



Next stop: vibrant communities.

1st & Lorena Joint Development
Planning & Programming Committee
February 17, 2021
Legistar File: 2020-0834



Recommendations

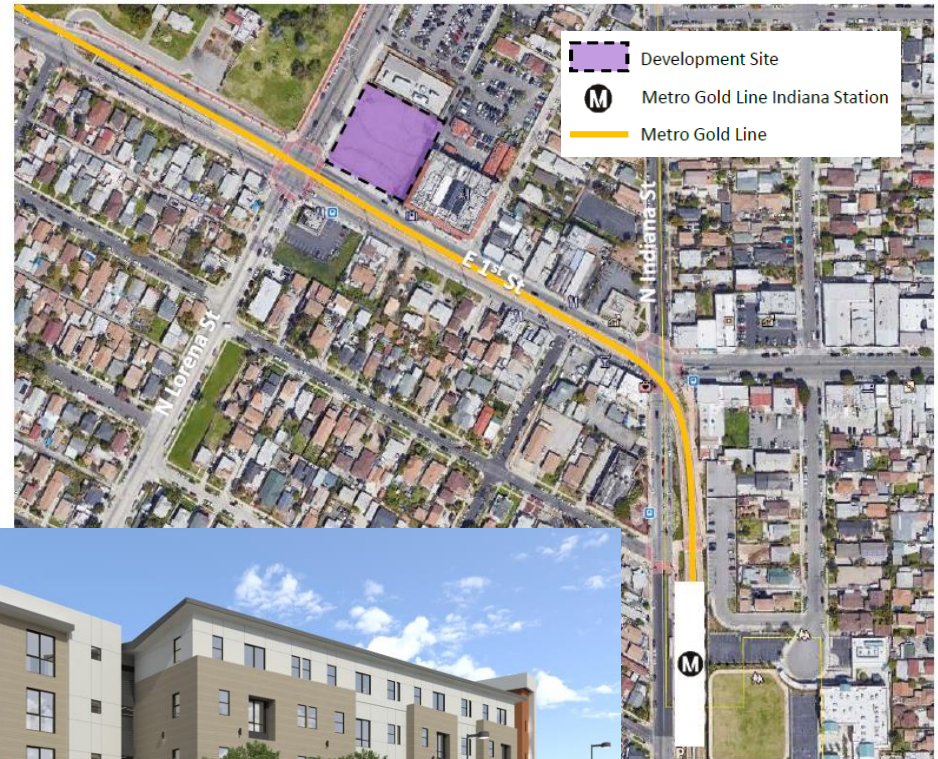
AUTHORIZE execution of a JDA, ground lease and other development-related documents with A Community of Friends, or an affiliate thereof, for the construction and operation of a mixed-use affordable housing project on a portion of the Metro-owned property at the northeast corner of 1st and Lorena Streets 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 \$711,963 (approximately 57%) discount to the \$1,254,963 adjusted fair market capitalized rent for the development site, which is above the current policy limit of 30%

ACTIONS related to the environmental review and clearance of the project

Site/Project Overview

- Development Site:
 - 0.8-acre portion of 1.3 acres of Metro property
- Proposed Project:
 - 49 apartments (32 PSH units for formerly homeless; 16 family affordable units; and one manager's unit)
 - Up to 7,500 sq. ft. of commercial space



Background/Outreach

- ENA executed in June 2013
- CEQA-related administrative appeals and litigation have added almost four years to the development process, along with additional cost
- 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
 - General community meetings/workshops
 - Meetings with community stakeholders (including community organizations, tenants, property owners and small businesses)
 - Two community open houses at one of the Developer's completed supportive housing developments in Lincoln Heights
 - Door-to-door direct engagement with residents in the area surrounding the development site
 - Multiple meetings with the BHNC, the BHNC PLUC and the Metro-established Boyle Heights Joint Development Design Review Advisory Committee (most recently in December 2020)

Key JDA & Ground Lease Terms

- Key JDA Terms

- Metro's receipt of \$1,131/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

- 75-year term, with no options to extend
- \$543,000 capitalized rent
- Percentage of project rent (25%) for the commercial space
- Percentage of net proceeds (20%) from sales and refinancings
- Pro-rata share of developer construction cost savings
- Affordable housing occupancy restricted to households earning 30-50% of AMI

Oil Well/Capitalized Rent Discount

- An exploratory oil well (abandoned in 1949) on the site needs to be re-abandoned to current regulatory standards
- Developer will complete the re-abandonment at its cost (est. \$1,460,037), a substantial commitment given the unknown nature of this work.
- Fair market capitalized rent for the development site has been adjusted downward from \$2,715,000 to \$1,254,963 to reflect re-abandonment cost
- \$543,000 in capitalized rent represents a discount of 57% (\$711,963) off the adjusted rent, which 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:
 - Extra costs related to CEQA litigation
 - 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 PLUC 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)