

**Board Report**

File #: 2018-0140, **File Type:** Agreement**Agenda Number:** 11.

REVISED
PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 19, 2018

SUBJECT: EXPO/CRENSHAW STATION JOINT DEVELOPMENT PROJECT**ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to execute an Exclusive Negotiation Agreement and Planning Document (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), for 18 months with the option to extend up to 30 months.

ISSUE

Following Metro Board of Directors (Metro Board) and County Board of Supervisors (County Board) authorization, on February 5, 2018, Metro and the County entered into a six-month Short Term Exclusive Negotiation Agreement and Planning Document (Short Term ENA) with the Developer for the Expo/Crenshaw Joint Development Project (Project). The Short Term ENA provided an interim period before executing a full term ENA so that the community could provide input on the Project and refinements could be considered. The Developer was also required to identify and enter into a letter of intent (LOI) with a community-based organization for its participation in the development of the Project.

In the Short Term ENA period, the Developer worked in good faith with Metro and County staff and performed pursuant to the requirements of the Short Term ENA, including executing a LOI with the West Angeles Community Development Corporation (WACDC).- Staff is now recommending entering into a full term ENA, which will enable the Developer to continue outreach and project scoping, advance Project design, pursue entitlements/California Environmental Quality Act clearance, and negotiate key terms of Joint Development Agreements and Ground Leases with Metro and the County.

BACKGROUND

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. On April 20, 2017,

Metro and the County received four proposals, and following evaluations, staff recommended entering into a Short Term ENA with WIP-A, LLC, a wholly-owned subsidiary of Watt Companies, a Southern California-based owner/manager/developer with over 70 years of real estate experience. The Short Term ENA was approved by the Metro Board in November 2017 and the County Board of Supervisors in January 2018 and was executed on February 5, 2018.

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 (see Attachment A - Site Map). 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.

DISCUSSION

Community-Based Partner

In March 2018, the Developer and WACDC (collectively, the “Development Team”) executed an LOI which outlines WACDC’s equity position in the Project and funds a WACDC staff position to support the Project. WACDC is a respected and established non-profit organization with strong ties to the local community. As they have done for other affordable housing projects in the Crenshaw area, WACDC will assist in outreach, marketing, and lease-up of the Project’s affordable component, and will deliver social services for the affordable housing units once the Project is operational. WACDC will also help the Developer identify opportunities for local job seekers and contractors in the construction and operation of the Project.

Community Outreach and Input

In March 2018, the Development Team and Metro staff hosted two community roundtable discussions with key Expo/Crenshaw stakeholder representatives from resident and homeowners associations, business groups, faith-based organizations, and other community-based organizations. Two larger community workshops were held in April 2018, and were promoted through the distribution of 5,000 flyers within one-half mile of the Site, e-blasts, social media, phone calls, and a Project website. Collectively, these four meetings attracted over 325 participants who engaged with the Development Team and Metro staff and provided input on the Project.

The Developer’s original proposal contemplated a total of 492 residential units dispersed over both sites, with 15% of those units restricted to households earning 50% or less of area median income (AMI). In the community meetings, many stakeholders expressed a desire for an increase in the number of affordable housing units in the Project. They also requested that the Project serve a greater range of household incomes. In response, the Developer has committed to providing a minimum of 400 total units in the Project, and 20-25% of the units will be restricted to households earning between 30-80% of AMI. Consistent with the original proposal, a minimum of 15% of the

Project's units will be restricted to households earning 50% of AMI or less (see Attachment B - Development Program Summary). During the ENA period, the Development Team will pursue affordable housing financing sources to support the additional income-restricted units. One goal of the Metro Joint Development Program is that 35% of all residential units built on Metro-owned land are affordable to households earning 60% of AMI or less. Assuming the minimum number of total units (400) and the minimum affordable housing commitment (20%) for the Expo/Crenshaw Site, 38% of the total units completed, in construction and/or in negotiations in the Joint Development portfolio would be affordable.

The Developer's proposal also includes a minimum of approximately 40,000 square feet of commercial and retail space, envisioned with a grocery store and locally-owned and -operated restaurants identified as potential tenants. In the community workshops, stakeholders shared their priorities on the types of businesses they would like to see in the Project, opportunities for activating public space around the Site, and ideas on community programming and public art in these spaces. The commercial/restaurant and community uses in the Project will be further defined during the term of the ENA.

The Developer's proposal also preserves the opportunity for an additional station entrance on the County property to facilitate efficient connections between the Crenshaw/LAX and Expo lines. Under the terms of the ENA, the Developer, Metro, and the County will continue to work together to identify strategies for realizing the additional station entrance. The Developer has also agreed to contribute \$50,000 in funding for an Expo/Crenshaw Station First/Last Mile Plan, which will identify opportunities to improve multi-modal access to the Station.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no adverse impact on safety. Metro's operations staff will continue to review and comment on the proposed development to ensure that the Project will have no adverse impact on the station, portal and public areas on Metro's property. 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 and transfers between the Crenshaw/LAX and Expo lines.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the proposed Project is included in the FY19 budget in Cost Center 2210, Project 401045. In addition, the ENA will require a non-refundable fee of \$25,000 as well as a \$50,000 deposit to cover third party expenses during the negotiation, to be provided 90 to 150 days after the ENA execution.

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 the Developer, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact FY 2019 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) not enter into an ENA with the Developer, or (b) ~~continue communications regarding refinement of the Project with the Developer by extending the existing Short Term ENA,~~ or (c) not proceed with the proposed Project and seek new development options via a new competitive process. 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. The Short Term ENA will expired on August 5, 2018. 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 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 ENA will be executed. The Development Team, together with Metro and County staff, will continue to solicit community input to refine the Project. The Developer will advance Project design, begin the environmental clearance and entitlement process, and will pursue and begin to assemble financing for the Project including affordable housing resources. The Ground Lease terms under the initial proposal will likely be revised in order to accommodate the revised Project scope. 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

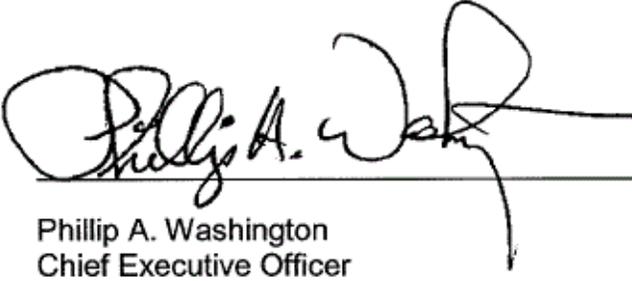
Attachment B - Development Program Summary

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