

**Board Report**

File #: 2020-0778, **File Type:** Agreement**Agenda Number:** 14.

**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2021****SUBJECT: CESAR E. CHAVEZ & SOTO JOINT DEVELOPMENT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute an amendment to an existing Joint Development Agreement (“JDA”) with La Veranda, L.P. (“Developer”), an affiliate of Abode Communities, that will extend the term of the JDA for twelve (12) months to January 31, 2022.

ISSUE

Metro and the Developer are parties to the JDA, which provides for the development of a mixed-use project that includes income-restricted affordable housing and commercial space on Metro-owned property situated near the corner of Cesar E. Chavez Avenue and Soto Street in the community of Boyle Heights. The JDA is set to expire on January 31, 2021 and an amendment to the JDA is needed to extend its term. The extended term will provide the time necessary to complete predevelopment activities for the project and satisfy the JDA’s conditions precedent to execution of a ground lease.

DISCUSSION**Background**

Metro and the Developer executed the JDA in January 2018 in accordance with Board authorization in December 2017. Prior to execution of the JDA, Metro and the Developer were parties to an Exclusive Negotiation Agreement and Planning Document (“ENA”) which allowed the parties to explore the feasibility of the project and conduct developer-led community engagement. Under the JDA, the Developer has secured funding commitments from all public financing sources needed to construct the project, including an allocation of Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee. They have also advanced the project’s design to near completion and have received all needed entitlements from the City of Los Angeles, as well as project clearance under the California Environmental Quality Act.

Among other things, the requested extension will provide the time necessary for the Developer to work with third parties to satisfy two key conditions to ground lease execution: (1) obtaining final

building permit approvals from the City of Los Angeles and (2) securing private sector financing commitments necessary to construct and operate the project. The Developer is now in the process of securing the needed private sector financing which includes construction loan and tax credit equity commitments from the banking community. They are also satisfying City of Los Angeles entitlement-related contingencies for building permit issuance and finalizing the project's design. In addition, Metro and the Developer are finalizing the ground lease for the project, the form of which will be in accordance with the authority provided by the Board in December 2017. Staff anticipates that the activities described in this paragraph will be completed by March 2021, placing the parties in a position to execute the ground lease. Nevertheless, staff is requesting a one-year extension of the JDA just in case unforeseen circumstances result in delay.

Site Overview

The development site totals approximately 1.96 acres of Metro-owned property bounded by Cesar E. Chavez Avenue to the north, Soto Street to the west, Mathews Street to the east, and a residential neighborhood to the south (see Attachment A - Site Map). The Metro L Line (Gold) Soto station is located about one-quarter mile south of the site. This property was originally purchased for extension of the Metro Red/Purple Line subway into Boyle Heights, but with the construction of the Metro L Line's Eastside Extension, it was no longer needed for this purpose.

Project Description

The project, known as La Veranda, contemplates 76 income-restricted affordable apartments, one unrestricted property manager's apartment, approximately 8,000 square feet of commercial space, and associated parking. The proposed apartments will provide two- and three-bedroom units. Thirty-eight of the project's income-restricted affordable apartments are planned for homeless families earning up to 30% of the Area Median Income. The other thirty-eight income-restricted affordable apartments are slated for families earning between 30% and 50% of the Area Median Income.

Outreach

The recommended actions follow extensive project-related outreach by Metro and the Developer. This effort started under a Short Term ENA which was executed by the parties in March 2015 for the sole purpose of conducting project-specific community outreach. Outreach continued throughout the term of the full ENA which was executed in December 2015. Collectively, these efforts resulted in approvals from the Boyle Heights Neighborhood Council ("BHNC") Planning and Land Use Committee ("PLUC") and the BHNC in October 2015, and approval of the project design by Metro's Boyle Heights Design Review Advisory Committee ("DRAC") in June 2016. Outreach also resulted in the Developer agreeing to deepen the project's affordability levels in exchange for Metro's agreement to provide a larger ground lease rent discount. This agreement was approved by the Board in December 2017. Dialogue with the community via the BHNC PLUC continues (Developer presentations occurred in July and September 2020) and updates to the DRAC and the full BHNC are expected in early 2021.

EQUITY PLATFORM

Consistent with the Equity Platform pillar "listen and learn," the project has undergone a robust community engagement process as noted above. In addition, the project provides an opportunity to "focus and deliver" by adding much needed transit-accessible, income-restricted affordable housing

stock to the community, along with commercial space along a main commercial corridor.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety as it only seeks an amendment of the JDA to extend its term. Appropriate construction oversight will be included under the ground lease for the project as part of any construction work to ensure that such work does not adversely impact Metro property, improvements or service, or the continued safety of Metro staff, contractors and the public.

FINANCIAL IMPACT

Funding for joint development activities related to the project is included in the adopted FY21 budget under Cost Center 2210, Project 401003. Metro costs related to the proposed project that are not reimbursed by the Developer will be funded from General Funds, which are eligible for bus and rail operating and capital expenses.

Impact to Budget

There is no impact to the adopted FY21 budget, which includes the cost to negotiate the JDA amendment, ground lease and other project-related documents, review the design and support outreach efforts. No new capital investment or operating expenses are anticipated to implement the project, and revenues from a developer deposit offset certain staff and project-related professional services costs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended action supports the Strategic Plan Goal to “enhance communities and lives through mobility and access to opportunity.” By advancing the project, which includes delivery of critical transit-accessible, income-restricted affordable housing to the Boyle Heights community, as well as commercial space along a main commercial corridor, the recommended action will specifically implement 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.”

ALTERNATIVES CONSIDERED

The Board could choose not to authorize the JDA amendment, in which case the JDA would expire on January 31, 2021. At that time, staff would stop working with the the Developer to develop the project. Metro could then choose to solicit new proposals for development of the site from the development community. Staff does not recommend this alternative as proceeding with the proposed project is the quickest and surest way to bring much needed transit-accessible, income-restricted affordable housing to the community, as well as commercial space along a main commercial corridor, each of which is in alignment with Metro’s Strategic Plan and Equity Platform. The Developer’s longstanding commitment to this project, including its financial investment to date, provides further reason not to choose this alternative.

NEXT STEPS

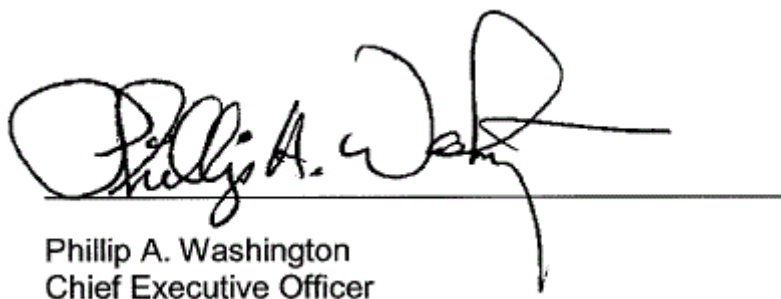
Upon approval of the recommended action, Metro and the Developer will execute an amendment to the JDA, extending the JDA term in accordance with the recommended action. Under the extended JDA, the Developer will continue working to (a) secure all financing for the project, including a construction loan and tax credit equity, (b) satisfy City of Los Angeles entitlement-related contingencies for building permit issuance, and (c) secure a building permit. In addition, design refinements will be finalized, concluding in a Metro-approved set of construction drawings. Developer-led community engagement will continue with project updates to the BHNC PLUC, BHNC and the DRAC. Ultimately, the parties anticipate execution of a ground lease in March 2021 in accordance with the Board's December 2017 authority. Construction of the project is expected to commence promptly thereafter and should be completed two years hence.

ATTACHMENTS

Attachment A - Site Map

Prepared by: Greg Angelo, Senior Director, Countywide Planning & Development, (213) 922-3815
Nick Saponara, Executive Officer, Transit Oriented Communities, (213) 922-4313
Holly Rockwell, SEO, Real Estate, Transit Oriented Communities, Transportation
Demand Management (213) 922-5585

Reviewed by: Jim de la Loza, Chief Planning Officer, (213) 922-2920



Phillip A. Washington
Chief Executive Officer