



Next stop: vibrant communities.

1st & Soto Joint Development
Planning & Programming Committee
February 17, 2021
Legistar File: 2020-0767



Recommendations

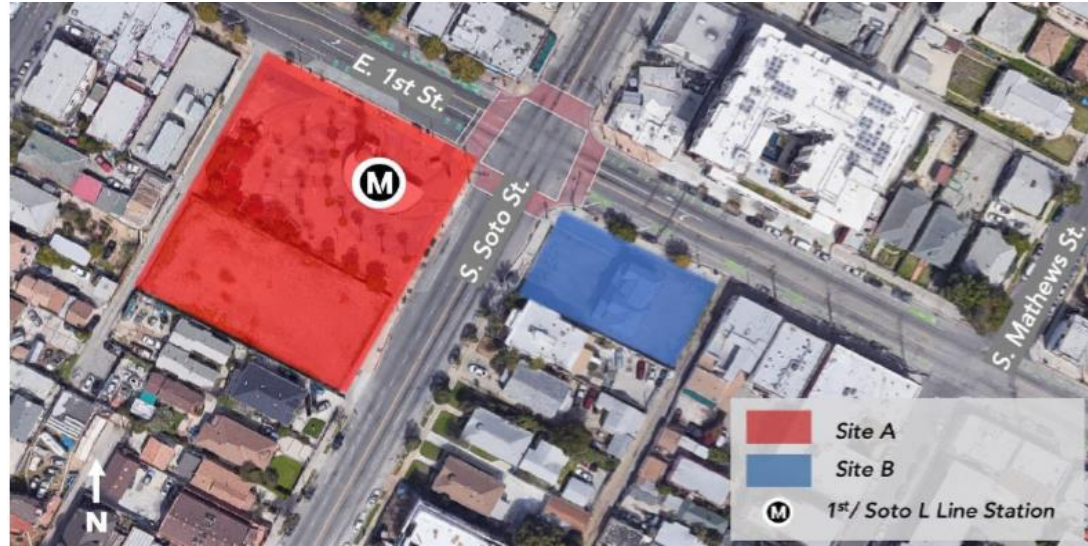
AUTHORIZE execution of a JDA, ground lease and other development-related documents with a joint venture between Bridge Housing Corporation – Southern California and East LA Community Corporation, or an affiliate thereof, for the construction and operation of a mixed-use affordable housing project on a portion of the Metro-owned property at and adjacent to the Metro L Line (Gold) Soto station in Boyle Heights in accordance with a term sheet attached to the Board report;

AUTHORIZE an exception to the Joint Development Policy, to allow for a \$3,117,000 (approximately 72%) discount to the \$4,317,000 fair market capitalized rent for the development site, which is above the current policy limit of 30%; and

ACTIONS related to the environmental review and clearance of the project

Site/Project Overview

- Development Site:
 - 0.67-acre portion of 1.08 acres of Metro property
- Proposed Project:
 - 62-64 apartments (20 PSH units for formerly homeless; 41-43 family affordable units; and one manager's unit)
 - Approx. 2,440 sq. ft. of commercial space
 - Community room



Background/Outreach

- ENA executed in June 2016 covers the proposed project and refurbishment of a Victorian home on Metro property across Soto St.
 - Refurbishment of the Victorian home is not part of this JDA
- Proposed project is fully entitled and CEQA cleared by the City of LA; partially funded; construction plans are 75% complete
- Developer-led outreach has included:
 - 8 community meetings/workshops
 - 5 focus groups (tenants, property owners, small businesses, etc.)
 - 10+ meetings with Boyle Heights CBOs
 - 3 Boyle Heights Neighborhood Council (BHNC) meetings
 - 4 BHNC Planning and Land Use Committee meetings (latest: Dec 2020)
 - Engagement with the Metro-established Boyle Heights Joint Development Design Review Advisory Committee (latest: Dec 2020)

Key JDA & Ground Lease Terms

▪ Key JDA Terms

- Metro's receipt of \$2,500/month holding rent, which will be applied to the capitalized rent due under the ground lease
- Recovery of certain Metro support costs via developer deposits
- Conditions for execution of the ground lease

▪ Key Ground Lease Terms

- Initial 57-year term, with an option to extend for 42 years
- \$1,200,000 capitalized rent, plus additional rent for the option period
- Percentage of project rent (33%) for the commercial space
- Percentage of net proceeds (33%) from sales and refinancings
- Pro-rata share of developer construction cost savings
- Affordable housing occupancy restricted to households earning 30-60% of AMI (initial term) and up to 80% of AMI (option period)

Capitalized Rent Discount

- \$1,200,000 in capitalized rent represents a discount of 72% (\$3,117,000) off the \$4,317,000 appraised fair market capitalized rent
- Discount is in excess of the JD policy limit of 30%
- Proposed discount is necessary for the project's financial feasibility after analyzing project's finances and funding alternatives
- The proposed higher discount results from the following factors:
 - A relatively high market value for the development site
 - Current reduced tax credit valuations = less equity for the project
 - Restricted affordable rents that cannot be set to absorb higher costs
 - Limited or restricted public subsidies available to support the project

Next Steps

- Execute the JDA
- Finalize project design and community updates
 - BHNC in 1st quarter of 2021
- Meet the conditions necessary for Ground Lease execution:
 - Secure all project financing, including tax credit equity
 - Satisfy entitlement-related conditions/Secure building permits
- Execute the Ground Lease and start construction (anticipated in 4th quarter of 2021)
- Complete construction (anticipated in 4th quarter of 2023)