

**Board Report**

File #: 2020-0213, **File Type:** Informational Report**Agenda Number:** 15.

**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 18, 2020****SUBJECT: LITTLE TOKYO/ARTS DISTRICT STATION JOINT DEVELOPMENT****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE an update on Little Tokyo/Arts District Station Joint Development efforts.

ISSUE

In August 2018, Metro released a Request for Interest/Qualifications (RFI/Q) for the development of the Metro-owned Regional Connector Little Tokyo/Arts District Station Site (see Attachment A - Site Map). In June 2019, Metro released a Request for Proposals (RFP) to the four short-listed developers. After thorough evaluation by a Proposal Evaluation Team (PET), staff recommended entering into an Exclusive Negotiation Agreement (ENA) with Innovative Housing Opportunities, Inc. (IHO), the highest-scoring firm. The Metro Board of Directors (Board) was initially scheduled to consider this ENA recommendation at the March 2020 Board meeting, but the meeting was cancelled due to COVID-19. After reviewing the Board report, members of the Little Tokyo community expressed opposition to the ENA recommendation. At the request of the community and with mutual support of the development team, the ENA recommendation was again postponed in order to conduct extensive community outreach. Over the last eight months Metro, IHO and stakeholders from Little Tokyo have had numerous meetings but were ultimately unable to agree upon a path forward that aligns the community and Metro's vision, and the physical and financial constraints of the Little Tokyo/Arts District Station Site (Site).

The purpose of this Receive and File report is to provide the Board with the background as to why staff is not proceeding with a recommendation to enter into an ENA for this Site at this time.

BACKGROUND

The Site is approximately 1.2 acres but has only approximately 30,000 square feet of developable area due to transit infrastructure constraints. While ideally situated to be both a regional transportation hub and gateway to the culturally rich surrounding communities, its small size and physical constraints make it challenging to develop. Given the Site's unique opportunities and challenges and the extensive community visioning and planning already completed in the Little Tokyo and Arts District neighborhoods, staff worked with stakeholders from both communities and a team of

consultants to prepare an “Opportunity Overview” that built upon the existing community-driven visioning documents and planning efforts. The team analyzed relevant regulatory plans and policies, identified the real estate development opportunities and developable areas around Metro’s transit infrastructure, and conducted outreach to better understand community priorities for the Site.

Community Outreach

Metro and the consultant team hosted a total of four roundtables in January and March 2018: two with Little Tokyo stakeholders and two with Arts District community leaders. Metro Regional Connector Construction/Community Relations staff assisted in identifying key Little Tokyo and Arts District leaders to include in these small-group discussions. Staff circulated a public survey from February to March 2018 which drew over 600 responses, and in May 2018 hosted an interactive booth at the Regional Connector “Halfway There!” celebration. From this engagement process, the following community goals for the Site emerged:

- Create a safe, vibrant, transit-supportive project;
- Provide community-oriented uses and programming;
- Integrate community preferences for design and character;
- Support existing local businesses and draw new visitors to the area; and
- Incorporate strategies for environmental and financial sustainability.

To confirm that community priorities were accurately captured, Metro staff made available a draft of the Opportunity Overview on Metro’s website and accepted public comments from July to August 2018 before it was finalized.

To generate interest in the development of the Site and to promote the RFI/Q, Metro staff hosted a “Building Partnerships” networking event in June 2018, which attracted over 100 participants representing real estate developers, architecture/design firms, service providers, community-based organizations, general contractors and subcontractors, cultural/arts organizations, and small businesses. The event aimed to introduce potential project proposers to one another, encourage local partnerships and small business participation, and ultimately facilitate collaborations that could result in innovative proposals. Metro partnered with the Asian Pacific Islander Small Business Program, Little Tokyo Business Improvement District, and the Regional Connector Community Leadership Council Little Tokyo/Arts District Station Area Committee to promote the event.

Developer Selection

Staff followed a two-step procurement process and released an RFI/Q in August 2018. After evaluating the eight responses received, Metro invited four qualified developers to respond to an RFP in June 2019. In response to community concerns regarding transparency in the selection process, staff piloted a new approach that allowed stakeholders the opportunity to interact with each developer under consideration by Metro by organizing an “Open House” in October 2019. The Open House was widely promoted via email, social media and flyers, and through in-person announcements at community group meetings and events in both Little Tokyo and the Arts District. The Open House provided an opportunity for attendees to meet the four development teams, listen to presentations regarding each developer’s vision, ask questions and provide feedback. The event attracted over 200 attendees. To allow stakeholders who were not able to attend the Open House but wanted to share their thoughts, staff also accepted online comments from October to November

2019. All comments received at the Open House and via Metro's website were distributed to the proposers. Prior to final scoring, the proposers were required to submit a community outreach plan and narrative responding to comments and concerns (if any) received from the public at the Open House and through Metro's website.

The PET included two staff members from Metro's Transit Oriented Communities (TOC) unit with real estate development experience and extensive knowledge of Metro's Joint Development and TOC policy goals; one staff member from the City of Los Angeles, Department of City Planning with extensive knowledge of City zoning regulations for the Site area; one urban design professional experienced in a range of development types; and one non-profit organization professional with experience in community-based planning and equitable transit-oriented development. In selecting PET members, Metro required that all members have current or recent experience working with stakeholders in the Little Tokyo and/or Arts District communities. Metro also strived to have a variety of opinions and areas of expertise represented on the PET.

After completing PET evaluations, the proposal submitted by IHO, a California non-profit public benefit organization, in partnership with Western Pacific Housing, LLC (WPH) received the highest score. IHO's proposal included:

- Approximately 78 residential units, including approximately
 - 40 affordable units at 30-50% area median income (AMI), 21 of those for transition age youth (TAY)
 - 30 affordable units at 80% AMI
 - 7 live/work for artists at 120% AMI
 - 1 manager unit
- Approximately 10,000 square feet of ground floor commercial space with space set aside for Little Tokyo legacy businesses at a discounted rate.
- Dedicated community space.
- Activation of the Metro plaza with cultural programming and events such as farmers markets, movie nights, kiosks, etc.
- 18 automobile parking spaces; transit supportive amenities such as wayfinding and space for car-share, micro-mobility devices and/or a bike hub.
- Transit passes for residents living in the 30-50% AMI units for their first 18 months of occupancy.
- 65-year ground lease term.
- A one-time capitalized payment and annual ground lease payments equivalent to approximately \$600,000.

DISCUSSION

At the request of Little Tokyo community stakeholders, Metro postponed Board consideration of the ENA in order to allow for additional time to discuss and address concerns. Both Metro and IHO have taken these concerns seriously and over the past eight months have convened or participated in over 20 meetings with Little Tokyo stakeholders to understand their concerns about the selection process and the proposed project. Through the summer months Metro facilitated meetings with IHO, their development partner WPH, Supervisor Solis' office, Mayor Garcetti's office and representatives from

the Little Tokyo Community Council (LTCC), Little Tokyo Business Association (LTBA) and Sustainable Little Tokyo. Established in 1999, LTCC is the nonprofit community coalition of residents, businesses, and religious, cultural, and community organizations as well as other vested stakeholders in the Little Tokyo community. Founded in 1959, LTBA is a 501(c)(4) nonprofit organization dedicated to the growth and development of Little Tokyo's 400 businesses. Sustainable Little Tokyo is a community-driven initiative working to ensure a healthy, equitable, and culturally rich Little Tokyo.

Despite efforts to reach consensus and advance the project, in August 2020 LTBA indicated they would like Metro to restart the selection process. At their October 27, 2020 meeting, LTCC passed a motion stating LTCC does not approve the IHO recommendation and requested that Metro restart the JD selection process.

Key concerns expressed by some Little Tokyo stakeholders included:

- a) *Evaluation/selection process*: LTCC raised concerns about the scoring and evaluation criteria, specifically the financial feasibility information accounting for 40% of the total score. In 2018 outreach, stakeholders emphasized the importance of the future JD project being financially sustainable to ensure it is well-maintained and successful in the long term. Once the proposers passed the initial threshold review at the RFI/Q stage, Metro staff felt it was critical to weigh the financial information heavily in the RFP stage to help ensure ongoing financial feasibility of the selected project.
- b) *Development team composition*: Community leaders expressed concerns that the recommended developer is not based in Little Tokyo nor have they completed similar projects in the immediate area. As part of its evaluation process, the PET noted that IHO and their team members have limited experience working with Little Tokyo and Arts District stakeholders, and as such, staff proposed an ENA requirement that IHO add a community-based organization (CBO) to the project team. Many of the meetings over the last several months attempted to define exactly what the role of the CBO would be, and which local entity would be interested in joining the development team. Despite these extensive conversations and multiple efforts by IHO to incorporate a local organization to their team, there was no resolution on this issue.
- c) *Affordable housing*: Some community members asserted that Metro discouraged potential proposers from submitting affordable housing concepts and/or that affordable housing was not the preferred use for the Site. In public meetings held in 2018-2019 Metro staff stated that there are physical constraints that may limit what can be developed on the Site. When a question regarding the viability of housing was asked at the September 26, 2018 pre-proposal conference, Metro staff stated that they did not specifically test the viability of any particular use on the Site. Of the four shortlisted firms, IHO was the only proposer to include affordable housing in their submittal.

As detailed in the Opportunity Overview, in a survey circulated in March 2018 which received nearly 600 responses, respondents ranked affordable housing as a top priority for the Site. Metro staff also hosted an interactive booth in May 2018 at the Regional Connector's "Half-

Way There!” celebration. Housing was among the top four responses at that event. Furthermore, the Metro JD Policy includes the objective that collectively among all properties in Metro’s JD portfolio, 35% of all housing units built on Metro-owned property are affordable to households earning 60% or less of AMI.

- d) *Project design*: Some community stakeholders stated a preference for one to two story developments much like the Japanese Village Plaza across the street or Honda Plaza one block to the south of the Site. Several factors were considered in the evaluation of the proposals, design being one of the categories. Metro’s evaluation process found that the IHO proposal effectively balanced some of the City of Los Angeles Little Tokyo Community Design Overlay principles with development density appropriate for a site well-served by transit.
- e) *Ground floor space*: Little Tokyo stakeholders requested that the IHO proposal include additional discounted commercial and cultural/community uses in the ground floor of the project. While specifics of the commercial space are a project component typically addressed in the ENA period, IHO offered various scenarios for reduced ground floor commercial rents and no-cost cultural flex space. After extensive discussion, this concern was not resolved.
- f) *Parking*: IHO’s proposal included 18 parking spaces and multimodal transportation amenities. Some community members felt strongly that 18 parking spaces was insufficient. Metro’s parking studies over the last three years have found that overall, there is more than adequate supply in the area to respond to peak parking demand. Metro generally encourages minimizing parking near transit as a best practice for transit supportive planning and development.

Ideally, JD projects coalesce around a vision shared by the local community, Metro and the developer that can be delivered within the physical and financial constraints of a site. While staff believed IHO’s proposed project advanced Metro Board goals, and that their efforts over these last eight months have demonstrated a commitment to authentic and comprehensive community engagement, unfortunately, alignment of all the goals necessary for a project to be successful has not been achieved. This difficult decision does not come without deep appreciation for the time and effort that was expended by IHO, Little Tokyo stakeholders, and Metro.

Equity Platform

Consistent with the Equity Platform pillar “listen and learn,” JD staff undertook a lengthy community engagement process beginning with the creation of the Opportunity Overview which set the vision for this publicly-owned property. Once a developer is eventually selected for the Site, Metro will form an advisory committee made up of Little Tokyo and Arts District representatives including but not limited to residential and commercial renters and property owners, design professionals, community organizations, small business owners, artists and youth. During the last eight months, staff has listened to the Little Tokyo community’s concerns and convened and participated in a healthy and respectful dialogue.

DETERMINATION OF SAFETY IMPACT

This Receive and File report will have no impact on safety.

FINANCIAL IMPACT

There is no financial impact associated with this Receive and File report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The future development of the Site will support 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.”

NEXT STEPS

Pursuing joint development of this Site is a required mitigation measure for the Regional Connector Transit Project. Metro is committed to developing a project on this Site that will meet Metro and the community’s vision but does not feel that continuing with the current RFP process or repeating the same process will attain that result.

Metro is in the process of updating its JD policy and process which will be introduced to the Board in January with public comment and discussion throughout early 2021. The tradeoffs inherent in JD projects, many of which have been highlighted here, will be a key part of that discussion.

Metro staff is also evaluating how Assembly Bill No. 1486 (signed October 2019), which requires prioritization of affordable housing on publicly-owned land, might impact future procurements for this Site. Given the Site’s constraints, Metro will also revisit potential opportunities and partnerships that might make the Metro Site more viable. Staff anticipates returning to the Board in the second half of 2021 with recommendations on how to proceed with joint development of this Site.

ATTACHMENTS

Attachment A - Site Map

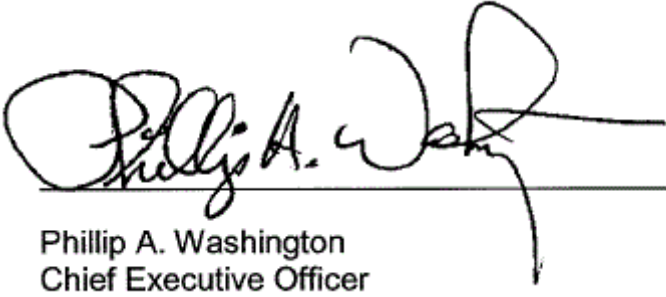
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