



Board Report

File #: 2022-0833, File Type: Agreement

Agenda Number: 6.

PLANNING AND PROGRAMMING COMMITTEE FEBRUARY 15, 2023

SUBJECT: EXPO/CRENSHAW JOINT DEVELOPMENT

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

AUTHORIZE:

- A. the Chief Executive Officer to execute an amendment to the Exclusive Negotiation Agreement and Planning Document (ENA) with WIP-A, LLC, a wholly-owned subsidiary of Watt Companies (WIP-A), Inc. and the County of Los Angeles (County) in regard to the joint development of 1.77 acres of Metro-owned property and 1.66 acres of County-owned property adjacent to the K Line Expo/Crenshaw Station to extend the term for twelve months, and provide for an additional twelve month option to be exercised at staff's discretion; and
- B. the modification of the ENA's assignment provision to allow for the assignment of the ENA to one or more developer entities, each of which shall be made up of the following entities or an affiliate or instrumentality of such entities: WIP-A, West Angeles Community Development Corporation, The Richman Group of California Development Company LLC and the Housing Authority of the City of Los Angeles (Limited Partnership(s)).

ISSUE

Metro, County, and WIP-A are parties to an Exclusive Negotiation Agreement and Planning Document dated October 15, 2018, as amended (collectively, the ENA) regarding the development of a mixed-use project (Project) adjacent to the Expo/Crenshaw Station (See Attachment A - Site Map). WIP-A is seeking approval to assign the ENA to Limited Partnership(s) to increase the Project's competitiveness for affordable housing funding. The ENA will expire in April 2023. A 12 month extension of the ENA term is necessary to allow the Project sufficient time to secure financing, finalize the Project scope, advance design review, and complete negotiations of the Joint Development Agreement (JDA) and Ground Lease (GL) terms, which terms shall be subject to Metro Board of Directors (Metro Board) and County Board of Supervisors (County Board) approval.

BACKGROUND

Following a competitive solicitation process, in late 2017/early 2018, the Metro Board and County Board approved entering into a six-month ENA with WIP-A for the development of Metro and County-

owned parcels (collectively, the Site) located adjacent to the Expo/Crenshaw Station. The six-month ENA provided an interim period before executing a long-term ENA so that the community could provide input on the Project and WIP-A could identify a community-based organization to partner with on the development of the Project. In the spring of 2018, WIP-A entered into an agreement with West Angeles Community Development Corporation (WACDC) to support WIP-A in the execution and operation of the Project. Following County and Metro Board approvals, a tri-party ENA was executed on October 15, 2018, between Metro, the County, and WIP-A. In November 2019, the Metro Board approved a sixteen-month extension, and again in March 2021, authorized extending the term for an additional twenty-four months. The current ENA expires in April 2023.

DISCUSSION

WIP-A, with support from WACDC, continues to diligently perform its obligations under the ENA, including conducting ongoing community outreach, securing entitlements from the City of Los Angeles (City), receiving Metro and County approval of the conceptual development plan, seeking financing to fund deeper levels of affordability, and negotiating JDA and GL terms.

Community Outreach

Through 2021-2022 WIP-A and WACDC held several meetings with local residents, community organizations, and government officials to provide updates on the proposed Project. In 2021 WIP-A and WACDC launched a Project website and social media accounts. With the opening of the K Line in October 2022, WIP-A and WACDC have received more inquiries about this Project's status. They continue to be responsive to any requests for information and regularly communicate with various stakeholder groups.

Entitlements and California Environmental Quality Act (CEQA)

WIP-A applied for land use entitlements and California Environmental Quality Act (CEQA) clearance from the City in September 2019. WIP-A, WACDC, and Metro staff participated in several City meetings and public hearings from 2020 through 2022. In their entitlements application, WIP-A requested the City authorize the removal of three protected Sycamore trees on the Metro property to accommodate the building footprint. Stakeholders expressed concerns about removing these trees and filed an appeal to the City in late 2021/early 2022. In April 2022, the City's Planning and Land Use Committee and the full City Council rejected the appeal. The Project is now fully entitled and received clearance through a Sustainable Communities Environmental Assessment adopted by the City. The Project is required to replace the three Sycamore trees at a ratio of 4:1. This exceeds the Tree Policy adopted by the Metro Board in October 2022 that requires trees removed as a part of transit construction be replaced at a ratio of 2:1. The Project will remove 43 unprotected trees and the three Sycamore trees and will plant 98 new trees to meet replacement ratio requirements, plus an additional 59 new trees. The total 157 trees planted by the Project will provide a net 111 new trees across the Site.

Design Review

In April 2020, Metro and the County approved the Project's conceptual design. WIP-A has submitted schematic design drawings, which are currently under review by Metro and the County with support from an urban design consultant. The review is focused on ensuring compatibility between the Project and Metro transit infrastructure. The schematic design plans will be approved before staff

returns to the Metro and County Boards for consideration of the JDA and ground lease term sheet.

Project Scope

Following community engagement under the initial short-term ENA, WIP-A increased the number of affordable residential units from 15% to 20%. In late 2019, some members of the public and the Metro Board expressed an interest in WIP-A further increasing the number of income-restricted residential units in the Project. WIP-A has revised the Project scope again and is committed to applying for funds to support the financial feasibility of making 100% of the residential units income-restricted as detailed below and in excess of the ENA requirements.

	Initial Proposed Project (2017)	Revised Proposed Project (2019)/ ENA Requirements	Current Proposed Project*
Total Residential Units	492	401	401
Income-Restricted Residential Units	At least 73 units (15%) at 50% of AMI or less	At least 80 units (20%) at 30-80% AMI, of which at least 12 (15%) at or below 50% of AMI	100 units at 30% of AMI; 180 units at 60% of AMI; 117 at 80% of AMI; 4 unrestricted managers units
Market-Rate Residential Units	419	321	0
Commercial/Community Space	40,000 sqft.	40,000 sqft.	37,804 sqft. commercial/community space (including a grocery store) 2,650 sqft. of open space

**Subject to change.*

Some funding sources may require adjustments to unit sizes/total unit count and the AMIs noted above. The commercial space will offer opportunities for leasing to local small businesses and will include a grocery store. Staff will present the final Project scope for Metro Board and County Board consideration once the recommended JDA and GL terms are finalized.

Limited Partnership and Project Financing

With the goal of making the Project more competitive for affordable housing financing sources, WIP-A and WACDC have elected to expand their team and partner with The Richman Group of California Development Company LLC (Richman) and the Housing Authority of the City of Los Angeles (HACLA). Created in 1986, Richman has over 150 high-quality affordable housing developments in the United States totaling over 26,000 units developed. Created in 1938, HACLA is one of the nation’s largest public housing authorities and provides the largest supply of affordable housing to City residents.

In anticipation of upcoming funding opportunities, WIP-A is seeking consent from the County and Metro to assign the ENA to one or more developer entities, each of which shall be comprised of the

following entities or an affiliate or instrumentality of such entities: WIP-A, Richman, WACDC and HACLA. In January, the Limited Partnership requested 100 project-based vouchers from a HACLA Notice of Funding Availability (NOFA). In March, the Project will seek funding from the California Department of Housing and Community Development's Affordable Housing and Sustainable Communities Program (AHSC) for the Metro-owned parcel. If awarded, AHSC could grant up to \$35M in funding to the residential portion of the Project and an additional \$15M for transit-supportive improvements within one-mile of the Site. Another source the Project will pursue is up to \$45M in funding from the State of California Infill Infrastructure Grant Program. NOFAs for many of the public financing sources the Project will respond to are only made available once a year and are highly competitive. This two-year ENA extension will provide additional time for the Limited Partnership to respond to 2024 NOFAs in the event they are unsuccessful in securing funding awards in the 2023 cycles.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no adverse impact on safety since no improvements will be constructed during the ENA period. An analysis of safety impacts will be completed and presented to the Metro Board for consideration if and when negotiations result in proposed terms for a JDA and ground lease.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the Project is included in the FY23 budget in Cost Center 2210, Project 401045.

Impact to Budget

There is no impact to the FY23 budget. The ENA executed in October 2018 required WIP-A to pay Metro a non-refundable fee of \$25,000, as well as a \$50,000 deposit to cover third-party expenses. If the ENA is assigned, the Limited Partnership will be responsible for replenishing that deposit when it reaches a balance of less than \$25,000.

EQUITY PLATFORM

The proposed Project advances the Metro Joint Development (JD) Policy adopted in June 2021 which is centered on four main goals: (1) equity and inclusion; (2) access; (3) performance; and (4) innovation. The JD Policy aims to "create high-quality homes, jobs, and places near transit for those who need them most, as soon as possible." Construction of the Project will be subject to the County's Local Hire Policy which establishes a goal that 30% of the construction hours be performed by qualified Local Residents from low-income zip codes, and a goal that 10% of the construction hours be performed by Targeted Workers facing barriers to employment. The Project will deliver affordable housing, enhanced public infrastructure, jobs and other transit-supportive amenities benefitting community members adjacent to the Project as well as other low-income Los Angeles County residents.

Consistent with the Equity Platform pillar "listen and learn," the Site has gone through a lengthy community engagement process which has led to revisions to the Project scope. WIP-A and

WACDC's commitment to community engagement has been exemplary for the JD Program. They have created and continue to maintain meaningful and deep relationships with stakeholders. The Project team and Metro staff will continue to actively engage with and be responsive to all stakeholders throughout all phases of development. As construction nears completion, affirmative marketing strategies will be utilized to encourage local residents within the income thresholds to apply for housing in the Project.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

These recommendations support the Strategic Plan Goal to "enhance communities and lives through mobility and access to opportunity," specifically Initiative 3.2 which states "Metro will leverage its transit investments to catalyze transit-oriented communities and help stabilize neighborhoods where these investments are made." The proposed Project will deliver several community benefits, including transit-accessible affordable housing and new commercial/community space.

ALTERNATIVES CONSIDERED

The Metro Board could choose not to extend the ENA term in which case the ENA would expire in April 2023. Metro could then choose to solicit a new developer and proposal for the Site. Staff does not recommend this alternative because WIP-A, WACDC, Metro, and the County have worked diligently and in good faith to advance the Project. Furthermore, the recommended actions build upon the significant planning/visioning work, developer procurement, community engagement, design, and financial review, entitlements/CEQA process, and term sheet negotiations that have transpired in the last seven years. The Metro Board could choose not to authorize assignment of the ENA which would hinder the Project's ability to secure affordable housing funding and jeopardize financial feasibility.

NEXT STEPS

Upon approval of the recommended actions, staff will execute the ENA amendment and assign it to Limited Partnership(s) made up of the following entities or an affiliate or instrumentality of such entities: WIP-A, Richman, WACDC and HACLA. The Project team will continue pursuing funding sources to support additional affordable residential units, complete the schematic design review, and continue negotiating the JDA and GL terms. Staff will return to the Metro and County Boards for approval of final terms. During the JDA period, the development team will continue securing funding for the Project. The ground lease would then be executed, and construction would commence. With this potential change in scope, the Project could benefit from Mayor Karen Bass' recent executive order which requires City departments to process clearances and utility releases related to building permit applications, certificates of occupancy, or temporary certificates of occupancy within five business days.

ATTACHMENTS

Attachment A - Site Map

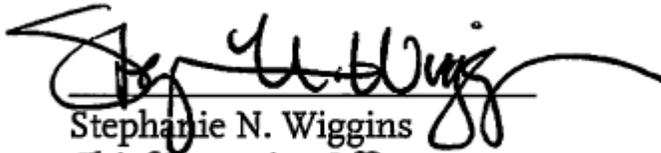
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