



Board Report

File #: 2024-0281, **File Type:** Project

Agenda Number: 17.

**PLANNING AND PROGRAMMING COMMITTEE
JUNE 20, 2024**

SUBJECT: VENICE DIVISION 6 JOINT DEVELOPMENT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute an Exclusive Negotiation Agreement and Planning Document (ENA) with Metro Venice Art Collective, LLC (Developer) for a period of 18 months, with the option to extend for an additional three, 12-month periods, for the development of Metro-owned property at the former Division 6 Bus Yard in the Venice Community of the City of Los Angeles (Site), subject to resolution of all properly submitted protest(s), if any.

ISSUE

In April 2023, Metro released a Request for Proposals (RFP) for the development of the Metro-owned former Division 6 Bus Yard in the Venice Community of the City of Los Angeles (see Attachment A - Site Map). After a thorough evaluation, community meeting, and final scoring process, staff recommends entering into an ENA with Metro Venice Art Collective, LLC, the highest-scoring proposer. During the ENA time frame, the Developer will refine the project, seek community feedback, obtain environmental approvals and City of Los Angeles entitlements, and negotiate terms for a Joint Development Agreement and Ground Lease with Metro.

BACKGROUND

The Site was a fully operational transit facility for over 100 years before being decommissioned in 2015. On January 28, 2016, the Board adopted Motion 59 by Directors Bonin and Kuehl calling for a community-based process to determine a new use for the Site through Metro's Joint Development (JD) program (Attachment B).

In the fall of 2018, Metro initiated extensive community outreach to collect input on the long-term reuse of the Site, which was used to create Development Guidelines, the primary tool to articulate the community's vision for the Site. The Development Guidelines were approved by the Board at its June 2019 meeting. A two-step procurement process was used for this Joint Development opportunity which is larger and more complex than typical Joint Development projects. Step one, or the Request for Interest and Qualifications (RFIQ), was released to the development community in December

2019 from which qualified developers were invited to respond to step two, or the Request for Proposals (RFP).

Following delays due to the COVID-19 pandemic and changes in State Law for disposition of real property, step one resumption of procurement activities occurred in December 2020 when the seven submittals received were evaluated and five developers were shortlisted to advance to the RFP stage of the solicitation process.

In April 2023, the procurement process fully resumed when the RFP was released to all five shortlisted developers for the development of the Site. In September 2023, Metro received two RFP responses. Both responses were evaluated based on the evaluation criteria, which included key components from the Development Guidelines.

The City of Los Angeles is currently leasing the Site for a temporary shelter facility as a short-term use while the plans for the long-term reuse of the site through Joint Development were established and the developer selection process occurred.

Community Outreach

Leveraging the significant community outreach leading up to the 2019 Board adopted Development Guidelines, and momentum gained by issuance of the 2023 RFP, Metro held a virtual community meeting on March 18, 2024. This meeting provided an update on the joint development effort, allowed the two developers to present their project concepts, and gave an opportunity for Venice stakeholders to ask questions. Councilmember Traci Park provided opening comments. The meeting had 180 participants, and the recording of the event was posted on the project website. The announcement about the community update meeting was shared through Metro's Community Relations March newsletter and reached more than 160,000 stakeholders, and through eblasts to approximately 1,700 stakeholders who signed up for updates specifically about the Division 6 site. There were 10,000 flyers distributed in the 2-mile radius around the site and 1,100 impressions within 35 neighborhoods on a NextDoor post. Because of the significant community interest and engagement of the online participants, the meeting was extended by an additional hour to field questions and provide more insight into the developer proposals. Comments were received and a FAQs list was established and posted to the JD project website.

DISCUSSION

Developer Selection

On September 28, 2023, Metro received two responses to the RFP solicitation. The two responses were then evaluated, including written responses from both developers concerning their strategies for engaging the Venice community following presentations and feedback received at the Community Update meeting. Through this process, Metro Venice Art Collective, LLC is recommended to move forward for consideration by the Metro Board.

The final scoring and recommended selection were based on the Developer's response to the following:

- > Placement of open space and public art features within the development proposal.
- > Inclusion of a local arts community-based organization, Venice Arts, within the commercial programming.
- > Integration of the existing Vietnam Veterans mural within the physical development.
- > Hyper-local nature of the development team and unique understanding of the Venice community.
- > Developer's commitment to include all stakeholders in the project formation process.
- > Commitment to stakeholder engagement with emphasis on in-person meetings.

The proposed Development also advances key elements of Metro's Joint Development Policy, including the delivery of housing and amenities, focusing benefits on historically disadvantaged communities, in this case, lower-income families and seniors, and actively engaging community members and other stakeholders. A summary of the developer selection process is provided in Attachment C - Procurement Summary.

Developer Entity

Metro Venice Art Collective, LLC is a limited liability company wholly owned by the Pinyon Group, which is a Los Angeles-based development and real estate investment firm with over 50% of its ownership composition being minority-based. In addition to the Pinyon Group, the developer team is extensive and includes subconsultants and advisors local to the Los Angeles area. These include design architects, environmental consultants, urban planning firms, legal counsel, onsite program management, and community-based organizations (CBOs). Related to onsite art and similar programs the Developer has partnered with the local CBO, Venice Arts. It has also engaged NDVETS, a local veterans advocacy group to assist with preservation of the veteran's mural that is presently onsite and in need of refurbishment.

As a development company, the Pinyon Group's team members have extensive experience with the acquisition, design, entitlement, development, construction, and asset management of over 25,000 residential units, and 21,000,000 square feet of commercial real estate. The Pinyon Group has partnered with and managed investments on behalf of pension funds, insurance companies, banks, and endowments. The Developer's counsel has significant experience navigating through CA Coastal Commission entitlements that will be required for this project and will need to occur concurrently with the City's entitlements.

Developer Proposal

The Developer's proposal includes the following program elements:

- > 341 housing units with 86 units restricted to households earning less than 80% of the Los Angeles County Area Median Income (AMI) to be in effect for the term of the Ground Lease.
- > Approximately 12,900 sq. ft. of ground floor public open space.
- > A pedestrian crossing to enhance beach access, along with pedestrian, transit, and vehicular upgrades to Main Street.
- > Integration of the existing Vietnam POW/MIA Memorial into the southwest corner of the proposed project.
- > Dedicated community space of approximately 5,400 sq. ft. for Venice Arts, a local community-

- based organization to host a café, art classes, exhibits, and community events.
- > Approximately 30,000 sq. ft. of commercial retail space spanning Main Street, including incentivizing the Developer to rent to local businesses wherever possible.
 - > A Ground Lease payment equal to fair market value for the property adjusting for any additional public benefits provided, including affordable housing.
 - > Onsite, subterranean parking dedicated to residents, their guests, commercial patrons, and beachgoers consistent with the applicable JD Policy on parking.

Please see Attachment D - Site Plan and Rendering for additional information on the proposed project.

Within the parameters of the competitive RFP process, the Developer proposed 86 units of affordable housing fully integrated into its 341-unit development. The other proposal under consideration proposed a stand-alone, 75-unit affordable housing structure next to a 235-unit market-rate development on the Site. In addition to the larger number of fully integrated affordable units, the recommended Developer's proposal featured integration with the broader neighborhood and deference to its nearby neighbors through a terraced design effect that stepped back from the street frontage.

The Developer's proposal has identified an alternative financing structure that is available to replace a typical debt and equity financed transaction that would streamline the project financing process. The Developer has experience utilizing tax-exempt bond financing paired with Low-Income Housing Tax Credits (LIHTC) and private equity to finance both the affordable and market-rate housing components. This financing structure tends to be faster than the typical public subsidy process used by other affordable housing developers, including its competitors. The time savings and financial benefits identified by this financing method could be as much as 9-12 months in comparison to a standard tax credit structure layered with other highly competitive and limited public subsidy sources.

An additional policy consideration that will need to be addressed during the ENA period is the appropriate application of the California Surplus Land Act (SLA). Given the Project Site is larger than one acre and can accommodate at least 300 housing units, Metro and the Developer will be required to designate at least 25% of the available units as income-restricted and available to lower-income households. The Joint Development team will work with the Developer to explore ways to address these various regulatory "floors" and actively work to identify opportunities to increase affordability levels over and above the 25% threshold identified by the SLA without negatively impacting the Project's delivery.

The Developer will be required to comply with Metro's Project Labor Agreement and Construction Careers Policy and the Developer will proactively work to secure commitments with Disadvantaged Business Enterprise (DBE), Small Business Enterprise (SBE), and Disabled Veteran Business Enterprise (DVBE) firms during the predevelopment and construction phases. Notices highlighting specific opportunities to partner with the Developer will be shared with Metro, posted on the Developer's project website, and communicated at all community meetings. Metro will report progress on the Developer's DBE, SBE, and DVBE performance to the Board and the public via a continuously updated online dashboard. Once the project entitlements are in place, staff will return to the Board for approval of JDA and Ground Lease terms, including SBE, DBE, DVBE, and CBO

participation commitments for the construction and delivery of the project.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have a positive impact on safety. The eventual implementation of this project will offer opportunities to improve safety for transit riders and operators of the Metro Bus Line 33 by activating the boarding area at this location. Ground floor commercial activities proposed within the project will provide additional “eyes on the street” to enhance safety and provide a sense of community along Main Street and Pacific Avenue.

FINANCIAL IMPACT

Funding for Joint Development staff time related to the ENA and the proposed project is included in the FY 2025 budget in Cost Center 2210 (Joint Development). In addition, the ENA will require a nonrefundable fee of \$50,000 to cover non-Joint Development staff time and third-party expenses during the negotiation.

Impact to Budget

Work under the ENA is included in the FY25 budget in Cost Center 2210 (Joint Development) under Project 401300 (Joint Development 10K Homes). Staff and consultant costs are included in the FY25 budget to negotiate the proposed transaction and review design and other project documents.

EQUITY PLATFORM

This action will allow the Developer to refine the project with robust community input. To the extent the project moves forward with construction and implementation, it will serve to address existing issues associated with affordable housing, equitable access to neighborhood services, and mitigation of Site-related subsurface environmental concerns from prior bus operations.

The Venice community has experienced a shrinking inventory of available housing as homes have transitioned into short-term rentals. In addition, more than 1,500 moderate-income households (households earning between 80% and 120% of AMI) are housing cost-burdened, paying well over 30% of their household income on housing leading to concerns of rent-induced displacement from the neighborhood. (*2019 Venice Division 6 Development Guidelines*).

The affordability levels identified within the project’s 86 income-restricted units would benefit renters who are at and below the 80% AMI income level. Of the 14,556 occupied housing units in Venice, 36.29% are owner-occupied, while 63.71% are renter-occupied, leading to greater concerns over potential displacement. (*2020 U.S. Census Bureau. Population and Housing Characteristics*). The Developer’s commitment to long-term affordability through the term of the Ground Lease will help to offset this growing statistic and the destabilizing effect it has on lower-income households.

The Developer and City staff have expressed a strong commitment to actively engage and respond to community stakeholder concerns in coordination with Metro. Developer-led community engagement under the ENA will involve different methods such as workshops, surveys, and pop-up events. Engagement will be conducted in English, Spanish, and other languages as needed to reach

all interested stakeholders.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports 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 upgrades, income-restricted housing, and new commercial/community space.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to continue clarification talks with the Developer prior to considering an ENA or prepare and release a new solicitation for joint development of the Site. Staff does not recommend proceeding with these alternatives because the recommended action builds upon the significant community input and procurement process that has transpired thus far. A new solicitation process would delay the development of the Site and the construction of much-needed affordable housing units. Further, if the outcome of the discussion during the ENA process does not create a project proposal suitable to Metro, other options could still be considered.

NEXT STEPS

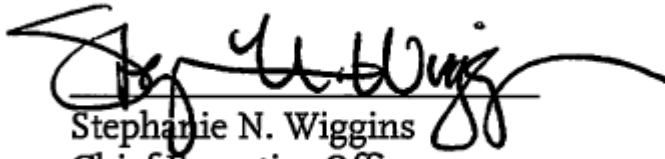
Upon Board approval of the recommended action, the ENA will be executed, and Metro staff and the Developer will commence preliminary deal-point negotiations in parallel with design review and community engagement. Identifying an effective, multi-tiered community engagement process within the first six months of the ENA will be one of the conditions for proceeding with further negotiations. Metro will continue to coordinate closely with the City of Los Angeles as it has done since the inception of the community engagement process.

ATTACHMENTS

Attachment A - Site Map
Attachment B - Motion 59
Attachment C - Procurement Summary
Attachment D - Site Plan and Rendering

Prepared by: Olivia Segura, Senior Manager, Countywide Planning & Development, (213) 547-4200
Carey Jenkins, Senior Director, Countywide Planning & Development, (213) 547-4356
Wells Lawson, Deputy Executive Officer, Transit Oriented Communities, (213) 547-4204
Nicholas Saponara, Executive Officer, Transit Oriented Communities, (213) 922-4313
Holly Rockwell, SEO, Countywide Planning & Development, (213) 547-4325
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim), (213) 922-4471

Reviewed by: Ray Sosa, Chief Planning Officer, (213) 547-4274



Stephanie N. Wiggins
Chief Executive Officer