

**Board Report**

File #: 2017-0476, **File Type:** Agreement**Agenda Number:** 1.

**REVISED
EXECUTIVE MANAGEMENT COMMITTEE
NOVEMBER 16, 2017****SUBJECT: EXPO/CRENSHAW STATION JOINT
DEVELOPMENT PROJECT****ACTION: AUTHORIZE EXECUTION OF SHORT TERM EXCLUSIVE NEGOTIATION
AGREEMENT AND PLANNING DOCUMENT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute a two phase, six-month Short Term Exclusive Negotiation Agreement and Planning Document (Short Term ENA) with Watt Companies, doing business as WIP-A, LLC (Developer) and the County of Los Angeles (County) for the development of 1.77 acres of Metro-owned property and 1.66 acres of County-owned property at the Expo/Crenshaw Station (Site), subject to resolution of protest(s), if any.

ISSUE

In January 2017, Metro and the County released a Request for Proposals (RFP) for joint development of Metro and County-owned parcels at the Expo/Crenshaw Station (see Attachment A - Site Map). On April 20, 2017, Metro and the County received four proposals (see Attachment B - Procurement Summary), and following evaluations, staff recommends entering into a Short Term ENA with Watt Companies, the highest scoring firm. The Short Term ENA will provide an interim period before executing a full term ENA during which community outreach can occur and the project can be further defined based upon community input. In addition, the Developer will be required in the initial three months to identify and enter into a letter of intent with a community-based organization for its participation in the development of the project, including the opportunity for an economic interest in furtherance of the goals of Metro's Joint Development Policy and the Expo/Crenshaw RFP and Development Guidelines (Development Guidelines).

DISCUSSION***Background***

On March 26, 2015, the Metro Board of Directors (Board) directed staff to develop a strategic plan for joint development activities along the Crenshaw/LAX Transit Corridor and to work with public sector partners to implement joint development activities on publicly-owned land along the corridor. Completed in June 2015, the Crenshaw/LAX Transit Corridor Joint Development Strategic Plan

identified Metro and County-owned properties at the Expo/Crenshaw Station as a joint development opportunity site which was then included in Metro's Transit Oriented Communities (TOC) Demonstration Program.

Also per Board direction, Metro entered into a Memorandum of Understanding (MOU) with the County, acting through the Community Development Commission of the County of Los Angeles (CDC), to administer the joint development process leading to an integrated project across both the Metro and County properties at Expo/Crenshaw Station. Following extensive community input, Development Guidelines were adopted by the Board in June 2016 and integrated into the RFP.

Expo/Crenshaw Station Opportunity Site

The Site incorporates two properties in the City of Los Angeles: (1) a County Probation Department facility located at 3606 W. Exposition Boulevard (southwest corner of Exposition and Crenshaw Boulevards) which the County plans to vacate to repurpose for transit-oriented development; and (2) a Metro-owned property on the southeast corner of Exposition and Crenshaw Boulevards that currently serves as construction staging for the Crenshaw/LAX Transit Project. Located at the intersection of the Expo Line and the future Crenshaw/LAX Line, the Site has superior regional connectivity to employment and activity centers including Santa Monica, Culver City, USC, Downtown LA and Los Angeles International Airport. The community-driven Development Guidelines for the Site identify the opportunity for a culturally distinct gateway destination and pedestrian-scaled community serving residents and visitors with high quality and local-serving retail uses and a range of housing types, both market rate and affordable. It also identifies opportunities to foster job growth with attractive retail and/or business incubator space, among other goals.

Developer Proposal

The recommended firm's proposal was submitted by WIP-A, LLC, a wholly-owned subsidiary of Watt Companies, a Southern California-based owner/manager/developer with over 70 years of experience. The proposed team includes additional firms exceptionally accomplished in architecture, engineering, urban design, and community engagement. Team members have worked together in smaller combinations on several projects and bring a number of best practices from other notable transit-oriented development projects throughout Southern California.

The Developer's proposal articulates a project vision that fundamentally follows the objectives highlighted in previous community workshops and identified in the Development Guidelines. The proposal contemplates a total of 492 residential units dispersed over both sites, with 73 (15%) of those units restricted to households earning 50% or less of area median income (AMI). Approximately 47,500 square feet of commercial and retail space is envisioned with a grocery store and locally-owned and operated restaurants identified as potential tenants. In accordance with the Development Guidelines, the proposal includes specific strategies for achieving a variety of shared community, County and Metro goals for the Site, including a business incubator-type space aimed at generating economic development benefits and opportunities. Proposed public amenities include a multi-mobility hub with bike and car-share connections to increase transit ridership and support active transportation. The proposal effectively envisions activating public space around the Site by utilizing street vacations to create public plazas leading to ground floor community meeting spaces, and preserves the opportunity for an additional station entrance on the County property to facilitate safe connections between the Crenshaw/LAX and Expo Lines. The proposal has the potential to create an

architecturally iconic gateway and vibrant transit hub to be enjoyed by both existing and future residents and visitors (see Attachment C - Site Plan and Renderings). The Developer's commitment to a robust stakeholder engagement process further aligns with community priorities expressed in the Development Guidelines.

The Metro Joint Development Policy has a number of objectives and goals, one of which is fiscal responsibility. Joint development projects are expected to generate value to Metro, and by extension to the County, based on maximizing ground rent revenues received for use of publicly-owned property. In addition to substantial ground lease rental payments to both Metro and the County, the Developer's proposal also includes a "look-back" provision that would provide a one-time payment to both property owners if the project proves to be more profitable than projected. The Developer also offers both Metro and the County a portion of proceeds derived from the sale or refinancing of the developer ground lease interest and site improvements. The overall proposed financial terms contemplated in the proposal are highly competitive and align with Joint Development Policy goals.

Short Term ENA

Typically, following the proposal solicitation process, a developer is selected to enter into an ENA with Metro for a base term of 18 months during which project refinement and entitlements occur and ground lease transaction terms are negotiated. After careful consideration, staff recommends a two phase, six-month Short Term ENA as an interim step to allow the parties the ability to directly communicate about project scope and team composition, and to have an open dialogue with community stakeholders before committing to a long term ENA. Within the first three months of the Short Term ENA, the Developer will be required to identify and enter into a letter of intent with a community-based organization for its participation in the development of the project, including the opportunity for an economic interest.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. The eventual implementation of this joint development project at the Expo/Crenshaw Station will offer opportunities to improve safety for transit riders through better pedestrian and bicycle connections.

FINANCIAL IMPACT

A Short Term ENA does not require a Developer deposit as there will be no third party costs at this time. Funding for staff time related to the Short Term ENA and the proposed project is included in the FY18 budget in Cost Center 2210 (Joint Development) under Project 401045 (Expo/Crenshaw JD).

Impact to Budget

Metro project planning activities and related costs will be funded from local right-of-way lease revenues. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the Short Term ENA will not impact FY 2018 bus and rail operating and capital budget, Proposition A and C, TDA, Measure R or M administration budget.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to (a) enter into a full long term ENA, (b) continue clarification talks with the Developer outside of an ENA, or (c) prepare and release a new RFP. Staff does not recommend proceeding with these alternatives because the recommended action will ensure the most transparent process with 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 and the County may fail to take advantage of currently favorable conditions in the real estate market. Further, if the outcome of the discussion during the Short Term ENA process does not create a project proposal suitable to the community, Metro, or the County, other options could still be considered.

NEXT STEPS

Upon Board approval of the recommended action and corresponding authorization by the County, the Short Term ENA will be executed, and Metro staff, the County and the Developer will commence preliminary negotiations in parallel with community outreach to engage stakeholders in a dialogue about the development proposal. If successful, staff will return to the Board for the authority to execute a full term ENA.

ATTACHMENTS

Attachment A - Site Map

Attachment B - Procurement Summary

Attachment C - Site Plan and Renderings - REVISED

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