

**Board Report**

File #: 2018-0573, **File Type:** Agreement**Agenda Number:** 16.

**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 14, 2018****SUBJECT: JOINT DEVELOPMENT PROJECTS IN BOYLE HEIGHTS AND TAYLOR YARD****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute:

- A. An amendment to an existing Exclusive Negotiation Agreement and Planning Document (“ENA”) with Bridge Housing Corporation - Southern California and East LA Community Corporation (“Bridge/ELACC”), that extends the term of the ENA to December 31, 2019 and provides for up to an additional 12-month term extension, if deemed necessary and prudent; and
- B. An amendment to an existing Joint Development Agreement (“JDA”) with Taylor Yards, LLC, a development entity created by McCormack Baron Salazar, that extends the term of the JDA to March 31, 2020 and provides for up to an additional 12-month term extension, if deemed necessary and prudent.

ISSUE

Metro’s existing ENA with Bridge/ELACC, which covers Metro property at and near the Gold Line’s Soto station in Boyle Heights, will expire on December 22, 2018, and Metro’s existing JDA with Taylor Yards, LLC, which addresses certain Metro property within the 17.75-acre Taylor Yard community in Cypress Park, will expire on April 2, 2019. Board authority is needed to extend these agreements in accordance with staff’s recommendations to allow the parties to continue to pursue proposed development at these locations.

DISCUSSION**Bridge/ELACC ENA**

Metro and Bridge/ELACC have been parties to the ENA since June 22, 2016. This agreement was executed pursuant to Board authority granted in March 2016, and has provided a framework for exploring and advancing Bridge/ELACC’s proposed project, known as Los Lirios. Under the ENA, the developer has worked with Metro and the community to revise and refine the project’s scope and design. They recently concluding their 16th stakeholder meeting with a project update delivered to the Boyle Heights Neighborhood Council in September.

As currently contemplated, the project will utilize approximately 0.67 acres of Metro property lying south of the Gold Line's Soto station and will include 66 affordable apartments, 4,200 square feet of ground floor commercial space and a community room that opens onto the station plaza. A portion of the apartments will target homeless families and the remainder will be provided to families earning between 30% and 50% of the Area Median Income. As part of the project, Bridge/ELACC plans to refurbish a historic Victorian home situated on a separate, 0.29-acre, Metro site located across Soto Street and to the east of the station. They intend to use the refurbished building to provide community services.

Bridge/ELACC has also been actively pursuing funding for the project and this summer they achieved a significant milestone in this regard. In August, the City of Los Angeles Housing and Community Investment Department recommended Los Lirios for inclusion in the City's 2019/2020 Affordable Housing Managed Pipeline. Inclusion in the pipeline is the foundation of the project's financing, and will provide Bridge/ELACC with important city funding and access to necessary Low Income Housing Tax Credits.

Bridge/ELACC intends to apply for project entitlements in the final quarter of this year. Concurrent with the entitlement process, staff will finalize negotiations on the term sheet setting forth the key terms and conditions of a JDA and ground lease to be entered into by the parties. When negotiations are complete and the City has environmentally cleared the project under the California Environmental Quality Act, staff will bring the term sheet to the Board for consideration, along with a request to also clear the project under the Act. It is anticipated that staff will return to the Board in the second half of 2019. Upon Board approval of the term sheet, Metro and Bridge/ELACC will promptly execute the JDA. Execution of the ground lease would follow the developer's securing of all project funding, which Bridge/ELACC anticipates will occur in the spring of 2020. Construction of the project would commence once the ground lease is executed.

Taylor Yards, LLC JDA

Metro and Taylor Yards, LLC originally executed the JDA on April 3, 2008, pursuant to Board authority granted in March 2008. This agreement has provided the platform for development entities created by McCormack Baron Salazar (the affiliated parent company of Taylor Yards, LLC) and an associated developer to enter into 11 ground leases with Metro for five separate projects within the 17.75-acre Taylor Yard community. In aggregate, these projects have provided 263 affordable apartments (155 for families and 108 for seniors), 95 for-sale condominiums and 8,290 square feet of ground floor commercial space. Extension of the JDA will allow completion of a sixth, already entitled project, known as Parque Vista, which will add another 42 affordable family apartments to the Taylor Yard community. These apartments will provide housing for families earning between 30% and 60% of the Area Median Income.

McCormack Baron Salazar, on behalf of Taylor Yards, LLC, has been actively pursuing funding for the Parque Vista project. As with Bridge/ELACC's Los Lirios project, Parque Vista was recommended for inclusion in the City's 2019/2020 Affordable Housing Managed Pipeline, which will provide the project with important city funding and access to necessary Low Income Housing Tax Credits. Depending on where the City places this project in the pipeline, Taylor Yards, LLC could

conceivably execute a ground lease with Metro (in accordance with prior Board approval) and start construction on Parque Vista by the end of the first quarter of 2020.

Upon authorization of the recommended actions, Metro and McCormack Baron Salazar will provide the Greater Cypress Park Neighborhood Council with a project update, informing them of the path forward for the 42-unit Parque Vista affordable housing project, which was previously approved by the Neighborhood Council at their February 10, 2015 meeting.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. Staff will review the design of each of the proposed projects and will provide appropriate construction oversight to ensure that the projects do not adversely impact Metro property or service, or the continued safety of staff, contractors and the public.

FINANCIAL IMPACT

Funding for joint development activities related to these projects is included in the FY19 Budget in Cost Center 2210, under Projects 401006 and 401019. Execution of the recommended amendments will not alter the Board approved financial provisions already contained in these agreements.

Impact to Budget

Metro costs related to the proposed projects are funded from a combination of reimbursements from the developers pursuant to the existing development agreements and General Fund local right-of-way lease revenues, which are eligible for bus and rail operating and capital expenses. Execution of the amendments will not impact the ongoing bus and rail operating or capital budgets, the Proposition A and C and TDA administration budgets or the Measure R administration budget. Revenues received under the existing ENA must be used to fund eligible rail capital and operating expenses allowed under the original FTA grant providing funds for the Gold Line. The Taylor Yard site was not purchased with federal funds, so the JDA is not subject to the same restriction.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended actions, allowing the ENA and the JDA to expire. Staff does not recommend this alternative because both developers have been diligently pursuing development of their respective projects and have made significant strides in the development process. Allowing the ENA and JDA to expire would not allow the parties to leverage these efforts and would unnecessarily delay the completion of desperately needed affordable housing in Boyle Heights and Cypress Park. Such action would also result in the loss of desired commercial opportunities and community services at Soto station.

NEXT STEPS

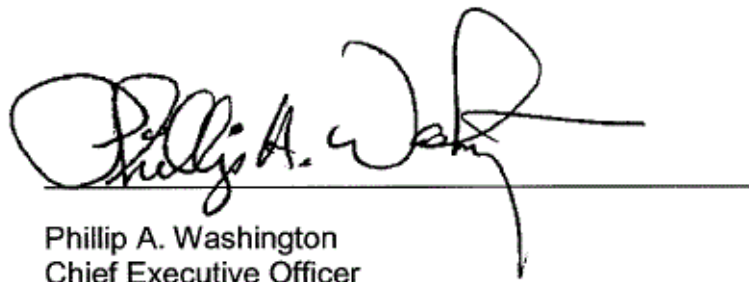
In accordance with Board authority, staff will execute an amendment of the ENA with Bridge/ELACC and an amendment of the JDA with Taylor Yards, LLC that will:

- (a) Extend the term of the ENA with Bridge/ELACC through December 31, 2019 and the term of the JDA with Taylor Yards, LLC through March 31, 2020; and
- (b) Provide Metro with options to further extend the term of each agreement up to 12 months, if deemed necessary and prudent.

Staff anticipates returning to the Board in the second half of 2019 for consideration of a term sheet setting forth the key terms and conditions of a JDA and ground lease to be entered into by Metro and Bridge/ELACC with respect to the Los Lirios project. Staff and McCormack Baron Salazar will also provide the Greater Cypress Park Neighborhood Council with a project update, informing them of the path forward for the 42-unit Parque Vista affordable housing project.

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