



Board Report

File #: 2020-0184, **File Type:** Agreement**Agenda Number:** 40.

**REGULAR BOARD MEETING
APRIL 23, 2020****SUBJECT: 103RD ST/WATTS TOWERS STATION JOINT DEVELOPMENT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (“CEO”) to execute an Exclusive Negotiation Agreement and Planning Document (“ENA”) with Watts Station LP, a California limited partnership, for the development of 3.67 acres of Metro-owned property at the 103rd St/Watts Towers Station (“Site”) for 18 months with the option to extend up to 30 months.

ISSUE

Staff have completed evaluation of an Unsolicited Joint Development Proposal (“Conceptual Proposal”) for the Site and, having determined that it would advance Joint Development policy goals, are recommending pursuing the proposal under an ENA. The proposal offers construction of a 100% affordable housing development on Metro-owned land, including 83 units at or below 60% Area Median Income (“AMI”) for seniors, families and artists. The Site is part of a larger proposed development that will offer an additional 130 affordable housing units on adjacent property, renovation of the historic Watts Train Station, neighborhood-serving retail and pedestrian-friendly design that will activate the station area and support transit ridership.

BACKGROUND

On June 28, 2018, Metro received a Conceptual Proposal from Watts Station LP, a partnership formed by Thomas Saffron & Associates Development Inc. and Housing Corporation of America, a 501(c)3 non-profit (“Proposer”). An evaluation committee made up of Metro staff from Joint Development, Operations, and Rail Engineering reviewed the Conceptual Proposal and, after receiving CEO approval in February 2019 to proceed, invited the Proposer to submit a Phase 2 proposal (“Detailed Proposal”). In September 2019, after several phases of detailed evaluation, the evaluation committee recommended advancement of the proposal. On November 12, 2019, as per Federal Transit Administration requirements, Metro published its interest in the joint development of the Site for a 30-day period, however, no other proposals were received.

DISCUSSION

The proposed project includes the redevelopment of 3.67 acres of Metro-owned property at the 103rd St/Watts Towers Station (“Station”) along the A Line (see Attachment A). The Proposer has acquired the surrounding parcels formerly owned by the Community Redevelopment Agency of Los Angeles for the development of affordable housing and other community-serving uses. As the Proposer has acquired the surrounding parcels, the Metro-owned property would accommodate additional affordable housing and open space for a total project site of eight acres. The total project would include 213 affordable units, a multi-purpose community center, and renovation of the historic Watts Train Station to include retail with seating for customers and Metro patrons (see Attachment B - Project Rendering).

The proposal for the Metro portion of the site includes:

- 83 units of affordable housing
- Design that seeks to maintain and accentuate visibility of the Watts Towers
- “Watts Art Walk”: a series of art-focused open space, landscape and streetscapes linking the Station to the Watts Towers
- “Watts Gateway”: improvement of open space and added streetscape around the existing pedestrian bridge
- Integration into larger project with a mix of affordable housing for seniors, families and formerly homeless as well as open space and community space

Findings

In accordance with the Joint Development Unsolicited Proposal Policy, the evaluation committee conducted a comprehensive evaluation of the Phase 2 Proposal. The committee made the following conclusions:

- The proposed project prioritizes development of transit-adjacent affordable housing to assist in meeting the Joint Development portfolio-wide goal of 35% affordable housing; and
- The developer has extensive experience in affordable housing development and controls adjacent property which makes possible the development of this otherwise challenging site.

The proposal offers several potential benefits to Metro including: additional affordable housing adjacent to transit, increased transit ridership, reduced congestion through transit-oriented development, and residential and community spaces integrated into the project that would allow for activation of the Station area. The proposal also presents an opportunity to improve a Metro-owned parcel that would be difficult to develop without the inclusion of adjacent property controlled by the Proposer. Additionally, the redevelopment of the station area, including the adjacent property formerly owned by the Community Redevelopment Agency of Los Angeles, has been long anticipated. Metro’s participation would support broader community development goals along the A Line where Metro does not generally own many properties.

Equity Platform

Partnering to build a transit-oriented development with affordable housing falls into Pillar III-Focus and Deliver, of the Equity Platform by supporting affordable housing in an Equity Focused Community (as defined and approved by the Board in the Long-Range Transportation Plan update).

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 will have no adverse impact on the Station and Metro operations. In addition, the eventual implementation of this Joint Development project will offer opportunities to improve safety for transit riders through better pedestrian, bicycle and mobility connections.

FINANCIAL IMPACT

Adoption of the ENA would have no significant financial impact to the agency.

Impact to Budget

Funding for the Joint Development activities related to the ENA and the proposed project is included in the FY20 budget in Cost Center 2210, Project 401053. The ENA will require the developer to pay a non-refundable fee of \$50,000, due upon execution of the ENA, as well as a \$50,000 deposit to cover certain Metro staff costs and third-party expenses during the negotiation period.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The proposed project allows for a development that is in line with Goal 3 of the Strategic Plan, enhancing communities and lives through mobility and access to opportunity. The addition of affordable housing and community spaces adjacent to transit will increase ridership and activate the station area enhancing the community and the lives of community members through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to seek new development options via a competitive process. Staff does not recommend proceeding with this alternative as the selected Proposer is an experienced affordable housing developer committed to ongoing stakeholder engagement and controls adjacent property which will make the development of this otherwise challenging site possible. A new competitive process would delay the development of the Site. Further, any proposals received would not include the adjacent land required for feasible mixed-use development of this scale and the Site would be difficult to develop on its own due to its irregular shape. Finally, the proposed project offers 213 units of affordable housing, of which 83 are proposed on Metro's property supporting Metro's affordable housing goals.

NEXT STEPS

Upon Board approval of the recommended action, staff will execute the 18-month ENA, and Metro staff and Proposer will commence preliminary negotiations in parallel with community outreach to engage stakeholders in a dialog about the development proposal. Metro staff, with support from a financial consultant and County Counsel, will negotiate a term sheet for a Joint Development Agreement and Ground Lease to be presented to the Board for consideration prior to the conclusion of the ENA negotiation period.

Metro staff is reviewing the unsolicited proposal process as it relates to joint development projects.

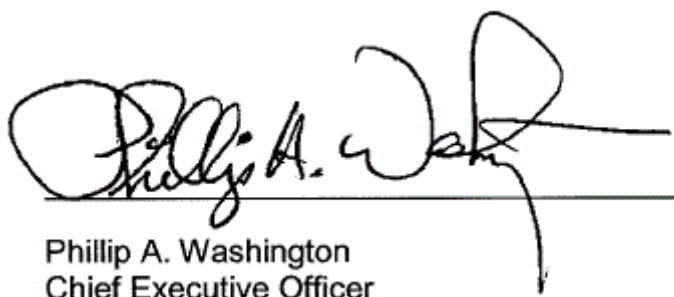
ATTACHMENTS

Attachment A - Project Location and Ownership

Attachment B - Project Rendering

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