RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO ENTER INTO THE FIRST AMENDMENT TO THE MAY 2005 GROUND LEASE AGREEMENT WITH LOS ANGELES UNIFIED SCHOOL DISTRICT ("LAUSD") FOR THE MENDEZ CENTER, WHICH AMENDMENT WILL, AMONG OTHER THINGS, AMEND THE GROUND LEASE, RESOLVE CERTAIN PARCEL DESCRIPTION/OWNERSHIP ISSUES, EFFECTUATE AN EXCHANGE OF REAL PROPERTY BETWEEN THE PARTIES IN ACCORDANCE WITH CALIFORNIA HEALTH AND SAFETY CODE SECTION 34312.3, AND AUTHORIZE THE UNDERTAKING OF VARIOUS RELATED ACTIONS

Douglas Guthrie  
President & Chief Executive Officer

Jenny Scanlin  
Chief Strategic Development Officer

Purpose: Authorize the President and CEO, or designee, to enter into a First Amendment to the May 25, 2005 Mendez Center Ground Lease Agreement (the "Amendment") with the Los Angeles Unified School District ("LAUSD") for the property on which LAUSD constructed the Felicitas And Gonzalo Mendez High School ("Mendez Center").

Execution of the Amendment will resolve property, land use and title issues associated with the Mendez Center's development to date, effectuate the exchange of certain parcels between LAUSD and HACLA in conformity with the requirements of Health and Safety Code section 34312.3, facilitate the resyndication and refinancing of Pueblo Del Sol Phase I and II (the "PDS Project" also previously known as Aliso Village I and II), and authorize the undertaking of related actions, all in a manner that is equitable and cost neutral to the parties.

Regarding: HACLA and LAUSD are parties to the May 25, 2005 Ground Lease which contemplates LAUSD's development of the Mendez Center or "Mendez Project" in the Boyle Heights community as detailed in the Background Section below. The Mendez Project is adjacent to Pueblo del Sol (previously "Aliso Village") and neighboring Utah Street Elementary School (as depicted in Exhibit "A"). LAUSD's development of the Mendez Project to date and recent due diligence activities with respect to the PDS Project have revealed a number of property documentation and title issues that need to be corrected.

HACLA and LAUSD are also parties to a July 2002 lease under which LAUSD, as "Lessor," leased certain undeveloped property adjacent to Aliso Village and Utah Elementary School (the "Utah Street Property") to HACLA. HACLA subsequently subleased the Utah Street Property to Aliso Village Housing Partners I and the property was improved as part of the larger redevelopment of Pueblo Del Sol as the new development's property management office and community swimming pool.

Pursuant to Board of Commissioners ("BOC") Resolution No. 2536, adopted October 31, 2019, the BOC authorized the resyndication, refinancing and
rehabilitation of the PDS Project. The authorization included effectuating the transactions under the terms of new disposition and development agreements with limited partnerships comprised of entities controlled by the Related Companies and HACLA referred to as Pueblo del Sol Housing Partners I (“PDS-1”) and Pueblo del Sol Housing Partners II (“PDS-2”).

On June 9, 2020 LAUSD’s Board of Education approved a Resolution of Intention to exchange real property with the Housing Authority (File # Rep-363-19/20). The LAUSD Board approval included the real estate exchange between the 2 parties and the execution of any other necessary and reasonable agreements to effectuate the overall transaction.

In order to resolve Ground Lease property description, ownership and title issues, facilitate the resyndications, and optimize the subject properties’ long term usage, HACLA and LAUSD have agreed that fee ownership in the Utah Street Property currently should be transferred by LAUSD to HACLA and subsequently ground leased by HACLA to Pueblo del Sol Phase I and that certain portions of the Ground Lease property owned by HACLA adjacent to the Mendez Learning Center should be transferred to LAUSD, all as part of a cost-neutral land swap under the terms of the Ground Lease Amendment. The parties intend to execute all title and related documents to accomplish the agreement regarding the various land parcels included in the Amendment.

**Issues:**

**Mendez Center**

**Background**

As noted above, HACLA (as “Lessor”) and LAUSD (as “Lessee”) entered into that certain Ground Lease dated May 26, 2005, which contemplates among other things, LAUSD’s assembly of the Ground Lease Property with certain LAUSD-owned property to develop a new high school campus and related improvements now more commonly known as the “Mendez Center” or the “Mendez Project” as shown in Exhibit “B”. The Ground Lease is for an initial lease term of 30 years with a 30 year extension option followed by a 17 year second extension. The Ground Lease property consists of approximately four (4) acres and rent under the Ground Lease is nominal at $1 per year.

Development of the buildings and improvements portion for the Mendez Project has now been completed. LAUSD’s continuing responsibilities under the Ground Lease include vacating portions of Via Las Vegas and Utah Street (the “Street Vacations”). However, in post-construction review of the Mendez Project improvements, it was determined that LAUSD’s building & hardscape/landscape footprints expanded beyond their ground lease area onto HACLA land, property separately ground leased to Aliso Village Housing Partners II and on a greater portion of Utah Street than originally contemplated under the Ground Lease (the “Utah Vacation Area”) and the Street Vacations area must be expanded to accommodate these other improvements as illustrated in Exhibit “C” attached hereto and as detailed below. LAUSD has been working with the Bureau of Engineers since 2015 on the Street Vacations and in 2018, the City Council approved the Engineer’s Report for the proposed Street Vacations. LAUSD is in the process of completing the conditions associated with the vacations.

Development of the Mendez Project, including the prior Street Vacations created
certain traffic circulation issues that have been resolved with the concurrence of the City of Los Angeles (the “City”) through LAUSD’s development of a cul-de-sac at the easterly end of Plaza del Sol (the “Street Improvements”). The Street Improvements are depicted on Exhibit “D” attached hereto.

LAUSD developed (i) portions of the Mendez Project improvements known as “Buildings 3 and 4” on portions of Via Las Vegas which have yet to be vacated (the “Building Encroachments”), (ii) a section of the Mendez Project soccer field improvements upon a portion of the current Pueblo del Sol Phase II Property (the “Field Encroachments”), and (iii) a portion of the Mendez Project on land which is not part of the Ground Lease Property, comprising a portion of Utah Street to be vacated (the “Utah Encroachments”). The Utah Encroachments are comprised of the “Paseo Area” and “Campus Area”. All the encroachments are depicted in the attached Exhibits “E1” and “E-2”. LAUSD developed the Paseo Area with hardscaping, landscaping and other improvements, depicted on the site map and aerial view attached as Exhibit “F”. The Campus Area is improved with Mendez Center improvements as previously shown on Exhibit E-2. LAUSD’s development of the Paseo Area and Campus Area and their proximity to the PDS Project, has created issues regarding their control, use, possession, maintenance and repair.

In addition, operation of Mendez Center involves campus security issues which required LAUSD to secure the campus during school hours of operation thereby restricting pedestrian access from the Paseo Area to First Street during these hours. In an effort to accommodate campus security needs and pedestrian access to First Street, LAUSD developed the Walkway Area and developed access gates at the westerly and easterly ends of the Walkway Area which allow for the closure of the Walkway Area, all as depicted in Exhibit “G”.

Utah Street Property Background

As noted above, HACLA and LAUSD entered into a lease agreement (the “Utah Street Lease”), in 2002 under which LAUSD leased to HACLA the Utah Street Property (Exhibit “H”) with an area of 0.54 acres for a period of 65 years at a cost to HACLA of $1 per year. HACLA in turn subleased this property to Aliso Village Housing Partners I for the construction and operation of the community swimming pool and the Pueblo del Sol property management office. Prior to the resyndication of Pueblo Del Sol Phase I, HACLA seeks to acquire this parcel as part of a property exchange with LAUSD (as discussed below) and thereafter include this parcel in the new Pueblo Del Sol Phase I ground lease.

Proposed Resolution

HACLA and LAUSD have spent considerable time and effort addressing the issues associated with LAUSD’s development of the Mendez Center as detailed above. These efforts have led the parties to agreement on the following concepts for resolution. If approved by the Board of Commissioners, the parties will work together to prepare and execute an Amendment consistent with these terms and conditions and approved by legal counsel.

Paseo Area portion of Utah Encroachments

HACLA and LAUSD, with the cooperation of the current Aliso II Partnership, have agreed to address the Paseo Area O&M issues through a license agreement between HACLA and the Aliso II Partnership (the “Paseo Area License Agreement”).
Agreement”). Under the Paseo Area License Agreement, the Aliso II Partnership and its successors and assigns through resyndication, refinancing, sale or otherwise, will control the Paseo Area including its further development and assume responsibility for the Paseo Area O&M during the term of the existing Pueblo del Sol Phase II Ground Lease and any extensions thereof, or a new ground lease related to the resyndication, refinancing, or sale of the Pueblo del Sol Phase II Property. HACLA will work with LAUSD to reroute or transfer water and electrical utilities serving the Paseo Area following the financial close of the Pueblo del Sol Phase II resyndication.

Easements will be granted in the Paseo Area to LAUSD or third parties (including the City or utility providers) to accommodate utility and pedestrian access and emergency services ingress/egress to the Mendez Project.

Campus Area Portion of Utah Encroachments
The Campus Area shall be added to the Mendez Center property leased to LAUSD under the Amendment and subject to all of the terms and conditions of leasehold ownership applicable to the property under the Ground Lease.

Street Vacations
LAUSD shall continue to pursue the Street Vacations as required under the Ground Lease and the Amendment and shall use reasonable and timely efforts to obtain the formal written vacation of the Street Vacations from the City no later than two (2) years from the execution of the Amendment.

Field Encroachments
A Field Encroachments License Agreement will be executed between the Aliso II Partnership or its successors and LAUSD under which the Aliso II Partnership or its successors will grant LAUSD the right to use and possession of the Field Encroachments during the term of the Pueblo del Sol Phase II Ground Lease and any extensions thereof (or a new ground lease) in exchange for LAUSD’s agreement to maintain and repair the Field Encroachments at its sole cost and expense.

Walkway
The Walkway Areas and Access Gates will remain open and available as a public right-of-way for pedestrian access during all hours except those reasonable periods when (A) construction, maintenance, repair, school activities or school special events make it necessary or appropriate to suspend such access, or (B) the parties agree (which agreement shall not be unreasonably withheld, conditioned or delayed) that the Access Gates should be closed to address public safety or other concerns. The Access Gates will be dual keyed by LAUSD with a set of keys provided to the Aliso II Partnership’s site managers or another HACLA designee to help ensure accessibility.

Irrevocable Offer to Dedicate
As noted above, HACLA intends to dedicate the Street Improvements to the City under an Irrevocable Offer to Dedicate and has secured the cooperation of Aliso Village II Housing Partners, owners of the leasehold interest in the Pueblo del Sol Phase II Property, in providing the Easement Dedication as described in Exhibit “I”.

Pg. 4
Correction of Leasehold Property
HACLA and LAUSD have discovered that a small portion of the Ground Lease property described in Exhibit “J” as the Field Property, is misidentified in public records as owned by HACLA and is in fact owned by LAUSD. Therefore, the parties agree that the Field Property should no longer comprise a portion of the Ground Lease property. HACLA will execute any and all documents and instruments reasonably requested by LAUSD to help effectuate cure of the ownership misidentification.

Land Exchange
HACLA desires to exchange portions of the Ground Lease Property known as the Via Las Vegas Property and Portions of Lot 6 and 8 for LAUSD’s Utah Street Property, in an effort to help maintain affordable housing and optimize each property’s long term use and enjoyment by the respective parties.

Under Health and Safety Code section 34312.3, HACLA may, after a public hearing, sell, lease, or otherwise dispose of real property without complying with surplus property requirements, if the disposition of the real property is to be used “directly to assist a housing project.” (Health and Safety Code section 34312.3, subd. (b).) Today’s Board of Commissioners’ meeting satisfies the public hearing requirements.

_Utah Street Parcel:_ As previously noted, the Utah Street Property is currently improved with the Pueblo del Sol property management office and community swimming pool. It functions exclusively to assist the Pueblo del Sol affordable housing development. Securing unfettered control of the property will enable HACLA to more effectively provide services to the development and ensure continued assistance to the project. The property will be leased directly to Pueblo del Sol Housing Partners I to help achieve the closing of the re-syndication and refinancing of Pueblo del Sol Phase I.

_Via Las Vegas Property aka Building Encroachment on Via Las Vegas ROW:_ Portions of Via Las Vegas from Mission Road to the west half of Utah Street where Mendez’s Building No. 3 and 4 have encroached (See Exhibit “K”) This property is owned by HACLA but encumbered by Via Las Vegas and Mendez Center improvements.

_Portion of Lot 6/Lot 8:_ This parcel is used as a portion of the school’s playground area (See Exhibit “K”). HACLA learned recently that a portion of this property appears to have been dedicated to the City in March of 2005 (just prior to Ground Lease execution) by way of Lot Line Adjustment to expand the width of a portion of Via Las Vegas. HACLA also learned recently that a narrow strip of land, 1.9 feet in width, running along the entire northern boundary length of this parcel (“Handball Court Parcel”) is the subject of both the Ground Lease and Pueblo del Sol Phase II Ground Lease (See Exhibit “K”) and the parties desire to include the Handball Court Parcel in the property exchange. HACLA will convey this strip of land to LAUSD after securing the release of a HUD Declaration of Trust encumbrance as part of the re-syndication of the Pueblo del Sol Phase II Property.

The following table provides a comparison of the properties being exchanged including their estimated value based upon appraisals and/or value extrapolation:
Note: a - The ROW parcels are considered remnant land and price was discounted to 50% to the “typical” value. This price also assumes these parcels are unencumbered with the permanent street easement.

The Building Encroachments Area incorporated in Via Las Vegas’ square footage and Lot 6 and 8 will be transferred by quitclaim deeds while the Handball Court parcel will be conveyed to LAUSD by grant deed.

The estimated exchange value shows a difference of $289,700. However, HACLA will be taking over control and maintenance on the Paseo Area which is currently maintained by LAUSD. The cost attributed to routine maintenance for the Paseo Area over the remaining Ground Lease term of sixty two years balances out the values, which reasonably results in a revenue neutral and equitable land exchange considering the current real estate conditions and ownership and control of the real estate assets.

Additional Terms
Upon execution of the Amendment, the parties desire to bring closure to all of these issues and may include language within the Amendment as approved by legal counsel for both parties releasing one another from any claims, demands, etc. associated with the above-referenced matters.

**Vision Plan: PLACE Strategy #2: Increase functionality and effectiveness of Asset Management Portfolio.**

The land exchange will secure fee simple interest of the Utah Street Property thereby providing permanent possession and control of critically needed real estate for the resyndication of the PDS Project and optimizes the long term use of the management office and community facilities within the PDS Project.

**Funding:** The Chief Administrative Officer confirms the following:

*Source of Funds:* The cost of utility transfers in the Paseo Area will be paid from resyndication proceeds of PDS-II and long term maintenance of the Paseo Area will be built into the operating budget of the two PDS Phases.
Budget and Program Impact: The land exchange is revenue neutral and no HACLA funds will be required to pay any costs or fees to LAUSD. Any legal or title costs associated with effectuating the real estate exchange will be paid from the Development Services Department's operational budget.

Environmental Review: Acquisition of properties are exempt from CEQA. Because no federal funds are being used and the terms do not change or harm any existing HUD Deeds of Trust, no NEPA review is required.

Section 3: Not Applicable.

Attachments:
1. Resolution
2. Site Map Exhibits
   - Exhibit A Mendez High School in the context of Pueblo Del Sol
   - Exhibit B Mendez Center High School Parcels
   - Exhibit C Street Vacation
   - Exhibit D Street Improvements
   - EXHIBIT E1- Building Encroachments
   - EXHIBIT E2 - Field Encroachment/Utah Encroachment
   - EXHIBIT F - Paseo Area
   - EXHIBIT G – Walkway Area
   - EXHIBIT H - Utah Street Parcel (LAUSD Owned)
   - EXHIBIT I - Cul De Sac Dedication
   - EXHIBIT J - Correction of Leasehold Property
   - EXHIBIT K - Portions of Lot/8 and Via Las Vegas ROW (HACLA Owned)
3. Document Execution List
ATTACHMENT 1

RESOLUTION
RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO ENTER INTO THE FIRST AMENDMENT TO THE MAY 2005 GROUND LEASE AGREEMENT WITH LOS ANGELES UNIFIED SCHOOL DISTRICT (“LAUSD”) FOR THE MENDEZ CENTER, WHICH AMENDMENT WILL, AMONG OTHER THINGS, AMEND THE GROUND LEASE, RESOLVE CERTAIN PARCEL DESCRIPTION/OWNERSHIP ISSUES, EFFECTUATE AN EXCHANGE OF REAL PROPERTY BETWEEN THE PARTIES IN ACCORDANCE WITH CALIFORNIA HEALTH AND SAFETY CODE SECTION 34312.3, AND AUTHORIZE THE UNDERTAKING OF VARIOUS RELATED ACTIONS

WHEREAS, the Housing Authority (as “Lessor”) and the Los Angeles Unified School District (LAUSD) (as “Lessee”) entered into that certain Ground Lease dated May 26, 2005 (the “Ground Lease”), which contemplates among other things, LAUSD’s assembly of the Ground Lease property with certain LAUSD-owned property to develop a new high school campus and related improvements now more commonly known as the “Mendez Center”; and

WHEREAS, the Mendez Center is adjacent to the Pueblo del Sol I and II (aka “Aliso Village”), an affordable housing community and neighboring Utah Street Elementary School; and

WHEREAS, HACLA and LAUSD are also parties to a July 2002 lease under which LAUSD, as “Lessor,” leased certain property adjacent to Aliso Village and Utah Elementary School (the “Utah Street Property”) to HACLA, who subsequently subleased the Utah Street Property to Aliso Village Housing Partners I (“Current Pueblo Del Sol Phase I Owner”) which property has since been improved with the management office and community swimming pool; and

WHEREAS, while the development of the buildings and related improvements portion of the Mendez Center has now been completed, LAUSD has continuing responsibilities under the Ground Lease include causing the vacation of portions of Via Las Vegas and Utah Street; and

WHEREAS, LAUSD’s development of the Mendez Center to date and recent due diligence activities with respect to Pueblo del Sol have led to the discovery of a number of property development, documentation and title issues that need to be addressed, all as detailed in the Report of the President & CEO of the same date herewith (the “CEO Report”); and

WHEREAS, the Housing Authority desires to enter into an amendment to the Ground Lease (“Amendment No. 1”) with LAUSD under the terms and conditions set forth in the CEO Report including the exchange of real property identified therein, in an effort to resolve certain issues, preserve affordable housing, and optimize each property’s long term use and enjoyment by the respective parties.

WHEREAS, under Health and Safety Code Section 34312.3, the Housing Authority is authorized to exchange real property to directly assist a housing project; and

WHEREAS, securing unfettered control of the Utah Street Property will enable HACLA to more effectively provide services to Pueblo del Sol and ensure continued assistance to the project. HACLA will directly lease the property to Pueblo del Sol Housing Partners I to help achieve the closing of the re-syndication and refinancing of Pueblo del Sol Phase I; and
WHEREAS, LAUSD’s Board of Education has, on June 9, 2020, adopted a Resolution of Intention to exchange the Utah Street Property for certain Housing Authority property contemplated by this Resolution.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners, having found that the actions contemplated herein are in the best interest of the Housing Authority and that the exchange of real property contemplated herein complies with California Health and Safety Code Section 34312.3, hereby authorizes the President and CEO, or designee, to enter into a First Amendment to the Ground Lease under the terms and conditions set forth in the CEO Report to address the aforementioned matters, to execute the instruments, documents and other agreements contemplated under the CEO Report, to convey the real property known as the Via Las Vegas Property, Portions of Lot 6 and 8, and the Handball Court to LAUSD, in a revenue-neutral land exchange for LAUSD’s conveyance of its Utah Street Property to the Housing Authority, to execute and deliver necessary and reasonable agreements and instruments associated with the real estate exchange and to take such other actions as may be reasonably necessary to effectuate the activities contemplated by this Resolution, all as approved by legal counsel.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: ____________________________
Chairperson Ben Besley

APPROVED AS TO FORM:

BY: ____________________________
General Counsel James Johnson

DATE ADOPTED:____________________
ATTACHMENT 2

SITE MAP EXHIBITS
EXHIBIT A - Mendez High School in the context of Pueblo Del Sol
EXHIBIT B - Mendez Center High School Parcels

MENDEZ HIGH SCHOOL SITE
EXHIBIT D – Street Improvements

NON-GROUND LEASE PROPERTY
(HOUSING AUTHORITY OWNED)
EXHIBIT E1- Building Encroachments

BUILDING ENCROACHMENTS

Vacated Via Las Vegas Street
EXHIBIT E2 - Field Encroachment/Utah Encroachment

Field Encroachment

Utah Encroachments - Campus Area / Paseo Area

Paseo Area

Campus Area
EXHIBIT F - Paseo Area

Utah Vacation Area improved by Paseo

Paseo Area Improvements
EXHIBIT H - Utah Street Parcel (LAUSD Owned)

23,611 Sq.ft.
EXHIBIT K - Portions of Lots 6/8 and Via Las Vegas ROW (HACLA Owned)

- Portions of Lot 6 and Lot 8 approx. 6,138 Sq.ft.
- Handball Court Parcel Approx. approx. 475 Sq.ft.
- Via Las Vegas ROW 27,880 Sq.ft.
**DOCUMENT EXECUTION LIST**

**First Amendment Ground Lease**
Execution of the Amendment will resolve property, land use and title issues associated with the Mendez Center’s development to date and set forth the terms and conditions surrounding the exchange of HACLA and LAUSD property.

**Irrevocable Offer to Dedicate (cul-de-sac)**
The instrument under which HACLA will provide the easement dedication to the City of Los Angeles for the cul-de-sac at the easterly end of Plaza del Sol

**Buildings Area Quitclaim Deed**
The instrument under which HACLA will convey its interest in the Building Encroachments Area to LAUSD

**Lot 6 and 8 Quitclaim Deed**
The instrument under which HACLA will convey its interest in Portions of Lot 6 and Lot 8 to LAUSD

**Handball Court Parcel Grant Deed**
The instrument under which HACLA will convey its interest in the Handball Court Parcel to LAUSD following the resyndication of Pueblo del Sol

**Paseo Area License Agreement**
The agreement under which HACLA will provide Pueblo del Sol a license to utilize the Paseo Area

**Field Encroachments License Agreement**
The agreement under which Pueblo del Sol will provide LAUSD a license to utilize the Field Encroachments Area