

MOTION BY SUPERVISOR JANICE HAHN

November 21, 2023

San Pedro Courthouse Redevelopment Project - Authorize Option to Lease Agreement and Ground Lease Amendments

In May 2016, the Chief Executive Office (CEO) commissioned a real estate economic study for the San Pedro Courthouse property and determined that its highest and best use will likely be a mixed-use medium to high-rise project consisting of amenities for public gathering, as well as cultural, retail, restaurant, and residential uses with a parking structure. On June 21, 2018, Public Works issued a Request for Proposal (RFP) and advertised this contracting opportunity on the County's "Doing Business with Us" and "Do Business with Public Works" websites.

On September 13, 2018, Public Works received six proposals in response to the RFP. The evaluation panel, consisting of staff from Public Works and the CEO, determined that SOUTHERN PACIFIC REALTY PARTNERS, LLC, a Delaware limited liability company d/b/a GENTON COCKRUM PARTNERS (GCP), submitted the most advantageous proposal that met the County's objectives for the project. GCP was invited to participate in a presentation and working meeting with the evaluation panel and was asked to present a Letter of Intent. Based on the evaluation of the proposal, presentation,

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working meeting, and Letter of Intent, the evaluation panel recommended award of an Exclusive Negotiating Agreement (ENA) to GCP.

On December 18, 2018, the Board authorized an ENA with the selected developer GCP. Negotiations led to a proposed project that consists of an 8-story; 336,514-square-foot; mixed-use residential development with approximately 300 apartments, of which a minimum of 20 percent of the units will be set aside for households with gross income of not more than 80 percent of Area Median Income; approximately 25,479 square feet of pedestrian friendly commercial space, including a new full-service food market or food hall; over 6,000 square feet of public open space; and approximately 559 parking spaces on the 2.79-acre lot.

On January 26, 2021, the Los Angeles County Board of Supervisors approved and authorized CEO to execute an Option to Lease Agreement, a Ground Lease, and a Purchase Option Agreement with GCP. In addition, the Board determined that the project is categorically exempt from the California Environmental Quality Act (CEQA).

As required by the Board, the project includes the maximum \$1,000,000 minus arts fees paid to the City of Los Angeles to be allocated to the Civic Arts Special Fund according to the Board's Civic Art Policy adopted on December 7, 2004, and last amended on August 4, 2020.

On August 10, 2021, the Board approved and authorized CEO to enter into a promissory note in the amount of \$1,000,000 and to add the project to the existing Community Workforce Agreement. On August 11, 2021, the Option to Lease Agreement with GCP was executed. During the period of the Option to Lease Agreement, GCP was to demolish the existing Courthouse building, complete design and construction

documents, pay the Civic Arts fee, obtain building permits, and secure project financing as conditions to exercise the Option to Lease, in order to enter in the Ground Lease with the County, and begin construction.

The expiration of the Option to Lease Agreement was to be December 31, 2022. However, the Option to Lease Agreement allowed the County a one-time right to extend the term of the Option to Lease Agreement to June 30, 2023, if the County determined GCP was progressing with the project in good faith. On December 12, 2022, the County elected to extend the term of the Option to Lease Agreement until June 30, 2023. During the option period, GCP informed the County that the start of construction was anticipated for the fourth quarter of 2022. From February to May 2022, GCP completed the demolition of the existing Courthouse building.

On June 6, 2023, the Board approved and authorized CEO to enter into Option to Lease Agreement amendment and Ground Lease amendment and authorized extension of the expiration of the Option to Lease Agreement from June 30, 2023, to December 31, 2023. On June 8, 2023, the County elected to extend the term of the Option to Lease Agreement until December 31, 2023.

GCP has advised the County that it is not prepared to exercise its Option to Lease under the Option to Lease Agreement terms by December 31, 2023, but believes it can secure full financing for the development of the project within the calendar year 2024 and, thus, GCP has proposed a one-year time extension to the Option to Lease Agreement term, thereby allowing GCP sufficient time to procure full financing for the development of the project.

I, THEREFORE, MOVE that the Board of Supervisors:

- 1) Find that the execution of the proposed Option to Lease Agreement amendment and Ground Lease amendment are within the scope of the previous finding of exemption under CEQA and that the proposed revisions to the project schedule are also exempt under CEQA; and authorize CEO to execute, amend, and carry out the terms of these proposed actions with GCP;
 - a. Upon the Board's approval of the recommended actions, Public Works will file a Notice of Exemption with the Registrar-Recorder/County Clerk in accordance with Section 21152 of the California Public Resources Code and will post the Notice to its website in accordance with Section 21092.2;
- 2) Approve and authorize the Chief Executive Officer, or her designee, to execute an amendment to the Option to Lease Agreement extending the Option to Lease Agreement by a 12-month term with a new expiration date of December 31, 2024, on the condition that the County has the right to terminate for convenience should GCP at any time fail to provide evidence to the County of progress with the project in good faith and the simultaneous closing of the construction loan (the balance of construction financing) concurrent with the exercise of the option/conversion to the Ground Lease.

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