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Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 09, 2019

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

41 April 9, 2019

CELIA ZAVALA  
EXECUTIVE OFFICER

**LOS ANGELES COUNTY MUSEUM OF ART  
BUILDING FOR THE PERMANENT COLLECTION PROJECT  
CERTIFY THE FINAL ENVIRONMENTAL IMPACT REPORT, ADOPT THE MITIGATION  
MONITORING AND REPORTING PROGRAM AND ENVIRONMENTAL FINDINGS OF FACT AND  
STATEMENT OF OVERRIDING CONSIDERATIONS, APPROVE THE PROJECT, AUTHORIZE THE  
ISSUANCE OF \$117.5 MILLION IN SHORT-TERM LEASE REVENUE NOTES, AND RELATED  
ACTIONS FOR IMPLEMENTATION OF THE PROJECT  
(SECOND AND THIRD DISTRICTS)  
(3 VOTES)**

### **SUBJECT**

This letter recommends approval of various actions related to the proposed replacement of four County buildings on the east campus of the Los Angeles County Museum of Art with a 347,500 square-foot museum.

Specifically, this letter recommends Board of Supervisors' certification of the Final Environmental Impact Report for the Los Angeles County Museum of Art Building for the Permanent Collection Project; adoption of the Mitigation Monitoring and Reporting Program and Environmental Findings of Fact and Statement of Overriding Considerations; approval of the proposed Los Angeles County Museum of Art Building for the Permanent Collection Project; authorization for the remainder of the County's financial contribution to the Los Angeles County Museum of Art Building for the Permanent Collection Project; and delegation of authority to the Chief Executive Officer, or her designee, to enter into agreements and to take other actions to facilitate the financing and construction of the Los Angeles County Museum of Art Building for the Permanent Collection Project.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Certify that the Final Environmental Impact Report for the proposed Los Angeles County Museum of Art Building for the Permanent Collection Project has been completed in compliance with the California Environmental Quality Act, and reflects the independent judgment and analysis of the County; find that the Board has reviewed and considered the information in the Final Environmental Impact Report, including comments received during the public review period, prior to approving the Los Angeles County Museum of Art Building for the Permanent Collection Project; adopt the Mitigation Monitoring and Reporting Program, finding that the Los Angeles County Museum of Art Building for the Permanent Collection Project is adequately designed to ensure compliance with the mitigation measures during Los Angeles County Museum of Art Building for the Permanent Collection Project implementation; and determine that the potential significant adverse effects of the Los Angeles County Museum of Art Building for the Permanent Collection Project either have been reduced to an acceptable level, or are outweighed by specific overriding considerations of the benefits of the Los Angeles County Museum of Art Building for the Permanent Collection Project as outlined in the Environmental Findings of Fact and Statement of Overriding Considerations, which findings and statement are adopted and incorporated herein by reference.
2. Approve the proposed Los Angeles County Museum of Art Building for the Permanent Collection Project.
3. Authorize the demolition of Ahmanson, Hammer and Art of the Americas Buildings and the Bing Center located on the east campus of the Los Angeles County Museum of Art, the site of the new Los Angeles County Museum of Art Building for the Permanent Collection Project.
4. Delegate authority to the Chief Executive Officer, or her designee, to negotiate and execute agreements between the County and Museum Associates, subject to approval as to form by County Counsel, regarding the project site, to facilitate the construction of the Los Angeles County Museum of Art Building for the Permanent Collection Project.
5. Authorize the issuance of \$117.5 million in short-term lease revenue notes as the balance of the County's total contribution of \$125 million to the Los Angeles County Museum of Art Building for the Permanent Collection Project.
6. Delegate authority to the Chief Executive Officer, or her designee, to execute, amend, and carry out the terms of a funding agreement with Museum Associates, subject to approval as to form by County Counsel, for disbursement of the County's remaining contribution of \$117.5 million to the Los Angeles County Museum of Art Building for the Permanent Collection Project.
7. Delegate authority to the Chief Executive Officer, or her designee, to execute a funding agreement with Museum Associates, subject to approval as to form by County Counsel, and carry out the terms of a funding agreement for disbursement of \$300 million of bond proceeds for the Los Angeles County Museum of Art Building for the Permanent Collection Project which will be repaid by Museum Associates.
8. Authorize the Chief Executive Officer, or her designee, to execute any additional transactional documents, subject to approval as to form by County Counsel, and take any other actions consistent with, and/or necessary for, the implementation of the proposed Los Angeles County Museum of Art Building for the Permanent Collection Project, including with respect to any land use entitlements or other permits required from the City of Los Angeles with respect to the portion of the Los Angeles County Museum of Art Building for the Permanent Collection Project spanning Wilshire Boulevard.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Los Angeles County Museum of Art Building for the Permanent Collection Project (Project), formerly known as the Museum of Art East Campus Replacement Building Project, consists of the demolition of four County-owned buildings and the replacement of these buildings with a single, 347,500 square-foot building, designed by Pritzker prize winning architect Peter Zumthor. The new building will consist of a single horizontal elevated gallery and seven art towers that support the elevated gallery, that will cover much of Los Angeles County Museum of Arts (LACMA) east campus and span across Wilshire Boulevard to the Spaulding lot (owned by Museum Associates). Approval of the recommended actions will certify the Final Environmental Impact Report for the Project; adopt the Mitigation Monitoring and Reporting Program and Environmental Findings of Fact and Statement of Overriding Considerations; approve the proposed Project; authorize the remainder of the County's financial contribution to the Project; and delegate authority to the Chief Executive Officer (CEO), or her designee, to negotiate and execute agreements and to take other actions to facilitate the financing and construction of the Project. The \$300 million funding agreement will formalize the future funding plan.

### Background

On November 5, 2014, the Board of Supervisors (Board) approved a funding concept of County bond financing and contributions from Museum Associates in the approximate aggregate amount of \$600 million to implement the Project. The approved conceptual financing plan was comprised of \$475 million in private donations and a \$125 million County contribution. The Board also authorized the issuance of \$7.5 million in short-term lease revenue notes as an advance on a portion of the \$125 million County contribution, to provide funding to Museum Associates for expenses incurred for feasibility planning studies, environmental studies and design activities on the Project.

The \$7.5 million was paid to Museum Associates on a reimbursement basis in Fiscal Year (FY) 2016. The notes were issued through the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Note Program.

The four existing buildings to be demolished are located on LACMA's east campus. Three of the four buildings: the Ahmanson Building, Hammer Building, and Bing Center were constructed in 1965. The fourth building, the Art of the Americas Building, was completed in 1985. According to the building evaluation study prepared by Owen Group in September 2014, the buildings have experienced extensive water intrusion damage and are compromised by deteriorating and failing building and mechanical systems that have exceeded their expected useful life and would require an expenditure of approximately \$246 million to fund a minimal level of repairs, limited to visually apparent defects, and not include any upgraded systems that would extend the useful life of the buildings.

### Project Progress Since Last Board Action

Since the last Board action on November 5, 2014, Museum Associates has made significant progress on the Project. Skidmore, Owings & Merrill was onboarded as the collaborating architecture firm to work with Peter Zumthor, the design architect. Schematic and design development drawings have been completed. Cost reconciliation and advanced cost estimating for the Project have been done. The environmental studies required for the Final Environmental Impact Report have been completed. Aurora Development has been hired as owner's representative and

project management firm. Clark Construction was selected as the contractor. A construction contract has been negotiated and signed with Clark Construction and they have started preconstruction services. Museum Associates and its consultants have worked with the City of Los Angeles (City) to prepare applications and other documentation for the City approvals that will be necessary for the Project, in particular the airspace vacation of Wilshire Boulevard that would allow the Project to cross Wilshire Boulevard. In making this progress, Museum Associates has spent to date approximately \$29 million from private donations, in addition to the \$7.5 million advance received from the County. Simultaneously, Museum Associates has made significant progress on the campaign to raise private donations, having secured commitments to date of \$433 million in private donations, including the \$150 million naming gift by David Geffen.

### Proposed Project Funding

The preliminary Project cost estimate of \$600 million based on conceptual design as reported to the Board in 2014 has increased by \$50 million to \$650 million as a result of further development and evolution of the design and refined cost estimates. The cost estimate reflects approximately \$160 million in soft costs, including development, design, contingencies and preconstruction costs, and approximately \$490 million in hard construction costs.

The financing plan is comprised of \$525 million in private donations and the County's contribution of \$125 million. Of the private donations goal of \$525 million, \$433 million has been pledged. Of the \$433 million pledged to date, approximately \$82 million has been collected. It is anticipated that an additional \$93 million will be collected bringing the total collection of pledged donations to \$175 million by the second quarter of 2020. The remaining \$350 million in pledged donations will be collected over the following 15 years. Museum Associates will be solely responsible to fund any project cost overage.

It is anticipated that construction would commence in the first quarter of 2020 and be completed by third quarter of 2023.

### Proposed Project Site Agreements

In order to facilitate construction of the Project, which will be partially constructed on LACMA's east campus, owned by the County, and partially constructed on a portion of the Spaulding lot, owned by Museum Associates, the County and Museum Associates will need to enter into agreements to convey possession of the Project site to Museum Associates for construction, and ultimately, to return possession of the newly constructed museum to the County. It is recommended that authority be delegated to the Chief Executive Officer, or her designee, to negotiate and execute necessary agreements.

### **FISCAL IMPACT/FINANCING**

To continue development efforts of the Project, it is recommended that the balance of the County's contribution of \$117.5 million, for a total of \$125 million, be provided to the Museum Associates in the second quarter of 2019. Similar to the \$7.5 million advance approved by the Board in November of 2014, the remaining \$117.5 million contribution will initially be funded through the issuance of short-term lease revenue notes. It is recommended that authority be delegated to the CEO, or her designee, to execute a funding agreement for disbursement of the \$117.5 million.

## Funding Plan

To provide adequate and timely funding for the Project during its four-year delivery schedule (FY 2020-24), it will be necessary for the County to issue long-term lease revenue bonds in the total amount of \$425 million.

The \$425 million of County lease revenue bonds includes a refinancing of the total County contribution of \$125 million and \$300 million of new money bonds. The lease revenue bonds may be issued in one or more series, the timing of which has yet to be determined. Although the \$425 million of total lease revenue bonds will be issued on the County's credit and secured by General Fund appropriations, the County will be responsible for the debt service related to its \$125 million contribution, with Museum Associates responsible for the repayment of debt service on the \$300 million new money component. Furthermore, should there be project cost overages, it will be the sole responsibility of the Museum Associates to cover these costs.

In order to avoid the cost of capitalized interest during the construction phase of the Project, the County will need to identify approximately \$425 million of County-owned real estate assets that can be pledged as collateral to secure the bonds.

Based on current market interest rates, the total debt service cost paid by the County to finance its \$125 million contribution with a 30-year final maturity, which is consistent with the County's historical practice for long-term lease revenue bonds, would be approximately \$213 million, or \$7 million on an annual basis.

If the \$125 million County contribution is financed through a separate series of bonds, the County would issue a second or multiple series of bonds for the \$300 million. Only after collection of \$175 million in private donations, anticipated in the second quarter of 2020, will the \$300 million bond funds will be made available to Museum Associates in the fourth quarter of 2020. The second or multiple series of bonds would provide funding for \$300 million of Project expenditures and would have a final maturity of 30 years. The annual debt service on the second or multiple series of bonds, which is currently estimated at \$17.5 million including interest and principal (amortization of principal starting in FY 2024 upon completion of the building), would be fully repaid by Museum Associates from private donations as will be outlined in a separate funding agreement with the County. It is recommended that authority be delegated to the CEO, or her designee, to execute a funding agreement for disbursement of the \$300 million following collection of the \$175 million in private donations and Board approval of \$300 million bond issuance.

We will return to your Board with final recommendations for the financing plan at such time as approval for the issuance of one or more series of long-term lease revenue bonds is required.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In 2014, the predevelopment phase commenced. Museum Associates, architects and consultants have furthered the conceptual design to design developed phase and have begun pre-construction activities. Contracts for design and construction of the Project have been negotiated and executed by Museum Associates.

The proposed agreements by and between Museum Associates and the County are authorized by California Public Resources Code Section 5135 et seq.

## **ENVIRONMENTAL DOCUMENTATION**

Pursuant to the California Environmental Quality Act (CEQA), the potential environmental effects of the Project have been analyzed in a Draft Environmental Impact Report (Draft EIR) and circulated for public review and comment. A Final Environmental Impact Report (Final EIR) subsequently has been prepared that includes the comments received; responses to comments; revisions, clarifications and corrections to the Draft EIR; and the Mitigation Monitoring and Reporting Program for the Project. The Final EIR is now ready for certification, and the Environmental Findings of Fact and Statement of Overriding Considerations are also provided to the Board.

### Environmental Impact Report Process:

On August 4, 2016, a Notice of Preparation of a Draft EIR for the Project was released. The Notice of Preparation provided notice that the County, as Lead Agency, would require the preparation of an EIR for the Project, and that a scoping meeting would be held for public comments. A public scoping meeting was held at LACMA on August 24, 2016, to solicit input from responsible and trustee agencies, as well as interested parties and members of the public, on issues to be addressed in the Draft EIR.

The Draft EIR was made available for public comment and input for the period set forth by State law. Specifically, the public review period commenced on October 26, 2017, when a Notice of Completion and Notice of Availability (NOC-NOA) was sent to the State Clearinghouse (State Clearinghouse No. 2016081014), for a 50-day review period (ending on December 15, 2017). The NOC-NOA was also posted at the County Recorder's office and was also sent by mail to required agencies and other interested parties. The NOC-NOA was also distributed to interested parties and all property owners and occupants within a 1,000-foot radius of the subject property and posted on Museum Associates' website. The NOC-NOA provided notice of the Project Draft EIR Review Community Meeting which was held on November 7, 2017.

The Draft EIR was made available online at <https://ceo.lacounty.gov/draft-environmental-impact-report/> and copies of the Draft EIR were made available in local public libraries pursuant to the California Public Resources Code Section 21092 and posted pursuant to Section 21092.3.

Following the close of the public comment period for the Draft EIR on December 15, 2017, detailed responses to all public agency comments and comments received from members of the general public regarding the Project and the analyses of the Draft EIR were prepared by Eyestone Environmental, along with any necessary corrections and additions to the analysis, with the assistance of Museum Associates. These Responses to Comments and Corrections and Additions are included in the Final EIR, which was reviewed and revised as necessary by County staff to reflect the County's independent judgment on issues raised. In addition, staff with the City reviewed and revised the Final EIR as the City is a Responsible Agency under CEQA. Responses to all comments received from public agencies were sent pursuant to Section 21092.5 of the California Public Resources Code.

In addition, all tribal resources/consultation requirements of CEQA have been met.

The Final EIR consists of the comments received; responses to comments; the Mitigation Monitoring and Reporting Program; revisions, clarification and corrections to the Draft EIR; and related sections. Except for unavoidable significant impacts related to air quality, noise and traffic during construction

of the proposed Project, all identified significant environmental effects of the Project can be avoided or reduced to a level that is less than significant through the implementation of the mitigation measures identified in the Final EIR. As stated in the Final EIR and attached Environmental Findings of Fact and Statement of Overriding Considerations, the Project will result in unavoidable significant impacts, but such impacts have been reduced to the extent feasible, and the benefits and other considerations of the proposed Project which include, in part, the elimination of safety and seismic concerns in County buildings, a new code-compliant, energy-efficient, world class cultural facility for the public's use and benefit, the addition of more than 2.5 acres of new public outdoor space in Hancock Park, a construction that will limit the duration and extent of potential impacts, and a design that will promote the balanced display of LACMA's extensive encyclopedic collection of art from diverse cultures, outweigh the Project's unavoidable adverse environmental effects. The Mitigation Monitoring and Reporting Program, which is attached, is adequately designed to ensure compliance with the mitigation measures during Project implementation.

The location of the documents and other materials constituting the record of the proceedings upon which your Board decision is based in this matter is located at the Hall of Administration, Chief Executive Office.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

During the construction of the Project, LACMA's west campus facilities, including the Broad Contemporary Art Museum (BCAM), the Resnick Pavilion, Urban Light, Levitated Mass, and the Pritzker Parking Garage will remain open. The Pavilion for Japanese Art (PJA) is currently undergoing rehabilitation and will reopen after its completion. LACMA will continue to host exhibitions featuring art from all time periods and many cultures, in addition to rotations of the museum's permanent collection, in over 100,000 square feet of gallery space in BCAM, the Resnick Pavilion, and the PJA. In addition, LACMA will continue to organize, and tour exhibitions drawn from its permanent collection throughout the globe, increasing visibility for the museum and its holdings. The museum will also continue to present education programs for children, families, students, and adults on campus and in the communities that LACMA currently serves. LACMA plans to maintain its presentation of music and film programs, both on and off-campus.

### **CONCLUSION**

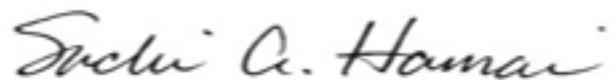
Please return one adopted copy of this Board letter to the CEO, Capital Programs Division.

The Honorable Board of Supervisors

4/9/2019

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Respectfully submitted,

A handwritten signature in cursive script that reads "Sachi A. Hamai".

SACHI A. HAMAI

Chief Executive Officer

SAH:MG:JJ:DPH

BMB:AMA:KAV:zu

c: Executive Office, Board of Supervisors  
County Counsel  
Museum of Art  
Treasurer and Tax Collector  
Museum Associates