



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

20 February 19, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

February 19, 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:

RECOMMENDATION TO DELEGATE AUTHORITY TO THE CHIEF EXECUTIVE OFFICER TO ENTER INTO A DEVELOPMENT AGREEMENT, A GROUND LEASE, AN OPERATIONAL FUNDING AGREEMENT, AND OTHER RELATED AGREEMENTS WITH SEED FOUNDATION, INC. AND/OR ITS SUBSIDIARIES OR AFFILIATES AND THE METROPOLITAN TRANSPORTATION AUTHORITY FOR THE DEVELOPMENT AND OPERATION OF THE SEED SCHOOL OF LOS ANGELES (ALL DISTRICTS AFFECTED) (4-VOTES)

SUBJECT

Approval of the recommended actions will grant authority to the Chief Executive Officer (CEO) to enter into agreements with the SEED Foundation, Inc. (SEED Foundation), and/or its subsidiaries or affiliates, including SEED LA Facilities, LLC (SEED Facilities), and SEED School of Los Angeles County, Inc. (SEED LA), (collectively referred to as SEED) and the Los Angeles County Metropolitan Transportation Authority (MTA) to: develop, fund, construct, and operate a public charter boarding school designed to prepare youth for college and careers within the transportation, infrastructure and Science, Technology, Engineering, and Mathematics (STEM) fields (School), on a portion of County land situated on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles (Project Site).

IT IS RECOMMENDED THAT THE BOARD:

1. Find that these recommended actions are within the scope of the Board of Supervisors' (Board) December 5, 2017 determination that the Vermont Manchester Transit Priority Joint Development Project (Project) is exempt from the California Environmental Quality Act pursuant to Section 211551.1 of the California Public Resources Code, for the reasons stated in this Board Letter and in the record of the Project.

2. Find that School component of the Project is necessary to meet the social needs of the population of the County, pursuant to Government Code Section 26227.
3. Delegate authority to the CEO, or her designee, to enter into the following agreements, upon terms consistent with this Board Letter, after approval as to form by County Counsel: (i) a development agreement between the County, the SEED Foundation, and SEED Facilities; (ii) a ground lease between the County and SEED Facilities; and (iii) all related documents including, but not limited to, reciprocal easements, joint-use agreements, lender agreements, and any intergovernmental or interagency agreements necessary for the development and operation of the School component of the Project.
4. Delegate authority to the CEO, or her designee, to execute a Memorandum of Understanding (MOU) with the MTA, upon terms consistent with this Board Letter, after approval as to form by County Counsel, for the development, funding, and operation of the School.
5. Delegate authority to the CEO, or her designee, to execute a pass-through funding agreement with MTA, upon terms consistent with this Board Letter, after approval as to form by County Counsel, to receive an annual contribution of up to \$5,000,000 maximum in support of the operation of the School.
6. Delegate authority to the CEO, or her designee, to execute an operational funding agreement, upon terms consistent with this Board Letter, after approval as to form by County Counsel, with the SEED Foundation or appropriate nonprofit SEED subsidiaries or affiliates (also collectively referred to as SEED) for the operation of the School.
7. Approve allocation of County funds for the proposed operational funding commitment in amounts up to \$2.875 million in Fiscal Year (FY) 2021-22; \$3.631 million in FY 2022-23; \$4.494 million in FY 2023-24; and \$5 million annually from FY 2024-25 to FY 2035-36 (cumulatively, up to \$71 million over 15 fiscal years), to support the operation of the School.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On December 5, 2017, the Board approved the acquisition of the Project Site, consisting of approximately 4.203 acres of land situated on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles via eminent domain for the purpose of constructing and operating a development that would provide housing, economic, transportation, and educational opportunities. Specifically, the County proposed to establish a 400 student public charter college-preparatory boarding school that would prepare Los Angeles County youth for careers and college pathways in the transportation and infrastructure industry by teaching them transferrable industry skills.

SEED was identified as the successful bidder in a solicitation process. (See Contracting Process section of this letter for more detail). On June 19, 2018, the Board authorized the CEO to execute an Exclusive Negotiation Agreement (ENA) with SEED regarding the School. The ENA allowed the County and SEED to: (i) analyze the potential development of the School on a portion of the Project Site; and (ii) negotiate the potential terms and conditions of a ground lease agreement, funding agreement, reciprocal easements, and any other associated agreement(s) for the School.

On October 16, 2018, the Board authorized the use of \$1,000,000 in funding to SEED for predevelopment work related to the School including contracting for: design, architectural, civil and structural engineering services; geotechnical and materials testing and inspection services; environmental consultant services; and construction cost estimating services. This funding was sourced from the Second Supervisorial District's Proposition A Local Return Transit Program Funds. MTA also approved \$1,000,000 of funding for predevelopment work.

The CEO now seeks delegated authority to enter into the agreements described above with MTA and SEED to support the development and operation of the School.

Implementation of Strategic Plan Goals

This Project is consistent with the Countywide Strategic Plan. Specifically, the Project advances the following County goals: (i) Goal I.1.5 – Develop or preserve affordable housing units in the County; (ii) Goal I.2.4 – Increase the number of youth, known to the County, who are linked to employment, a job interview, or a job readiness program, while prioritizing foster and probation youth; (iii) Goal II.1.3 – Identify and align workforce development programs to provide career pathways for high-need, priority populations and to support the labor needs of the County's high-growth industry sectors; (iv) Goal II.2.4 – Conduct outreach to high-need, traditionally underserved populations within the County by supporting safe and comfortable built environments that encourage physical activity and access to healthy foods; (v) Goal II.3.2 – Promote diverse, clean and renewable energy systems, support energy efficiency, and support strategies to ensure reliability of the energy work; and (vi) Goal II.3.3 – Create and implement policies and programs to reduce the emission of greenhouse gases from all sectors of our community; ensure that community climate resilience is integrated into our programs and plans; and inspire others to take action.

FISCAL IMPACT/FINANCING

There will be no net County cost impact to the County General Fund. SEED Entity will require an annual financial operating commitment to operate the School. At full capacity, the operating commitment will be \$10 million annually, starting in FY 2024-25 split equally between the County and MTA. On October 25, 2018, the MTA Board authorized MTA to contribute funding for the operating commitment up to the following amounts: \$2.875 million in FY 2021-22; \$3.631 million in FY 2022-23; \$4.494 million in FY 2023-24; and \$5 million annually starting FY 2024-25 through FY 2035-36 (cumulatively, up to \$71 million over 15 fiscal years).

The County's share of the operating commitment proposed in this Board Letter mirrors MTA's. As outlined in Table 1 (see Attachment I), and if approved, the County's contribution to the operating commitment will begin with up to \$2.875 million in FY 2021-22, and gradually increase to a maximum of \$5 million annually starting FY 2024-25 through FY 2035-36. The County's contribution is comprised of funding from several sources as outlined in Table 1; however, adjustments may be required over the term of the operational funding agreement. If such is the case, the CEO will work with the appropriate County departments to meet the overall funding commitment. SEED will be required to meet all relevant department programming and reporting requirements associated with each of the identified funding sources. Should SEED request additional funding subsequent to FY 2035-36, the request will be presented to the Board for its consideration.

On September 29, 2015, the Board adopted revisions to the County's fiscal policy, - specifically, Policy Number 4.030 entitled Board Policies and Priorities of the Board's Policy Manual (Policy). Paragraph 18 of the Policy requires, in pertinent part, a four-fifths vote to approve the allocation of

ongoing supervisorial district specific funding when the funding is secured by a written agreement between the County and any other entity for ongoing financial obligations extending beyond the sponsoring supervisor's term in office. Paragraph 18 of the Policy applies to this Project to the extent that the CEO seeks approval to allocate ongoing funding for the Project where the funding is sourced from a supervisorial district's share of Local Return Transit Program Funds and the funding commitment would extend beyond the term of the sponsoring supervisor's term of office. As such, the allocation of the Second Supervisorial District's Measure M Local Return Transit Program Funds beyond the term of the Supervisor for the Second Supervisorial District, as proposed in this Board Letter, requires a four-fifths vote.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The SEED Foundation is a Washington, D.C. based 501(c)(3) non-profit corporation that helps underserved students achieve their potential through the nation's only college-preparatory, public boarding school network. The SEED Foundation has established two entities: SEED LA, a California nonprofit public benefit corporation and 501(c)(3) organization; and SEED Facilities, organized under the laws of the State of California. SEED Facilities will develop the Project for lease to SEED LA upon Project completion. SEED LA will operate the school. SEED Foundation has retained control of SEED LA as its sole member and SEED LA, in turn, controls SEED Facilities as its sole member.

The Board has approved several actions to move forward with the Project and more specifically the School. On December 5, 2017, the Board approved the acquisition of the Project Site. The Board further found that the Project is necessary to meet the social needs of the population of the County in the area of education, pursuant to Government Code Section 26227. In addition, on June 19, 2018, the Board authorized the CEO to enter into a six-month ENA with SEED to analyze the potential development of the School and negotiate the agreements described above.

On October 16, 2018, the Board approved additional actions related to the development of the School. Specifically, the Board: 1) adopted the Department of Public Works' recommendations to make funding available for predevelopment activities for the School; 2) approved one-time funding for predevelopment activities in support of the School in the amount of \$1,000,000 from the Second District's Proposition A Local Return Transit Program Funds; 3) delegated authority to the CEO to enter into a pass-through funding agreement with MTA to receive a contribution of \$1,000,000 for predevelopment activities; and 4) delegated authority to the CEO to enter into a funding agreement with SEED to fund predevelopment activities necessary for the School in an amount up to \$2,000,000.

The CEO seeks delegated authority to enter into several agreements. The purpose of each agreement is summarized in Table 2 (see Attachment II) followed by a more specific description of the material terms and conditions of each.

Development Agreement

The County, the SEED Foundation, and SEED Facilities will enter into a Development Agreement which sets forth the terms and conditions for the design and construction of the School facilities. Under the Development Agreement, SEED will be responsible for the design and construction of the School facilities subject to County review and approval. The Development Agreement details various conditions precedent that must be satisfied or waived by the County before the parties will execute the Ground Lease and the construction of the School facilities can commence. The conditions precedent include SEED's procurement of design professionals, preparation of a construction plan of

the School facilities, SEED's procurement of adequate financing to complete the construction of the School facilities, SEED's procurement of all applicable governmental approvals needed for the design and construction of the School facilities, and approval of the SEED's charter petition by the Los Angeles County Office of Education. The term of the Development Agreement shall terminate upon the completion of the School facilities; the use and maintenance of the School facilities shall be governed by the Ground Lease and the Operational Funding Agreements that shall be entered separately into between the County and SEED.

The Ground Lease

The County and SEED Facilities will enter into a 45-year Ground Lease (Lease) for a portion of the Vermont Manchester Site. The leased premises will be used for a college-preparatory charter boarding school and will be subleased by SEED Facilities to SEED LA, which will operate the new charter school upon its completion. SEED will pay the County \$1.00 a month as the monthly minimum rent. Any assignment or sublease of the leased premises must receive the County's prior written approval. The Lease provides SEED with two, 10-year options to extend the term. The County will have the option to terminate the Lease upon SEED's failure to cure a default; a systematic underutilization of the leased premises; or any allegations of criminal activity on or off the leased premises by SEED employees, independent contractors, agents, and invitees.

SEED is required to demolish all structures at the end of the term unless the County elects that some or all of the structures remain. SEED is required to establish a Demolition and Capital Reserve Fund to pay for the cost of any demolition and renovations of the facilities on the leased premises. The County shall have the right to inspect all books of account and records for the current and four prior fiscal years of any SEED entity that will hold or transfer money to be utilized for the charter boarding school's operation.

Funding Agreements with MTA and SEED

The County and MTA will enter into a Funding Pass-Through Agreement by which the County will pass funding from MTA to SEED for purposes of contributing toward the operational costs of the School (MTA Funding). MTA's Board approved MTA Funding programming of up to \$2.875 million in FY 2021-22; \$3.631 million in FY 2022-23; \$4.494 million in FY 2023-24; and \$5 million annually from FY 2024-25 through FY 2035-36 (cumulatively, up to \$71 million over 15 fiscal years). The Funding Pass-Through Agreement will provide the mechanism by which County receives the MTA Funding and provides that MTA Funding to SEED. Per the Funding Pass-Through Agreement, MTA will receive regular reports, including invoices and supporting documentation from SEED, and, if acceptable, MTA will disburse MTA Funding to the County to be passed through to SEED on a reimbursement basis. The use of the MTA Funding will be limited to supporting the non-academic portion of boarding school facility, including staffing for mental and health services delivery, facility operations and maintenance, resource coordinators, management, and various other operations, as well as debt service for the facility. The annual MTA allocation can be reduced depending on the proceeds from external state and federal grants sought by MTA and charitable contribution to the School.

Similarly, the County will enter into a funding agreement with SEED for purposes of contributing toward the operational costs of the School (County Funding) and to pass through the MTA Funding. The amount of the County Funding mirrors MTA's and is set forth in the FISCAL IMPACT/FINANCING section above. Per the Funding Agreement, the County will receive regular reports, including invoices and supporting documentation from SEED and, if acceptable, the County will provide the County Funding to SEED and, upon approval and receipt from MTA, will pass

through the MTA Funding to SEED on a reimbursement basis. The use of the County Funding will be limited to allowable uses set forth in the Funding Agreement, which may differ based on the source of the funds; however, the County Funding will generally support curriculum and programs designed to prepare youth for college and careers within the transportation, infrastructure and STEM fields. A portion of County Funding will be used for debt service for the facility.

Both the County and MTA will have the right under the Funding Agreement to audit SEED's use of the County Funding and MTA Funding, and County and MTA may seek reimbursement of any misused funds. The Funding Agreement will require SEED to indemnify both the County and MTA from any claims arising from the Funding Agreement, and will require SEED to maintain adequate insurance with both the County and MTA named as additional insureds.

ENVIRONMENTAL DOCUMENTATION

On December 5, 2017, the Board found that the Project is exempt from the California Environment Quality Act (CEQA) pursuant to Section 211551.1 of the California Public Resource Code. These recommended actions are within the scope of the Board December 5, 2017 determination that the Project is exempt from CEQA pursuant to Section 211551.1 of the California Public Resources Code, for the reasons stated in this letter and in the record of the Project.

CONTRACTING PROCESS

The CEO released a Request for Proposal (RFP) for a charter school developer/operator on March 1, 2018. Representatives from seven organizations attended a proposer's conference on March 19, 2018. The CEO received one proposal from the SEED Foundation, Inc., which met the minimum requirements listed in the RFP and was identified as the successful bidder.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

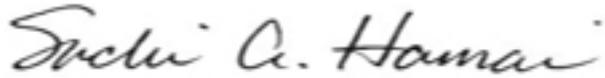
The proposed activities are not anticipated to have any impact on current services.

CONCLUSION

The County and MTA seek to develop the Project, which will consist of educational, housing, and community uses. The educational component of the Project will take the form of the School. The Board has already taken several steps in support of the Project and the School in particular, and additional Board action is required as recommended in this Board Letter. The CEO will continue to work with all relevant County departments and partners to implement the Board's directives.

The CEO requests that the Executive Officer, Board of Supervisors, return two certified copies of the Minute Order, and the adopted, stamped Board letter to the Chief Executive Office, attention Fesia Davenport, Strategic Integration Branch, 500 W. Temple Street, Room 726, Los Angeles, CA 90012, for further processing.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:FD
HK:VH:ma

Enclosures

- c: Executive Office, Board of Supervisors
- County Counsel
- Children and Family Services
- Health Agency
- Mental Health
- Probation
- Public Social Services
- Public Works
- Workforce Development, Aging and Community Services
- Metropolitan Transportation Authority

Summary of County Funding Sources

Table 1 – Summary of County Funding Sources

Department	Program	FY 2021-22	FY 2022-23	FY 2023-24	FY2024-25 through FY 2035-36
Public Works	*Measure M Funds	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Probation	Juvenile Justice Crime Prevention Act (JJCPA) Funds	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Children and Family Services	2011 Realignment-Child Welfare Services	No funding contribution this fiscal year.	\$381,000	\$500,000	\$500,000
WDACS	P3 Workforce Investment & Opportunity Act	No funding contribution this fiscal year.	No funding contribution this fiscal year.	\$500,000	\$500,000
Mental Health	MHSA – Prevention & Early Intervention (PEI)	\$875,000	\$1,250,000	\$1,250,000	\$1,250,000
Public Social Services	Workforce Related Funding	No funding contribution this fiscal year.	No funding contribution this fiscal year.	\$244,000	\$ 750,000
Total County Funding		\$2,875,000	\$3,631,000	\$4,494,000	\$ 5,000,000
Total MTA Funding		\$2,875,000	\$3,631,000	\$4,494,000	\$ 5,000,000
Total County and MTA Funding		\$5,750,000	\$7,262,000	\$8,988,000	\$10,000,000

*Note: Sourced from the 2nd Supervisorial District's share of Measure M Local Return Transit Program Funds.

**Summary of Agreements Necessary to Fund,
Develop, and Operate SEED School of Los Angeles**

Table 2 – Summary of Agreements Necessary to Fund, Develop, and Operate SEED School of Los Angeles

Agreement	Agreement Purpose
1. Development Agreement	Specifies rights, obligations and conditions related to the execution of the lease, construction of the School, project labor agreements, maintenance of school, insurance, etc.
2. Ground Lease	Specifies terms and conditions related to lease of School: 45-year term, rent \$1/month, approved sublease to SEED LA, requirements for County approval of various items.
3. MTA MOU	Will: (i) specify the terms upon which MTA and County will work together to develop, and upon which MTA would contribute funds, to the School; (ii) memorialize MTA's agreement to provide an in-kind contribution of assistance to SEED in administration and compliance monitoring of the Project Labor Agreement applicable to the School project.
4. MTA Pass Through Funding Agreement	Will specify that MTA will pass its operational funding contribution to SEED through the County and detail the conditions of funding.
5. SEED Funding Agreement	Will specify County's 15-year operation funding commitment and contribution to support the boarding component of school and debt service for the facility; County will serve as pass-through entity for MTA's contribution; SEED to comply with various terms and conditions of funding imposed by all funding sources.