



Committee / Board Agenda Item: II B: Recommended Action Item

Date: May 5, 2022

To: Magnolia Public Schools (“**MPS**”) Board of Directors (“**Board**”) Facilities Committee (the “**Committee**”)

From: Alfredo Rubalcava, Chief Executive Officer and Superintendent  
Patrick Ontiveros, General Counsel & Director of Facilities  
Mustafa Sahin, Project Manager

RE: Authorization of Sale of Strip of Land to City of Los Angeles Recreation and Parks Department

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## I. Proposed Motion/Recommendation(s)

Staff recommends and moves that the Committee

- (1) subject to Staff obtaining all approvals needed to consummate such sale, approve the sale of a 25 foot wide strip of land on the east side of Magnolia Science Academy—1’s high school parking lot parcels (see Exhibit A) to the City of Los Angeles for the price of \$1,265,000 and the amendment of MSA—1’s lease for the premises with MPM Sherman Way LLC to reflect the sale of the strip of land
- (2) approve the negotiation by the MPS CEO, or his designee, with the City of Los Angeles of such terms and conditions as he shall deem in the best interests of MPS and MSA—1 in order to consummate such transaction
- (3) approve the execution by the MPS CEO and Superintendent, or his designees, of such documents and instruments as may be necessary to undertake and complete the foregoing actions, and
- (4) recommend approval of the same to the Board.

## II. Background

The City of Los Angeles through its Recreation and Parks Department (“**RAP**”) owns the parcels immediately adjacent to the Magnolia Science Academy—1 (“**MSA—1**”) high school building and parking lot. As has previously been reported to the MPS Board, RAP intends to build a skating rink on the parcel that fronts Sherman Way and an enclosed ice hockey rink on the parcel accessible via the alleyway. Further down the block RAP also owns property that will be used as parking for the skating facilities. Exhibit B illustrates the locations of the skating rinks, parking, MSA—1 properties and the strip of land.



In order to build the ice hockey rink, which RAP expects that the Los Angeles Kings will operate, RAP needs to add an additional strip of land approximately 25' in width. See Exhibit A. MPM Sherman Way LLC, owner in fee simple of the land on which MPS operates MSA-1, with the concurrence of MPS has expressed a willingness to sell a strip of land from its high school parking lot. In December 2020, MPM Sherman Way LLC signed a non-binding letter of intent.

With the sale of the strip of land, the MSA—1 campus will lose 33 parking spaces. MSA—1 will be granted temporary use of the RAP parking lots to satisfy its parking needs. MPS is in escrow to purchase the property located 18242-44 Sherman Way which is immediately adjacent to the MSA—1 middle school building. Upon the close of escrow for 18242-44 Sherman Way which is expected to happen before the end of the calendar year, MSA—1 will make up for the parking lost in sale of the strip of land to RAP. In addition, MPS is in talks to acquire 26 parking spaces at the Citibank parking lot a couple parcels down from the existing MSA—1 campus. Finally, MPS has a license to use the land formerly owned by CIM. The new owner has said he will allow MSA—1 to continue to use the land until his development plans come to fruition. Specifically, the owner has agreed to allow MSA—1 to occupy the parcels fronting both Sherman Way and the alley which are to the east of the City of Los Angeles owned parcels. For the parcel fronting Sherman Way the owner will have the option to terminate the lease for any reason with thirty (30) days notice. However, for the parcel fronting the alleyway, the lease shall be for a term of two years with no option to terminate. After the two year period, the lease for the premises will continue on a month to month basis. During that time, MPS will continue to use the land for parking and recreation among other uses.

In 2020, MPS obtained an appraisal valuing the land at \$1,000,000. In March 2022, MPS obtained an updated appraisal that values the land at \$1,360,000. RAP also obtained an appraisal valuing the strip of land at \$1,170,000. MPS Staff has agreed to a sales price of \$1,265,000 as being fair and reasonable.

MPS Staff believes that such transaction is in the best interests of MSA—1 and MPS as MPS Staff, as part of the transaction, will negotiate use of the new ice hockey rink by MSA—1 allowing MSA—1 to host an ice hockey team. MSA—1, as lessee under that certain lease agreement with MPM Sherman Way LLC, will need to follow the requirements in its 2014 and 2017 bond documents that govern the sale of land that is encumbered by the lien in favor of the bonds. Magnolia Properties Management, Inc., the sole member and manager of MPM Sherman Way LLC, will need to follow the requirements in its 2014 and 2017 bond documents that govern the sale of land that is encumbered by the lien in favor of the bonds.

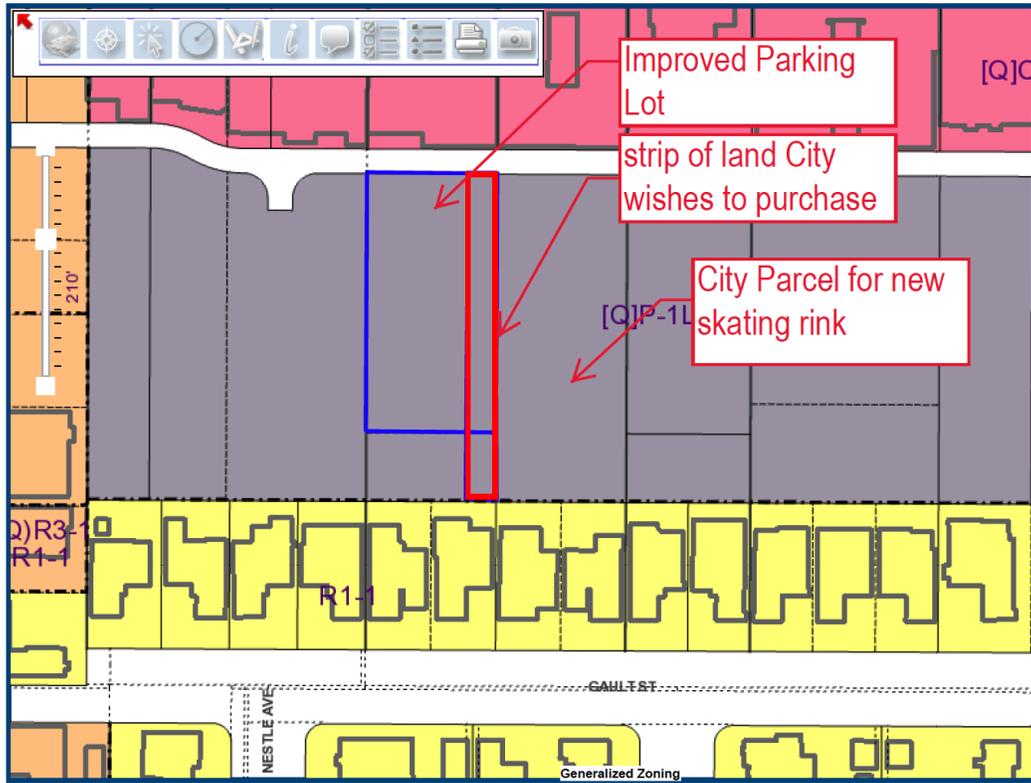
### **III. Conclusion / Budget Impact**

Under the bond documents upon a sale of land that is encumbered by the lien of the bonds, all proceeds must be paid over to the trustee of the bonds for the benefit of the bondholders. MPS Staff will request that a portion of the proceeds be shared with MPM Sherman Way LLC or MPS, as appropriate, to facilitate further capital improvement projects at MSA—1. MPS estimates the costs to be approximately \$1.26 million.



# MAGNOLIA PUBLIC SCHOOLS

## EXHIBIT A



**Exhibit B**





# MAGNOLIA PUBLIC SCHOOLS

## Exhibit C

