

**Board Report**

File #: 2017-0741, **File Type:** Contract**Agenda Number:** 18.

**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 17, 2018****SUBJECT: CHAVEZ AND FICKETT JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF AN 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 Abode Communities (“Abode”) for the development of 1.56 acres of Metro-owned property at Cesar E. Chavez Avenue and Fickett Street (“Site”) in the Boyle Heights community of Los Angeles, subject to resolution of protests, if any.

ISSUE

In March 2017, Metro released a Request for Proposals for joint development of the Site (See Attachment A - Site Map.) On June 29, 2017, Metro received five proposals, and following evaluation of these proposals by the Proposal Evaluation Team, staff recommends entering into the ENA with Abode, the highest scoring firm (Attachment B, Procurement Summary, details the proposal evaluations.) During the ENA period, Abode will work with Metro staff to engage with the community regarding the project, further refine the development scope and design, seek entitlements and California Environmental Quality Act clearance for the project, negotiate the key terms and conditions of a Joint Development Agreement and a Ground Lease for the project (the “Term Sheet”), and ultimately seek Metro Board Authority to execute the Joint Development Agreement.

DISCUSSION**Background**

As part of the construction of the then-proposed Red Line Eastside Extension, numerous parcels were acquired by Metro to build stations and do construction staging along Cesar E. Chavez Avenue, including the properties at the Site. When the Red Line extension was re-scoped and realigned to 1st Street to be part of the Gold Line Eastside Extension, the Site was used for construction staging of the rail project. These uses ceased in 2010 and staff began working with a development team that was chosen to develop the Site via a competitive process. Over time the scope of the development and the make-up of the development team changed so drastically that staff terminated its pursuit of this development, and in spring 2016, reinitiated the joint development process, commencing with extensive community outreach and engagement in order to create new development guidelines for

the Site. This process led to the Chavez Fickett Development Guidelines (“Development Guidelines”), which were adopted by the Board in January 2017 and were subsequently integrated into a Request for Proposals for development of the Site issued on March 20, 2017.

Site Description

The Site is situated along Cesar E. Chavez Avenue, a historic commercial corridor dating back to the 1870s. Today, this corridor is a thriving, eclectic, major commercial thoroughfare and serves as an important shopping area for the residents of Boyle Heights. The Site is located a quarter-mile northeast and within walking distance of the Gold Line’s Soto Station. It is also served by numerous bus lines that run along the Cesar E Chavez and Soto Street corridors. The Site totals 68,000 square feet (1.56 acres) of developable land on two development parcels separated by an alley: Parcel A (42,500 square feet) and Parcel B (25,500 square feet), as indicated on Attachment A.

Through the community engagement and Development Guidelines process, the Boyle Heights community vocalized their vision for the Site and this vision was captured in the Development Guidelines. Key among the elements of the Development Guidelines was the requirement that the project be a mixed-use development with at least 40 to 60 units of affordable housing, an approximately 20,000 to 25,000 square foot community-serving grocery store, an approximately 2,000 square foot community room and a public park and recreation space. The Development Guidelines required that the affordability range for the affordable housing be between 30% and 50% of the Area Median Income, but encouraged proposals to provide units in the low and very low income restricted categories as are financially feasible.

Developer Proposal

The recommended proposal was submitted by Abode, a nonprofit social enterprise that has been involved in community development since 1968. Since its inception, the organization has developed more than 40 residential and mixed-use communities with 2,707 apartment homes impacting nearly 8,000 low-income residents. Today, Abode owns and operates 35 residential communities that are home to 6,200 low-income residents.

Abode’s proposal successfully achieves the community-driven vision for development of the Site. The project clearly meets the goals and objectives outlined in the Development Guidelines and the Request for Proposals by offering 60 units of affordable housing for families earning between 30% and 50% of the Area Median Income, a 25,000 sq. ft. community-serving grocery store, a 6,500 sq. ft. community park and associated parking. The project does not provide a community room, but will make its 2,700 square feet of meeting space available to the community for meetings. Additionally, the project’s dynamic design will bring vitality to the area, while respecting and complementing the adjacent residential community in terms of its form, shape and size. (See Attachment C - Conceptual Site Plan and Renderings.) Named Chavez Gardens, the project has two orientations - “East Gardens” to be constructed and operated on Parcel A, and “West Gardens” to be constructed and operated on Parcel B. East Gardens will consist of a 40-unit apartment building for low-income families, the community-serving grocery store and project parking. West Gardens will consist of a 20-unit apartment building, also for low-income families, together with a 6,500 sq.ft. community park and project parking. The two buildings are joined by an elevated pedestrian bridge over the alley that separates them. The project will include 69 residential bike parking spaces and 26 commercial bike parking spaces.

The residential component is a mixture of 1-, 2- and 3-bedroom apartments and includes a community room for the residents. In terms of affordability, 41 units will be reserved for families earning 50% of the Area Median Income, 6 units will be reserved for families earning 40% of the Area Median Income and 12 units will be reserved for families earning 30% of the Area Median Income. One unit will be a market-rate manager's unit. This 100% affordable project supports Metro's goal of achieving 35% affordable units on Metro-owned land, bringing the total affordable units in Metro's overall portfolio that are either completed, in construction and/or in negotiations to 34%.

The community park, located on Parcel B, is easily accessed from Mathews Street and will offer much needed open green space for Boyle Heights, which has one of the lowest ratios of green space per resident in the City of Los Angeles. Amenities will include seated areas nestled under shade structures and trees with flexible space for outdoor enrichment programs.

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 proposal contemplates the following Ground Lease payments to Metro: (a) a \$3,570,000 lump sum payment (based on a \$75 per square foot value of the Site, discounted at 30%) to be provided at execution of the Ground Lease, (b) 25% of all gross income generated by both the residential and commercial components of the project, paid on an annual basis, and (c) 20% of Abode's share of any refinancing or sale proceeds. In addition, Metro will receive a \$75,000 lump sum Holding Fee upon execution of the Joint Development Agreement, and a \$50,000 lump sum fee and a \$50,000 deposit upon execution of the ENA. The deposit will be used to cover certain Metro costs incurred in analyzing and reviewing the project. During the ENA term, staff will engage a financial consultant to support further analysis and ongoing financial negotiations with Abode regarding their financial offer.

The ENA

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

- Additional community engagement, led by Abode and closely supported by Metro staff for project scoping and refinement;
- Completion of the project entitlement and California Environmental Quality Act review processes; and
- Negotiation of the Term Sheet, which staff will present to the Board for approval.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. Metro's operations staff will review and comment on the design of the proposed development to ensure that the proposal will have no adverse impact or safety issues on any public serving areas of Metro's property or any adjacent transit stops.

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 401037. In addition, the ENA will require a non-

refundable fee of \$50,000 as well as a \$50,000 deposit to cover certain Metro staff and third-party expenses incurred during the term of the ENA.

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 Abode, 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 Abode; (b) evaluate whether to enter into an ENA with a different 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 because the recommended action and proposed project reflect the vision of the community determined through a robust community engagement process and thorough an evaluation process that produced a clear recommendation. A new Request for Proposals process would delay the development of the Site.

NEXT STEPS

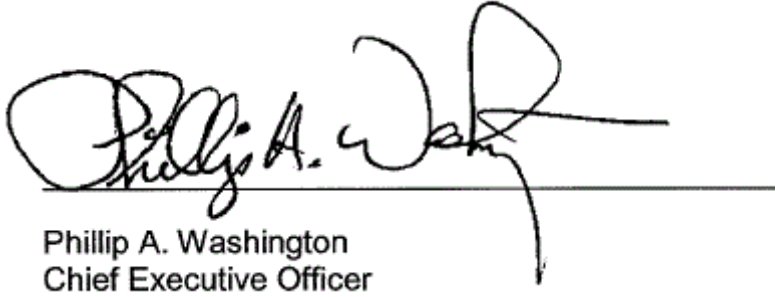
Upon approval of the recommended action, Metro will enter into an ENA with Abode, and Abode, with staff support, will continue to (i) solicit community input to refine the project, and (ii) further the project's design and complete the project's environmental clearance and entitlement processes. The parties, with support from a financial consultant and County Counsel, will also negotiate the Term Sheet and the specific terms of the Joint Development Agreement. If negotiations prove successful and the project is cleared under the California Environmental Quality Act prior to the end of the ENA term, staff will return to the Board with the Term Sheet, along with a request to authorize execution of the Joint Development Agreement and the Ground Lease in accordance therewith.

ATTACHMENTS

- Attachment A - Site Map
- Attachment B - Procurement Summary
- Attachment C - Conceptual Site Plan and Renderings

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