

**Board Report**

File #: 2020-0645, **File Type:** Agreement**Agenda Number:** 13.

**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 18, 2020****SUBJECT: 1ST & SOTO JOINT DEVELOPMENT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute an amendment to an existing Exclusive Negotiation Agreement and Planning Document with a joint venture between Bridge Housing Corporation - Southern California and East LA Community Corporation extending the term for twelve (12) months to December 30, 2021 and providing for up to an additional twelve-month term extension, if deemed necessary or prudent, to allow for the continued pursuit of a joint development of Metro-owned property at 1st and Soto Streets in Boyle Heights.

ISSUE

Metro and a joint venture between Bridge Housing Corporation - Southern California and East LA Community Corporation (the "Developer") are parties to an Exclusive Negotiation Agreement and Planning Document (the "ENA") for the development of a mixed-use project (the "Site A Project") on Metro-owned property at and adjacent to the Soto Station on the Metro L Line (Gold) ("Site A") and the refurbishment of a historic Victorian home ("Site B Project") on Metro property situated across Soto Street from the station ("Site B"). The ENA is set to expire on December 31, 2020, and an extension of the ENA term is necessary to provide the time necessary to complete pre-development activities and finalize the terms of each project's development agreements for consideration by the Metro Board of Directors ("Board").

DISCUSSION**Background**

Metro and the Developer entered into an ENA for development of the projects in June 2016. The ENA provided a framework for exploring and refining each project's scope and design, as well as receiving project-related community feedback. The extension of the ENA term is necessary to provide the time necessary to (a) further refine each project's design, (b) identify funding and obtain any needed entitlements and California Environmental Quality Act ("CEQA") clearance from the City of Los Angeles for the Site B Project, (c) continue Developer-led stakeholder outreach, and (d) finalize negotiation of separate term sheets setting forth the key terms and conditions of separate

Joint Development Agreements (“JDAs”) and ground leases for Site A and Site B (“Term Sheets”). The Term Sheets are subject to Metro Board approval.

Site A

Site A totals approximately 1.08 acres and is situated on the southwest corner of 1st and Soto Streets (see Attachment A - Site Map). As currently contemplated, the Site A Project will be developed on approximately 0.67 acres in the southerly portion of Site A and will include 64 affordable apartments, approximately 2,440 square feet of ground floor commercial space and a community room that opens onto the station plaza. Twenty of this project’s apartments are planned for homeless families earning up to 30% of the Area Median Income and the remainder are slated for families earning between 30% and 50% of the Area Median Income. The design of the Site A Project is approximately 75% complete.

The Developer secured entitlements and CEQA clearance for the Site A Project from the City of Los Angeles in June 2020. In addition, the Developer has secured much of the funding and financial support needed for this project, but still needs to secure two key sources: (a) \$10 million in State Transit-Oriented Development (TOD) Housing Program funds, which the Developer applied for in July 2020 and hopes to receive in the fourth quarter of 2020, and (b) an allocation of 9% low income housing tax credits, which the Developer plans to apply for in the first quarter of 2021 and receive in the second quarter of 2021. The Site A Project is included in the City of Los Angeles Housing and Community Investment Department’s Affordable Housing Managed Pipeline. Inclusion in the pipeline typically ensures a tax credit award.

Staff and the Developer are currently finalizing Term Sheet negotiations with respect to the Site A Project. When negotiations are complete, staff will bring this Term Sheet to the Board for consideration. If approved, Metro and the Developer will execute a JDA with respect to Site A and the Site A Project and, upon satisfaction of certain conditions set forth in the JDA and compliance with applicable laws, a ground lease. Construction of the Site A Project would commence promptly thereafter.

Site B

Site B totals approximately 0.29 acres and is situated on the southeast corner of 1st and Soto Streets (see Attachment A - Site Map). The Site B Project contemplates the refurbishment of an existing Victorian home that is currently situated on Site B to accommodate community serving uses. Funding sources for such refurbishment are different and more limited than the sources available for affordable housing projects. As such, the Site B Project will proceed on a separate schedule from the Site A Project. A similar procedure to that set forth in the preceding paragraph for Site A will take place with respect to Site B, once funding for the Site B Project has been identified and any needed entitlements and CEQA clearance for this project have been received.

Outreach

The Developer has worked with the community to inform the scope and design of each project. The Developer has conducted a robust outreach effort that has included eight community

meetings/workshops, five separate focus group meetings (including meetings with tenants, property owners and small businesses) and meetings with over ten community organizations. In addition, the Developer has engaged with the Boyle Heights Neighborhood Council three times and their Planning and Land Use Committee four times. The Developer has also engaged with the Metro-established Boyle Heights Joint Development Design Review Advisory Committee where additional project-related public input was collected. At the October 2020 Boyle Heights Neighborhood Council Planning and Land Use Committee meeting, the Committee and the community indicated an interest in moving the Site B Project forward and shared their programming ideas for the project's proposed community space.

EQUITY PLATFORM

Consistent with the Equity Platform pillar "listen and learn," the projects have undergone a robust community engagement process as noted above. In addition, the projects provide an opportunity to "focus and deliver" by adding much needed transit-oriented affordable housing stock to the community, along with space for community service providers.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety as it only seeks an extension of the ENA term. Appropriate construction oversight will be included under the ground leases for each project as part of any construction or refurbishment work to ensure that such work does not adversely impact Metro property, improvements or service, or the continued safety of Metro staff, contractors or the public.

FINANCIAL IMPACT

Funding for joint development activities related to the projects is included in the adopted FY21 budget under Cost Center 2210, Project 401019.

Impact to Budget

There is no impact to the FY21 budget, which includes costs associated with negotiation of the Term Sheets, the review of design and other project documents and the support of outreach efforts. No new capital investment or operating expenses are anticipated to implement the projects, and revenues from a Developer deposit offset certain staff and project-related professional service costs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended action supports the Strategic Plan Goal to "enhance communities and lives through mobility and access to opportunity." By advancing these joint development projects, which contemplate delivery of critical transit-accessible affordable housing to the Boyle Heights community, as well as space for community service providers, the recommended action will specifically implement 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."

ALTERNATIVES CONSIDERED

The Board could choose not to extend the ENA term, in which case the ENA would expire on December 31, 2020. At that time, staff would stop working with the Developer. Metro could then choose to solicit new proposals for development of Site A and Site B from the development community. Staff does not recommend this alternative as proceeding with the Site A Project and the Site B Project is the quickest and surest way to bring much needed transit-accessible affordable housing to the community, as well as space for community service providers, each of which is in alignment with Metro's Strategic Plan and Equity Platform. The Developer's longstanding commitment to these projects, including their financial investment to date, provides further reason not to choose this alternative.

NEXT STEPS

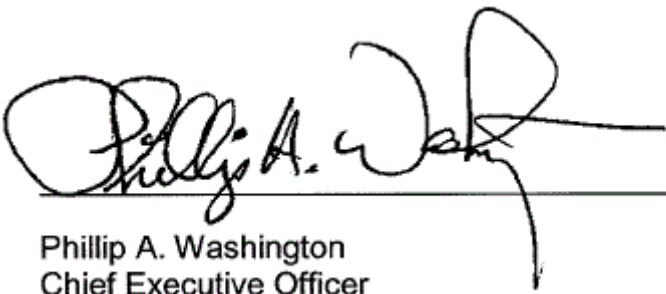
Upon approval of the recommended action, Metro and the Developer will execute an amendment to the ENA to extend its term in accordance with the recommended action. Under the extended ENA, the parties will: (a) continue working to finalize a Term Sheet for the Site A Project in an effort to return to the Board in the first quarter of 2021 for approval of this Term Sheet and the authority to execute a JDA and ground lease for Site A; (b) continue working to identify funding and obtain any needed entitlements and CEQA clearance for the Site B Project; (c) negotiate a Term Sheet for the Site B Project in an effort to return to the Board for approval of this Term Sheet and the authority to execute a JDA and ground lease for Site B; and (d) continue refining each project's design. In addition, Developer-led community engagement will continue in order to provide updates on the entitled Site A Project and to continue the dialogue with the community regarding the restoration of and programming for the Victorian home situated on Site B.

ATTACHMENTS

Attachment A - Site Map

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