



**Metro**

**REVISED  
PLANNING AND PROGRAMMING COMMITTEE  
JUNE 18, 2008**

**SUBJECT: METRO ORANGE LINE SEPULVEDA STATION JOINT DEVELOPMENT**

**ACTION: EXECUTE AN EXCLUSIVE NEGOTIATION AGREEMENT TO DEVELOP  
PROPERTY ADJACENT TO SEPULVEDA STATION**

**RECOMMENDATION**

Authorize the Chief Executive Officer to enter into an Exclusive Negotiations Agreement (ENA) with JPI West to develop a residential project (as described in Attachments A and B) on the Metro Orange Line Sepulveda Station park-and-ride site. JPI West was selected as the most qualified in response to a Request for Proposals (RFP) issued on October 8, 2007.

**ISSUE**

We own a 12.45 acre parcel adjacent to the Sepulveda Station which is currently used as a park-and-ride lot for Metro Orange Line patrons. (Attachment C) Current transit parking demand is less than ten percent of the 1,200-space park-and-ride. A highest and best use study of the site conducted by The Maxima Group for us in 2005 indicated the feasibility of residential use as well as destination "big box" retail use. (Attachment D) In July 2007, our Board adopted conceptual development guidelines for inclusion in the RFP.

**POLICY IMPLICATIONS**

The recommended action is consistent with our Joint Development Policies and Procedures.

**OPTIONS**

The Board could choose not to proceed with the developer selection. Staff is not recommending this because we will lose both development and revenue opportunities.

**FINANCIAL IMPACTS**

The recommended action will not impact FY '08 budget. Revenues are anticipated from this project beginning negotiations through the entire negotiated lease period.

## **DISCUSSION**

### **RFP Process**

We issued a Request for Proposals (RFP) for the development of the Orange Line Sepulveda Station park-and-ride on October 8, 2007 with a due date of January 10, 2008. Each proposer was required to submit a narrative and graphic description of a development project that meets or exceeds the objectives and guidelines included in the Board-approved conceptual guidelines for the development of our Sepulveda property, a project team, a financial proposal that represents its best offer for a long-term ground lease and an implementation plan.

Seven development firms submitted proposals and all met our qualifying criteria. These firms are:

1. CityView/Trammel Crow
2. Fairfield Residential Development
3. Goldrich & Kest
4. JPI West
5. Lee Homes/CIM
6. Niemann/McCormack Barron and Salazar
7. Raintree/EQR/Delia

Attachment E summarizes the proposers' development proposals.

### **The Evaluation Process**

Interviews and evaluation of all proposals were conducted by a four-member, multi-disciplinary panel that included Los Angeles County Metropolitan Transportation Authority staff, financial consultant Patricia Flynn of The Maxima Group, design and planning consultant Marc Futterman of Futterman & Associates, and real estate development counsel Richard S. Volpert of Munger, Tolles & Olson.

Each proposing firm was evaluated based on the following criteria:

1. **Proposed Development Project:** Each proposal was reviewed for its responsiveness to the conceptual development guidelines included in the RFP, the quality of the project and urban design concept and how well it integrates with transportation and adjacent uses, consistency of the concept description with the drawings submitted, and its support of sustainability elements that closely conform to the U.S. LEED silver rating.
2. **Experience and Qualification of Development Team:** This examined the qualifications and experience of both the proposing firms and the development team identified for this project.
3. **Financial Proposal:** Each proposal was evaluated on the financial strength of the firm or participating partner-firms, the soundness of its financial plan and the value of its financial offer to us. The Panel evaluated each firm's submitted financial information, its funding structure and the likelihood of indicated funding sources. In assessing each firm's financial offer, the Panel considered the soundness of

assumptions underlying project mix, revenues, costs, rates and development schedules, compared net present values of revenue streams during the base lease period and the ability of the project to generate enough revenues to cover expenses and loan payments.

4. Implementation Plan/Strategy: This examined the consistency of the proposed development plan with the proposed project, mitigations proposed to address impacts on Erwin Street, the Victory Park neighborhood, and its ability to meet market requirements.
5. Project Implementation Likelihood: This reviewed each firm's overall track record to evaluate its ability to complete the project under varying market conditions.

### **Recommended Developer**

JPI West was unanimously ranked first by the Evaluation Panel and had a significant lead overall for the following reasons:

1. JPI West submitted a development project that was well thought out and planned and incorporated requirements contained in the RFP in a sound, efficient and superior design.
2. The JPI Project Team is well balanced and qualified and its members have worked together on other JPI projects. It has extensive development and management experience, in addition to highly experienced entitlement and architectural team members.
3. JPI's financial offer to us represents the highest financial value among those offered by all proposers, with a good combination of minimum and percentage rents based on reasonable and achievable assumptions. It does not require subsidies from us or any public entity and does not rely on a public funding source. Additionally, its financial submittals show a strong balance sheet and indicate good capitalization. It proposes a traditional funding structure with a 75:25 loan-to-equity ratio.
4. JPI West presented a development plan that is consistent with its proposed project, financial proposal and market conditions. It also included mitigations that appropriately addressed Victory Park neighborhood concerns along Erwin Street.
5. This firm has a long and good development track record in various parts of the country and in the City of Los Angeles.

### **Proposed Development Project**

JPI West proposed a 560-unit for-rent multifamily residential project that includes 20 town homes along Erwin Street and 10 live-work units on the southeastern side of the site. Retail use is proposed on the ground floor of two five-story residential buildings adjacent to the station. JPI's proposal includes construction of 103 spaces at its cost on approximately one acre on the southwest corner of the site for Metro Orange Line riders. However, we need to consider building a parking structure as part of the joint development to accommodate more than 103 spaces. (Attachments F)

JPI anticipates completion of the project in a single phase within 42 months from the execution of the Joint Development and Lease agreements and full lease-up in 24 months.

## Financial Offer

JPI's financial offer includes a base rent of \$1,500,000 a year at project stabilization, in addition to an option payment of \$400,000 a year with a cap of \$1,000,000, a holding rent of \$750,000 a year, a leasing period rent at \$1,000,000 a year until 95% occupancy, annual percentage rents from 5-10%, and 10 % of proceeds from sale after equity preferences. (Attachment G)

## Selected Developer Team Membership

The development team includes:

- Developer: JPI West
- Architects: Togawa Smith Martin Residential/AC Martin Partners, Inc.
- Land Use Consultant: Craig Lawson & Co., LLC
- Legal Counsel: Gibson, Dunn & Crutcher
- Public Relations: Marathon Communications
- Civil: Diamond West Engineering, Inc.

Attachment H includes a description of the financial evaluation methodology while Attachment I summarizes RFP objectives, development guidelines and requirements.

## Metro Transit Parking

**In conjunction with the proposed joint development project, we will evaluate the following transit parking options:**

- 1. Reserve three acres for a surface parking lot and build a structure later. This is the option we included in the RFP. While this is consistent with the current low parking utilization, building a structure later when demand has built up would leave no adequate on-site opportunities for interim transit parking and no currently identifiable adjacent or accessible sites for that purpose. Funding for a parking structure later might also become scarce.**
- 2. As part of the joint development project, build a parking structure with a capacity of up to 400 spaces on three stories but designed to accommodate two additional floors, and reserve an acre or more for additional parking to meet future demand. The two parcels can be contiguous or separate but will be located close to the station. This tiered/phased parking development option will yield up to 1,200 spaces at full build-out and allow us flexibility to accommodate future demand. In addition, the construction of the first parking structure allows us to take advantage of the cost efficiencies that a private joint development partner can provide.**

**The proposers' rankings are not affected by either parking development option. We are not pursuing the option of replacing the parking lot's full capacity in a structure in conjunction with the joint development construction because current utilization is under 100 spaces.**

## **NEXT STEPS**

Staff will negotiate terms and conditions with the selected firm and return to the Board for a request to enter into a Joint Development Agreement and Land Lease.

## **ATTACHMENTS**

- ATTACHMENT A: Project Description
- ATTACHMENT B: Site Plan
- ATTACHMENT C: Metro Orange Line Station
- ATTACHMENT D: Site Context
- ATTACHMENT E: Summary of Proposers' Development Proposals
- ATTACHMENT F: Project Summary
- ATTACHMENT G: Financial Offer
- ATTACHMENT H: Financial Evaluation Methodology
- ATTACHMENT I: Summary of RFP Objectives, Guidelines and Requirements



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Roger S. Moliere  
Chief, Real Property Management and Development



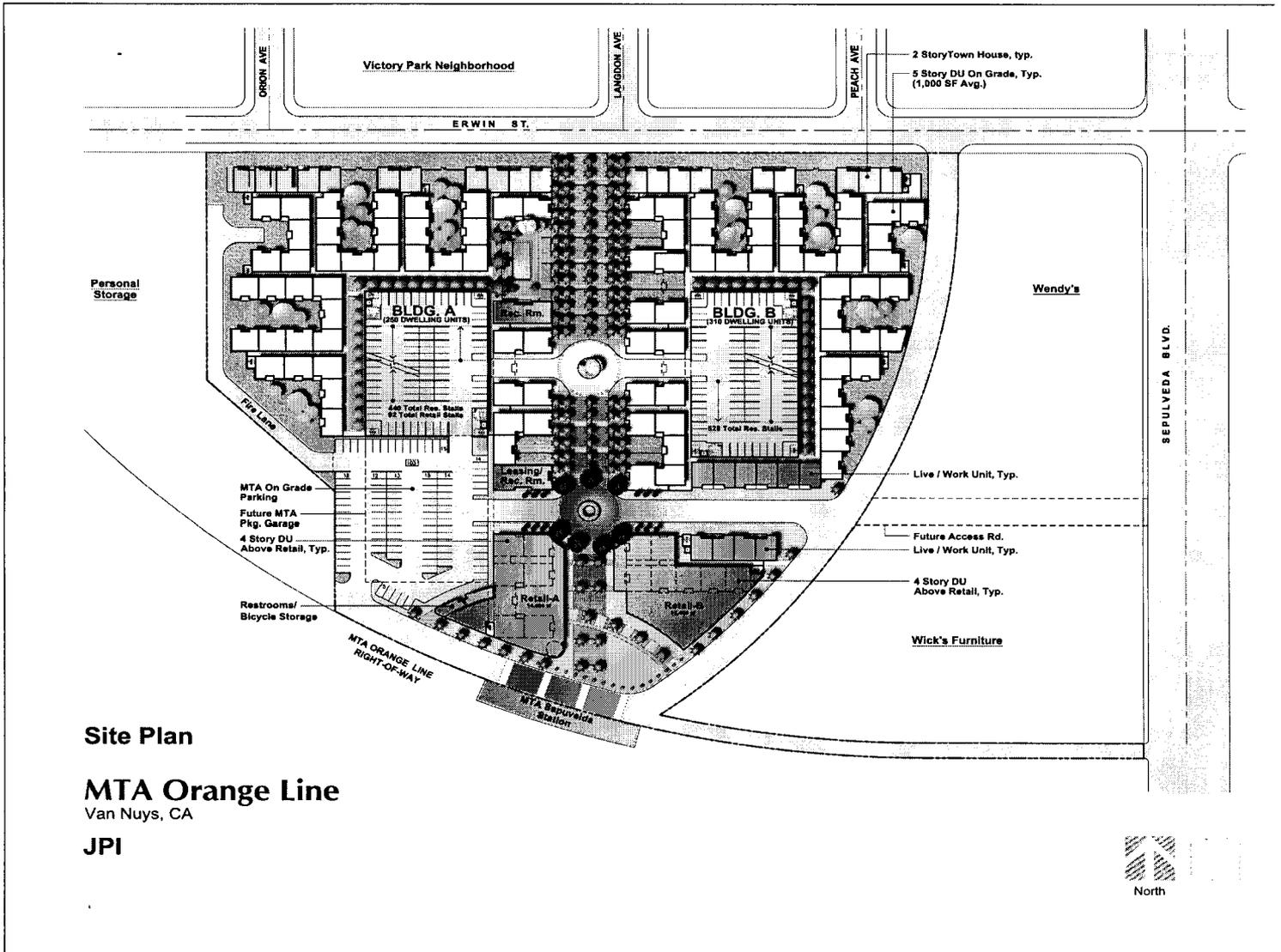
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Roger Snoble  
Chief Executive Officer

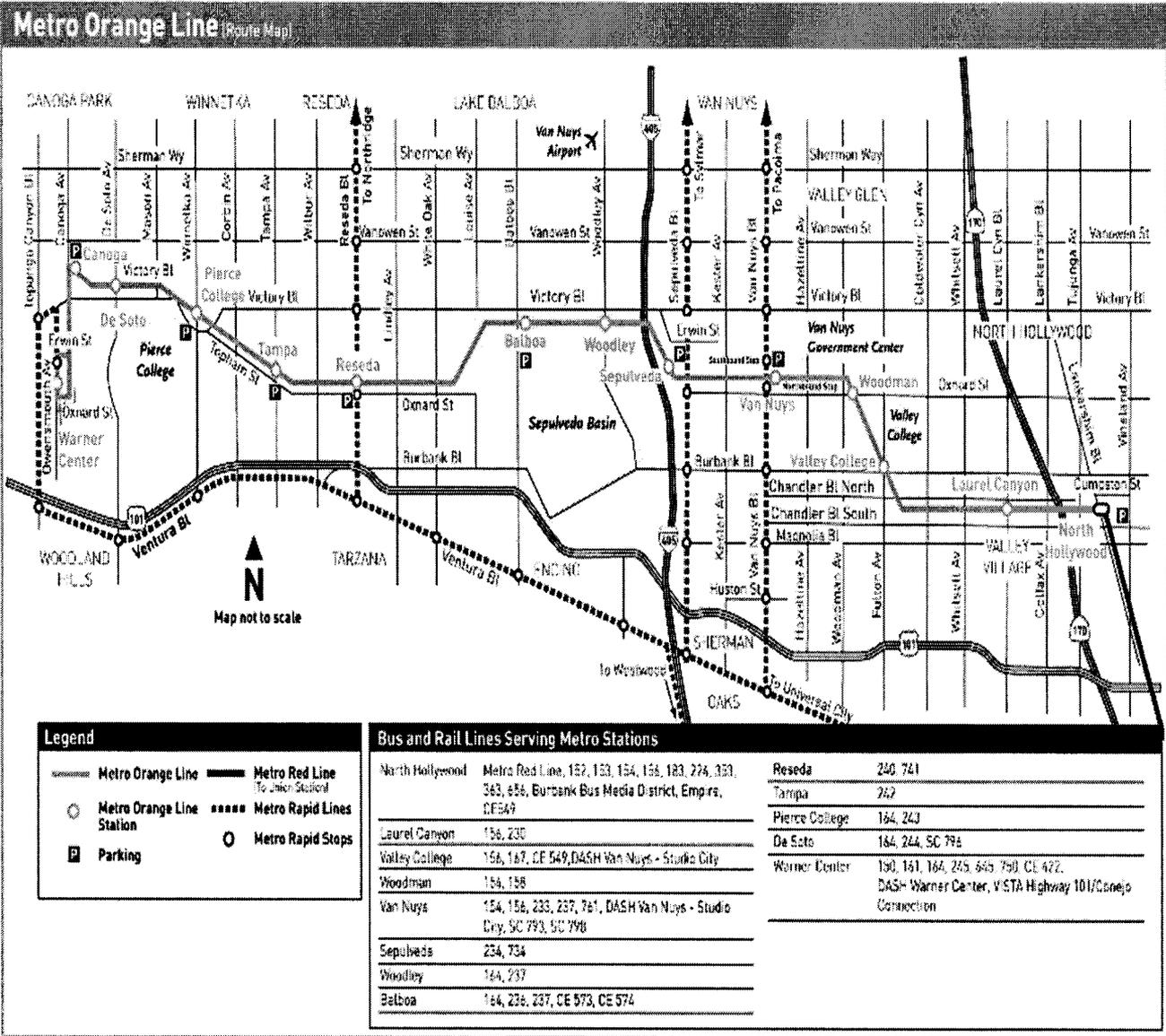
## PROPOSED PROJECT

- 560 for-rent multi-family residential units including 20 two-story townhouses along Erwin Street and 10 live-work units on the southeastern side of the project
- 103 parking spaces for Metro included in developer project cost but parking area can accommodate structure with 400 or more spaces; Development proposal assumes a parking structure will be built to accommodate more than 103 spaces.
- 30,000 s.f. of retail on ground floor of five-story residential building adjacent to the Metro Orange Line station

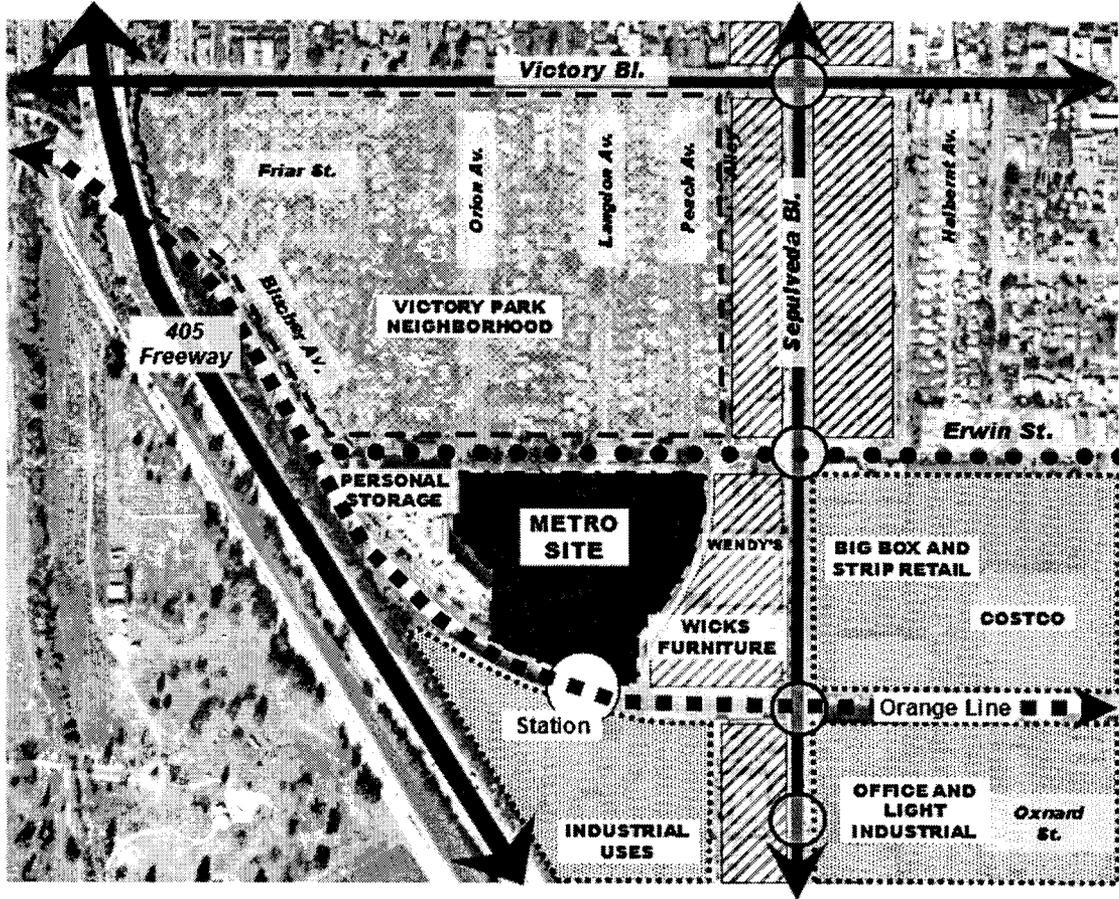
# ATTACHMENT B SITE PLAN



# ATTACHMENT C METRO ORANGE LINE SYSTEM MAP



ATTACHMENT D  
SITE CONTEXT



**ATTACHMENT E**

<b>SUMMARY OF DEVELOPER PROPOSALS</b>						
<b>Proposers</b>	<b>For Sale</b>	<b>For Rent</b>	<b>Live-Work</b>	<b>Total Residential</b>	<b>Retail</b>	<b>Childcare</b>
<b>City View/Trammel Crow</b>	18	650	0	668	0	0
<b>Fairfield Residential</b>	0	712	0	712	0	0
<b>Goldrich &amp; Kest</b>	0	400	0	400	0	0
<b>JPI West</b>	0	550	10	560	30,000	0
<b>Lee Homes/CIM Group</b>	All -Plan 1	0	0	0	0	0
<b>Sepulveda Niemann</b>	57	318		375	9,238	7,223
<b>Sepulveda Raintree/EQR</b>	0	246	0	246	0	0

# Project Summary

<b>Site Area</b>	<b>546,312 S.F. (12.54 ACRES)</b>			
<b>Proposed No. of Units</b>	<b>560</b>			
<b>Unit Mix</b>	<b>Type</b>	<b>Quantity (%)</b>	<b>Area SF</b>	<b>Total SF</b>
A1	1Bd / 1Ba	265 (47%)	800	212,000
A2	2Bd / 2Ba	265 (47%)	1,200	318,000
TH	3Bd / 3Ba	20 (4%)	1,600	32,000
L/W	1Bd / 1Ba	10 (2%)	1,600	16,000
<b>TOTAL</b>		<b>560</b>	<b>1,039 Avg.</b>	<b>578,000</b>
<b>Proposed Retail</b>				<b>30,000 SF</b>
<b>Open Space</b>				
	<b>Required</b>			<b>71, 125 SF</b>
	<b>Provided</b>			<b>130,000 SF</b>
	Common Courtyards			92,500 SF
	Common/Rec. Area			4,500 SF
	Private Open Space (balcony @ 60 SF/U x 550U)			33,000 SF
<b>Parking</b>				
	<b>MTA Station Provided</b>			<b>103</b>
	<b>Retail Provided (30,000 + 16,000 L/W @ 2 Stalls/1,000 SF)</b>			<b>92</b>
	<b>Residential - Required/Provided</b>			<b>968</b>

