

**Board Report**

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**File #:** 2017-0144, **File Type:** Agreement**Agenda Number:** 37

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**REGULAR BOARD MEETING  
MAY 25, 2017****SUBJECT: NORTH HOLLYWOOD JOINT DEVELOPMENT PROJECT****ACTION: AUTHORIZE EXECUTION OF EXCLUSIVE NEGOTIATIONS AND PLANNING AGREEMENT FOR NORTH HOLLYWOOD JOINT DEVELOPMENT PROJECT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute an Exclusive Negotiations and Planning Agreement (ENA) with Trammell Crow Company and Greenland USA (Developer) for the **properties at North Hollywood Station** (Site), for 24 months with the option to extend up to 30 months.

**ISSUE**

On June 24, 2016, Metro and the Developer entered into a 6-month Short Term ENA for the North Hollywood Joint Development Project (Project). Both parties executed a 3-month administrative extension of the Short Term ENA on December 24, 2016, and the Metro Board of Directors authorized an additional 3-month extension on February 23, 2017. These extensions were made to allow additional time for Metro and the Developer to 1) confirm feasibility of transit infrastructure requirements for project shaping; 2) ensure that the proposed development does not physically preclude relevant transit projects funded by the approval of Measure M; and 3) conduct further public outreach to share the results of these feasibility studies and site programming and gather further community feedback.

In the Short Term ENA period, the Developer worked in good faith with Metro staff and performed pursuant to the requirements of the agreement. Staff is now in a position to recommend entering into an ENA, which will enable more advanced negotiations around development of the Site and will allow processing the required entitlements including environmental approvals.

**DISCUSSION**

The North Hollywood Station is a regional, multi-modal transportation hub that includes the termini of the Metro Red and Orange Lines, a local bus layover facility, and a Metro park-and-ride lot. The Site is comprised of four parcels, one easterly and three westerly of Lankershim Boulevard, with potential transit connections available via underground access panels. The Site has arterial and freeway access and extensive public transportation access. Attachment A includes a map of the Metro properties for joint development and their approximate acreages. In total, the Site comprises 15.6

acres situated at the heart of North Hollywood Arts District, and is part of Metro's Transit Oriented Communities (TOC) Demonstration Program.

#### Proposed Development Program and Design

In the fall of 2015, Metro conducted a robust community outreach process to create a Guide for Development for the Site. Input from this process included the community's desire for a high-density, iconic development that is balanced with well-designed open space and celebrates the eclectic, artistic character of the North Hollywood Arts District. The Board approved the Guide for Development in December 2015.

The Developer's site plan and development program, provided in Attachment B, meet the vision laid out in the community-driven Guide for Development. The proposed 1.9 million square foot development includes two high-rise residential towers, four podium residential buildings, of which two are affordable housing, a 300,000 square foot mid-rise office building, a varied 140,000 square foot retail program that potentially includes specialty grocery uses, neighborhood-serving restaurants and retail goods and services; low-rise office space; common area amenities; and pedestrian improvements. In addition to providing these amenities, the proposed development features strong urban design characteristics that will engage the activity generated by the Metro station and activate the streets and open spaces surrounding the new buildings.

A key component of the project is the consolidation of transit facilities at a new multi-modal transit center that will integrate local bus service and Metro Orange Line service on the west side of Lankershim. The consolidated facility will make transfers from Red and Orange Line to local buses more convenient and comfortable. The proposed transit center also includes a dedicated, underground garage, replacing the existing transit parking spaces. Additional parking for transit patrons will be shared with other uses on the Site.

#### Potential Use of Adjacent Metro-owned Property

Metro owns a 1.15 acre parcel immediately west of the Site. This parcel could provide the opportunity to provide either up to 200 additional parking spaces or up to 225 additional affordable housing units. This parcel will need to be studied further to determine the final parking or affordable housing that could be added. The 200 parking stalls could increase the overall parking count to provide additional parking if actual parking demand exceeds Metro's estimate. Transit parking demand will be reassessed with the implementation of Metro's Parking Management Pilot Program, which will be in place by summer 2017, as well as the Parking Guidance System. The parking management system will both charge for daily parking and affirmatively restrict parking to transit riders. Determination of the most appropriate use for this parcel will be further explored to incorporate feedback from the community as well as data from the new parking demand management systems.

#### Coordination with Metro Departments/Transit Facility Configuration

Throughout the Short Term ENA phase, Metro Joint Development staff coordinated with Bus and Rail Operations, Systemwide Planning, Program Management, and Parking Management to ensure that the conceptual Project will meet Metro's broader needs. The resulting concept will:

1. accommodate continuous transit operations at the Site during construction;
2. be constructed without damaging Metro infrastructure;
3. replace all required transit infrastructure currently at the Site;

4. provide sufficient parking to meet the Station's transit parking demand; and,
5. allow future construction and operation of transit infrastructure at and around the Site including electrification of the Orange Line, conversion of the Orange Line to light rail, and incorporation of the North Hollywood to Pasadena BRT.

If the ENA is executed, Joint Development staff will continue internal coordination to vet the project with all affected departments and divisions within Metro to ensure that the project does not limit Metro's current or future infrastructure or operational needs.

#### Financial Feasibility

Metro retained Maxima Group, an experienced financial consultant (Consultant), to review the materials received during the Short Term ENA period. The Consultant found that the Developer has laid out a Program that appears to be financially feasible in its conceptual form. The Consultant observed that the proposed development program and site plan demonstrate that the key objectives laid out in the Guide for Development can be met, and that, taken as a whole, the Developer's preliminary assumptions about development costs and potential income are achievable. The ENA period will allow further market research and review of financial assumptions to inform ground lease negotiations and to further refine infrastructure costs and funding.

#### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety. Metro's operations staff will continue to review and comment on the proposed development to ensure that the proposals have no adverse impact on the station, portal and public areas on Metro's property.

#### **FINANCIAL IMPACT**

Funding for joint development activities related to the ENA and the proposed project is included in the FY18 budget in Cost Center 2210, Project 401011. In addition, the ENA will require a non-refundable fee of \$50,000 as well as a \$50,000 deposit to cover third-party expenses during the negotiation.

#### Impact to Budget

Metro project planning activities and related costs will be funded from General Fund local right-of-way lease revenues and any deposits secured from the Developers, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact ongoing bus and rail operating and capital budget, Proposition A and C and TDA administration budget or Measure R administration budget.

#### **ALTERNATIVES CONSIDERED**

The Board could choose not to proceed with the recommended action and could direct staff to (a) not enter into an ENA with the Developer, (b) continue communications regarding refinement of the project with the Developer within the existing Short Term ENA, or (c) not proceed with the proposed project and seek new development options via a new competitive process.

Staff does not recommend proceeding with these alternatives because the recommended action will ensure additional input from the community and other public sector stakeholders and appropriately builds upon the significant community input and procurement process that has transpired thus far. A new RFP process would delay the development of the Site and Metro may fail to take advantage of currently favorable conditions in the real estate market. Further, if the outcome of the discussion during the ENA period does not create a project proposal suitable to the community or the Board, other options could still be considered.

**NEXT STEPS**

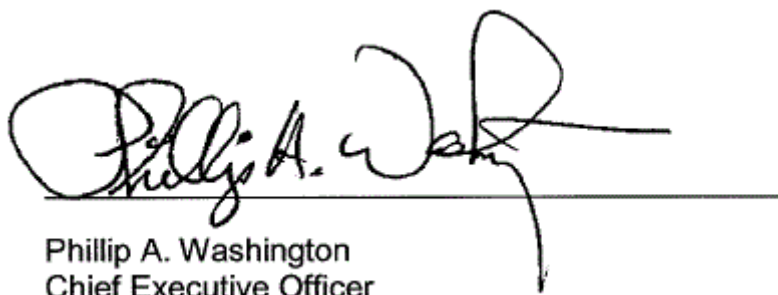
Upon approval of the recommended action, Metro will enter into an ENA with Trammell Crow Company/Greenland USA. The Developer team, together with the joint development staff, will refine transit facility requirements and the overall project concept, explore options for funding, and continue the outreach and community engagement process. The Developer will further design and begin the environmental clearance process. After the initial 18 months of the ENA process, staff will update the Board on the status of the project.

**ATTACHMENTS**

- Attachment A - North Hollywood Joint Development Site
- Attachment B - Proposed North Hollywood Site Plan and Program Summary

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