

Title: Egret Park Land Swap	Item No. _____
Meeting date: March 3, 2009	
Agendized by: David Voss	
Contact person:	Phone number:
Committee Vote (if appropriate):	
Does this item have a fiscal impact on the Neighborhood Council? ___ Yes ___ X ___ No	
Additional documents attached? ___ X ___ Yes ___ No	

RECOMMENDATION:

I recommend that the NCWP/PLUC support the proposed deal to have the City of Los Angeles acquire Egret Park in exchange for a land swap for Fire Station #5 and additional consideration as shown in the attached document.

BACKGROUND:

Egret Park has been the subject of much controversy following disclosure that the current owner intends to develop the parcel. Our community has been extremely concerned about trying to save the parcel from development and find a way to buy the land to be open space in perpetuity.

DISCUSSION:

PLUC and the entire NCWP adopted a proposal in January to see if the developer would consider a land swap for Fire Station #5 in Westchester which we are informed will be sold off as surplus land by the City of Los Angeles this year to close the budget deficit if it is not clearly identified with a compelling community interest. Under the proposed deal, the developer would take a discounted price for Egret Park in return for the Fire Station, certain mitigation funds and a future option to the City to complete the purchase with deferred money.

FISCAL ANALYSIS:

No cost to the NCWP. Effectively encumbers future Quimby funds to complete the acquisition of the parcel.

ATTACHMENTS:

Term Sheet with key deal points

MOTION:

That the Neighborhood Council of Westchester Playa supports the basic terms for the settlement of disputes between the City of Los Angeles ("City") and LB/L-

DS Ventures Playa Del Rey, LLC, a Delaware limited liability company ("DS Ventures") concerning the entitlement and use of the parcel commonly referred to as the "C-Shaped Parcel at Del Rey Lagoon" (the "Property"). The disputes would be settled by (a) the City's acquisition of the submerged portions of the Property ("Submerged Parcel") to be used for satisfaction of Port of Los Angeles wetland mitigation obligations; and (b) the City's acquisition of an option (the "Option") to acquire the balance of the Property (the "Remainder"), in exchange for the current conveyance of the "Firehouse Property" and future option extension payments, on terms and conditions negotiated between the parties.

PLAYA DEL REY LAGOON

PROPOSED TERM SHEET

February 24, 2009

This Term Sheet summarizes the basic terms for the settlement of disputes between the City of Los Angeles ("**City**") and LB/L-DS Ventures Playa Del Rey, LLC, a Delaware limited liability company ("**DS Ventures**") concerning the entitlement and use of the parcel commonly referred to as the "C-Shaped Parcel at Del Rey Lagoon" (the "**Property**"). The disputes would be settled by (a) the City's acquisition of the submerged portions of the Property ("**Submerged Parcel**") to be used for satisfaction of Port of Los Angeles wetland mitigation obligations; and (b) the City's acquisition of an option (the "**Option**") to acquire the balance of the Property (the "**Remainder**"), in exchange for the current conveyance of the "**Firehouse Property**" and future option extension payments, on the following terms and conditions:

Property:

- 2.39 acre parcel of real property owned by DS Ventures, located at 250 E. 62nd Avenue, Playa Del Rey, California, commonly referred to as the "C-Shaped Parcel at Del Rey Lagoon". The Submerged Parcel is approximately ___ acres; the Remainder is approximately __ acres.

Sale of Submerged Parcel

- On the Closing Date (as defined below), DS Ventures will convey to the City fee title to the Submerged Parcel
- The City will pay the purchase price of \$1,500,000 from funds dedicated to purchasing wetlands mitigation credits
- Purchase Agreement: The Option will include a form of purchase agreement, containing customary provisions and conditions regarding AS IS, title insurance, prorations, closing costs, etc.

Option The City will receive an Option to acquire the Remainder Parcel on the following terms:

- Option Term: 5 years, with the right to extend for 5 additional 1 year periods
- Initial Option Payment – Initial Term: In consideration of the initial 5 year term, the City would convey fee title to DS Ventures or its affiliate that certain real property owned by the City, located at 6621 Manchester Avenue, Play Del Rey, California, consisting of approximately 19,500 square feet and the former site of Fire Station No. 5 (the "**Firehouse Property**"). The Firehouse Property will be

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conveyed pursuant to a purchase agreement, containing customary provisions and conditions regarding AS IS title insurance, prorations, closing costs, etc. The parties will agree that the value of the Firehouse Property is [\$2,800,000]. That value will constitute the "Initial Option Payment", and will be deemed nonrefundable but applicable to the Remainder Purchase Price.

- Option Payment – Extended Terms: \$300,000 per extension, payable upon exercise of the extension (i.e., 6th anniversary, 7th anniversary etc.) The Extension Option Payments will be nonrefundable but applicable to the Purchase Price.
- Remainder Parcel Purchase Price: City and DS Ventures will agree that the Remainder has a fair market value of \$5,800,000, cash at Final Closing (as defined below), less previously paid Option Payments. Notwithstanding the foregoing, the Purchase Price will be adjusted downward or upward based on the following schedule:

<u><i>Date of Final Closing</i></u>	<u><i>Total Purchase Price</i></u>	<u><i>Option Payments Made to Date</i></u>	<u><i>Cash Due at Closing</i></u>
5 th Anniversary	\$5,600,000	\$2,800,000	\$2,800,000
6 th Anniversary	\$5,800,000	\$3,100,000	\$2,700,000
7 th Anniversary	\$6,000,000	\$3,400,000	\$2,600,000
8 th Anniversary	\$6,200,000	\$3,700,000	\$2,500,000
9 th Anniversary	\$6,400,000	\$4,000,000	\$2,400,000
10 th Anniversary	\$6,600,000	\$4,300,000	\$2,300,000

- Payment Source: It is anticipated that the source for the City's payment of Option Extension and Purchase Price will be Quimby/Finn Fees fund for Council District 11, however, the City has full discretion over the source of funds.
- Option Expiration: If the City fails to make an Option Payment timely, the Option will expire
- Exercise/Final Closing: The City may exercise the Option upon 90 days written notice and acquire pursuant to a purchase agreement. The date of closing of the City's purchase of the Remainder is referred to as the Final Closing

- Purchase Agreement: The Option will include a form of purchase agreement, containing customary provisions and conditions regarding AS IS title insurance, prorations, closing costs, etc.
 - During the Option Period, the Remainder shall remain in current condition. DS Ventures will record a covenant against the Remainder prohibiting any development, which covenant will expire and terminate upon expiration of the Option ("**Covenant**")
 - The City may purchase the Remainder at any time during the duration of the Option for the price set forth in Exhibit A.
- Lease of Remainder**
- During the Option Period, DS Ventures will lease the Remainder to the City for use as a public park ("**Lease**").
 - Under the Lease, annual rent will be \$1.00
 - The Lease will terminate automatically upon the expiration or termination of the Option
 - The City agrees to carry liability insurance and indemnify DS Ventures during the term of the Lease
 - The City agrees to be responsible for all maintenance of the Remainder during the term of the Lease

Initial Closing: The following elements of the transaction will close simultaneously (the "**Initial Closing**") within 90 days after satisfaction of the Initial Closing Conditions (as defined below):

- Conveyance by DS Ventures to the City/Port of the Submerged Parcel
 - Conveyance by the City to DS Ventures of the Firehouse Property
 - Grant of Option
- Initial Closing Conditions**
- **Rezoning of Firehouse Property:** The Firehouse Property will be rezoned to QC2-1VL (which permits an R3 density and is the zoning designation of the property immediately east of the Exchange Property), at no cost to DS Ventures and subject only to reasonable and customary conditions of approval of such zone change, which shall be acceptable to DS Ventures
 - **Disposition of Surplus Property:** City will have complied with all conditions precedent for disposition of surplus property in connection with the Firehouse Property, at no cost to DS Ventures

- **Inspection Rights – Firehouse Property:** DS Ventures will have approved the physical condition of the Firehouse Property, and will access to perform soils, environmental and other investigations
- **Title – Firehouse Property:** DS Ventures will have received a commitment for ALTA title insurance coverage for the Firehouse Property
- **Inspection Rights – Submerged Parcel:** City will have approved the physical condition of the Submerged Parcel, including its condition as "wetlands" in accordance with applicable Port wetland mitigation obligations, and will have access to perform environmental and other investigations
- **Title – Submerged Property:** The City will have received a commitment for ALTA title insurance coverage for the Submerged Parcel
- **Land Use Entitlements – Remainder Parcel:** DS Ventures will have received vested development rights on the Remainder Parcel for the project described in the entitlement application submitted by DS Ventures to the City on September 2, 2008. The vesting period will be 5 years following the outside date for expiration of the Option (i.e., 15 years). It is anticipated that vesting will be pursuant to a statutory development agreement. Notwithstanding the development agreement, the Covenant will prevent development by DS Ventures while; the Option remains in effect