund (ADIF) to Capital Project No. 77615, Kenyon Justice Center Acquisition, to fund the acquisition of the equity interest in the Kenyon Justice Center from the Judicial Council of California, including associated escrow costs.



**AUTHORIZED SIGNATURE** JAMES YUN, MANAGER, CEO

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR---

ACTION

RECOMMENDATION

AUDITOR-CONTROLLER

BY Lafem  
DATE Feb-8, 2019

B.A. NO. 119

APPROVED AS REQUESTED

APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY [Signature]  
DATE 2/11/19