

**Board Report**

File #: 2017-0740, **File Type:** Contract**Agenda Number:** 17.

**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 17, 2018****SUBJECT: MARIACHI PLAZA JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF EXCLUSIVE NEGOTIATION AGREEMENT AND
PLANNING DOCUMENT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and execute an 18-month Exclusive Negotiation Agreement and Planning Document (ENA) with East LA Community Corporation ("ELACC" or "Developer") for the development of 1.08 acres of Metro-owned property at the Mariachi Plaza Station Site (Site), subject to resolution of protests, if any.

ISSUE

In March 2017, Metro released a Request for Proposals (RFP) for joint development of Metro-owned parcels at the Mariachi Plaza Gold Line Station (See Attachment A - Site Map). On June 29, 2017, Metro received two proposals (See Attachment B - Procurement Summary), and following evaluations, staff recommends entering into an ENA with ELACC, the highest scoring firm. During the ENA period, ELACC with Metro staff support, will outreach to the community regarding the project, further refine the scope, seek entitlements and negotiate a term sheet leading to a Joint Development Agreement (JDA) and Ground Lease (GL).

DISCUSSION**Background**

In November 2009, the Metro Gold Line Eastside Extension opened and began providing light rail transit service including four stations in Boyle Heights. One of the stations, Mariachi Plaza, located at 1st Street and Boyle Avenue, has various vacant parcels of land that were acquired by Metro to build the station and for construction staging. It has since been determined that these properties have potential for transit oriented development. In November 2014, Joint Development (JD) staff recommended awarding an ENA to explore the feasibility of developing a 120,570 square-foot mixed-use commercial project on Parcels A and B, along with a privately-held adjacent parcel. There was significant opposition to this proposal by Boyle Heights residents and stakeholders. In March 2015, staff recommended not moving forward with the ENA and re-initiating the JD process in order to conduct extensive community engagement to create community-driven Development Guidelines for the Site. Following community input, the Mariachi Plaza Development Guidelines (Development

Guidelines) were adopted by the Board in January 2017 and integrated into the RFP.

Site Description

The Site is adjacent to Mariachi Plaza, a historic symbol of art, culture and commerce for the Boyle Heights community. Serving both as a transit gateway and representative of the community's identity, Mariachi Plaza hosts professional Mariachi musicians, a weekly farmers market, multiple community-organized events and the annual Mariachi Festival. A portion of Mariachi Plaza resembles the famous Plaza Garibaldi located in Mexico City, and serves as an emblem of cultural pride and identity for Boyle Heights. Moreover, the Plaza is a major anchor to the commercial corridor on 1st Street and an important gathering space for local residents.

The Site is made up of three parcels with a total developable area of 0.75 acres (See Attachment A - Site Map). Parcels A and B are currently used as surface parking lots, and as such are appropriate for new development. Parcel C, a portion of which houses the existing transit Plaza, can be utilized for ancillary uses to the development such as kiosks, outdoor furniture and dining areas, public art space, landscaping, and/or other open and public spaces. This area is approximately 14,150 square feet in size.

The community engagement and Development Guidelines process helped guide and subsequently establish the vision for the Site. The Development Guidelines offer a community-driven vision for development that will reflect the community's diversity; provide and enhance amenities for local residents and families; create housing to meet the needs of the existing Boyle Heights community; support local businesses, include public open space, and support the preservation of the Mariachi culture. Based on a strong community desire for affordable housing at the Site, the Development Guidelines encouraged proposals to include a minimum of 40 units of affordable housing, with as many as are financially feasible in the "low" and "very low income" restricted categories.

Developer Proposal

The recommended proposal was submitted by ELACC, a 501(c)(3) nonprofit and Community-Based Organization (CBO) founded in 1995 with the mission to advocate for economic and social justice in Boyle Heights and East Los Angeles. ELACC provides affordable housing, community services, community organizing, and wealth-building services to over 2,000 residents. Since 1995, ELACC has developed and now owns 731 units of affordable rental housing, with 504 units in the pipeline.

ELACC's proposal articulates a project vision that clearly and purposefully follows the stated goals and objectives of the Development Guidelines and includes partnerships with numerous community-based organizations. Moreover, the design captures the essence of the community and is of a scale, form, shape and size that complements and respects the surrounding community (See Attachment C - Conceptual Site Plan and Renderings). Development on Parcel A will consist of a 60-unit affordable rental development targeted to low income families and transitional age youth. This exceeds the expectations for the provision of affordable housing as outlined in the Development Guidelines. The proposed name for the project is the Lucha Reyes Apartments in honor of the late Mexican Mariachi star Lucha Reyes whose statue is situated in Mariachi Plaza. The development will also include 6,340 square feet of retail at street level facing the Plaza and a 2,035 square-foot Mariachi Cultural Center reserved for the Organizacion de Mariachis Unidos de Los Angeles (OMULA). Additionally, across the street on Parcel B, there will be a community garden operated by the CBO and non-profit

CALO YouthBuild. The project will include parking per the requirements of the City of Los Angeles, as well as an additional 11 spaces for local businesses. Additional parking was included to meet requests from the community to address the high demand for parking for the businesses along 1st Street. The project will also include 84 bicycle spaces - 24 will be reserved for tenants, with 60 for public use.

Metro's Joint Development Program seeks to facilitate construction of affordable housing units, such that 35% of the total housing units in the Metro JD portfolio are affordable for residents earning 60% or less of the Area Median Income (AMI). This project supports that goal by bringing the total affordable units completed, in construction and/or in negotiations, to 34%. Twenty-eight of the 60 units will be reserved for families earning 50% of AMI, with 30 units reserved for transitional age youth (18-24 years old) with rents set at 30% of AMI. ELACC will secure 30 project-based Section 8 vouchers for these units. Jovenes, Inc. is a CBO and project partner and will provide supportive services for the transitional age youth. The two remaining units will be for property management and maintenance staff.

For the commercial component, it is anticipated that the property would include space for 1-2 restaurants, and 2-3 small retail shops, ranging in size from 700-1,100 square feet. These smaller retail shops would be designed to encourage and foster neighborhood--serving commercial retail. The public open space located on Parcel B will offer much needed open green space in Boyle Heights which has one of the lowest ratios of green space per resident. As a community garden, this space will offer the community access to fresh produce. The proposed operator, CALO YouthBuild, recently received a grant from the National Wildlife Federation which they intend to use for the operation of the community garden. Finally, the location of Mariachi Plaza has served as an informal gathering place for Mariachi bands. In order to help sustain and preserve the Mariachi tradition at this location, the proposal will include a space for OMULA's members to not only store their equipment and gather together, but also to conduct music classes.

Financial Offer

The Metro Joint Development Policy has a number of objectives and goals, one of which is fiscal responsibility and a fair return to Metro. The recommended project proposes a three-tiered ground lease payment structure made up of the following: Tier 1 - Capitalized Ground Lease Payment of \$20,000 per unit paid at execution of Ground Lease (\$1.2 million); Tier 2 - Base Ground Lease Payment of \$25,000 at 1st year of operations and escalating 3.5% per annum; and Tier 3 - Percentage rent at 33% of available distributable Cash Flow on an annual basis. Staff will engage a financial consultant to support ongoing financial negotiations and ultimately develop a financial term sheet during the ENA term.

The ENA

The ENA term is for 18 months, with the option to administratively extend up to 30 months. Key activities during the term of the ENA include:

- Additional community engagement for project scoping and refinement, led by the Developer and supported by Metro staff
- Beginning of the project entitlement and CEQA process
- Negotiation of a term sheet for the Joint Development Agreement and Ground Lease

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. Metro's operations staff will review and comment on the proposed development to ensure that the proposal, and in particular the uses on Parcel C, have no adverse impact on the station, portal and public-serving areas on Metro's property.

FINANCIAL IMPACT

Funding for the joint development activities related to the ENA and the proposed project is included in the FY18 budget in Cost Center 2210, Project 401018. 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 period.

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 ELACC, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses.

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 ELACC, (b) evaluate whether to enter into an ENA with the other proposer; or (c) not proceed with the project and seek new development options via a new competitive process. Staff does not recommend proceeding with these alternatives as the recommended action and proposed project reflect the vision of the community as determined through a robust community engagement process; the selected Developer is a community-based organization committed to ongoing stakeholder engagement; and the recommended Developer was selected through a thorough evaluation process. A new RFP process would delay the development of the Site.

NEXT STEPS

Upon approval of the recommended action, Metro will enter into an ENA with ELACC. The Developer, together with the joint development staff, will continue to solicit community input to refine the project. ELACC will advance project design and begin the environmental clearance and entitlement process. Metro staff, with support from a financial consultant and County Counsel, will negotiate a term sheet for a Joint Development Agreement and Ground Lease. Staff will return to the Board with the terms of a recommended Joint Development Agreement and Ground Lease at the end of the ENA negotiation period.

ATTACHMENTS


Attachment A - Site Map

Attachment B - Procurement Summary

Attachment C - Conceptual Site Plan and Renderings

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