



Next stop: vibrant communities.

1st & Lorena Joint Development
Planning & Programming Committee
June 16, 2021
Legistar File: 2021-0271



Recommendation

CONSIDER:

AUTHORIZING the Chief Executive Officer (CEO) to execute an amendment to the Joint Development Agreement (JDA) with A Community of Friends (Developer) and fund \$1,460,037 into an escrow account to be repaid by the Developer at construction closing in order to facilitate the re-abandonment of an oil well on Metro-owned property at the northeast corner of 1st and Lorena Streets in Boyle Heights (Site).

Background

- Proposed Project:
 - 49 apartments
 - Up to 7,500 sq. ft. of commercial space
- June 2013: Exclusive Negotiation Agreement and Planning Document (ENA) executed.
- March 2021: Joint Development Agreement (JDA) executed.
- April 2021: Developer learned that oil well must be re-abandoned prior to receiving building permit from the City of LA (originally planned to occur during ground lease).



Issue

- Developer must start the oil-well re-abandonment in July 2021 in order to obtain a building permit by December 2021.
- If the Developer does not meet this deadline, it will lose its tax credit financing, resulting in a \$22 million financing gap and an at least one-year delay in Project delivery.
- Estimated cost to re-abandon well is \$1,460,037. Developer is unable to secure financing for re-abandonment.

JDA Amendment and License Agreement

- JDA amendment will allow the Developer to perform the well re-abandonment prior to the Project's construction period.
- It will require the Developer to refund any use of the escrow funds upon construction closing, which is anticipated to occur in December 2021.
- Metro will also execute a license agreement with a cross-default to the JDA
- Metro retains ownership and the value of any work completed on the Site

Next Steps

- JDA amendment and license agreement executed and re-abandonment initiated.
- Once the re-abandonment is complete, the Developer will secure its building permit from City of Los Angeles.
- Late 2021: Ground Lease executed.
- Early 2022: Construction begins and is estimated to take two years to complete.