



Metro

**PLANNING & PROGRAMMING COMMITTEE
OCTOBER 20, 2010**

**SUBJECT: HOLLYWOOD & VINE STATION
TRANSIT-ORIENTED JOINT DEVELOPMENT**

**ACTION: AUTHORIZE THE EXECUTION OF GROUND LEASE
AMENDMENTS AND OTHER DEVELOPMENT-RELATED
DOCUMENTS**

RECOMMENDATIONS

Authorize the Chief Executive Officer to execute and enter into the following documents and agreements related to Metro's Hollywood & Vine transit-oriented development, each in substantial accordance with the Summary of Key Terms and Conditions attached hereto as Attachment A, for the purpose of relocating the development's bike room, closing the development's public restrooms, eliminating each developers' advertising signage obligation to Metro and providing a one-time payment to Metro of \$92,105:

- A. An amendment to the executed ground lease with HEI/GC Hollywood & Vine Hotel LLC ("Hotel Developer") covering the mixed-use W Hollywood hotel/retail portion of the development;
- B. An amendment to the executed ground lease with Legacy Partners Hollywood & Vine, L. P. ("Legacy") covering the 1600 Vine mixed-use apartment/retail portion of the development;
- C. An amendment to the executed Agreement Containing Covenants with HEI/GC Hollywood & Vine Condominiums LLC ("Condo Developer") covering the W Hollywood condominium portion of the development; and
- D. Other necessary or prudent documents and agreements that are substantially consistent with the provisions set forth on Attachment A.

ISSUES

Upon opening the W Hollywood hotel/retail development in January of this year, the Hotel Developer provided Metro with a 424 square foot "bike room." This space was to be improved by Metro with bike racks and secure bike parking for the benefit of transit riders. Soon after the opening, however, staff received input from the bicycling

community regarding the bike room. Many of the comments received indicated that the location and orientation of bike room made it unattractive for use by cyclists. As a result of these comments, staff closed the bike room before making any improvements; pending an acceptable solution to the bicycling community's issues.

When the W Hollywood hotel/retail development opened, the Hotel Developer also provided public restrooms situated adjacent to the "transit plaza" connecting the subway portal and the W Hollywood to Hollywood Boulevard. These restrooms were installed for the benefit of transit users. Unfortunately, they experienced a high rate of vandalism, supply theft and misuse immediately after opening. Additionally, the restrooms became a significant magnet for the area's homeless population, who gathered in the transit plaza, changing the character of this space. On many mornings, the homeless were lined up waiting to use the restroom facilities, crowding out use by Metro's transit patrons. After the interior of the men's restroom was destroyed by vandalism in mid-May of this year, the public restrooms were closed. They have remained closed; pending a solution to the public nuisance they created during the roughly 3.5 months that they were open. During that period, the Hotel Developer was expending an average of \$250 per day on restroom paper products and had to replace three sinks, three mirrors and five toilet seats due to damage.

The existing development agreements between Metro and the Hotel Developer, Legacy and the Condo Developer, require the developers to collectively provide Metro with an advertising sign having situated either at the development project or along certain major thoroughfares in Hollywood. The agreements require that the sign contain at least 1,500 square feet of display area. The developers are collectively required to provide and maintain such sign at no cost to Metro, except that Metro is responsible for the design and fabrication of all advertising to be displayed thereon. Despite considerable effort by the developers, they were not able to find an advertising sign meeting Metro's requirements and their obligations under the development documents.

Proceeding with the recommended actions will allow Metro to exchange the 424 square foot existing bike room and a 281 square foot portion of the public restroom space for 1,018 square feet of the W Hollywood hotel/retail development's Vine Street retail space. At a minimum, the new space would operate as an unmanned, controlled space for bike parking under Metro's bicycle parking program, but could be run as an operator attended space, subject to available funding and receipt of a viable operating scenario. Regardless of how this space is operated, the bicycle community strongly prefers it to the existing bike room. The existing bike room and public restroom space will be added to the Hotel Developer's ground leased premises, which the Hotel Developer intends to lease to a restaurant operator. The Hotel Developer will provide and pay for certain improvements necessary to provide Metro with continued access to subway-related improvements situated in and around the restroom space. In addition to the space exchange, the recommended actions contemplate Metro releasing the developers from their obligation to provide Metro with advertising signage. All told, the value of the rights Metro is giving up exceeds the value of the rights Metro is receiving by \$92,105. As such, the developers will provide Metro with a one-time payment equal to this amount

upon execution of the amendments to the ground leases and the Agreement Containing Covenants.

POLICY IMPLICATIONS

The recommended actions are consistent with the goals of Metro’s Joint Development Policies and Procedures to:

- 1. Promote and enhance transit ridership;
- 2. Enhance and protect the transportation corridor and its environs;
- 3. Enhance the land use and economic development goals of surrounding communities, and conform to local and regional development plans; and
- 4. Generate value to Metro based on fair market return on the public investment.

The recommended actions are not consistent with intent of Metro’s Public Restroom Policy in that they will result in the closure of the existing public restrooms at the joint development project.

OPTIONS

The Board could elect not to take any of the recommended actions. Such an election is not recommended, however, as the recommended actions are necessary to resolve the issues related to the existing bike room and public restrooms at the Hollywood & Vine joint development project and will not be available to Metro a month from now. The exchange of the existing bike room and public restroom space for the Vine Street retail space is available only because the developer has yet to conclude negotiations with a restaurateur for space contiguous to the bike room and the public restrooms. Current negotiations anticipate the addition of the unused Metro space to the restaurant’s leased premises. The release of the developers from their collective obligation to provide Metro with advertising signage has been packaged with the exchange of space transaction to prevent Metro from experiencing significant out of pocket costs related to the exchange. The retail space Metro will receive is worth \$265,611 more than the bike room and restroom space Metro will be relinquishing. Adding the Hotel Developer’s expected cost to provide the Metro access improvements (\$42,625) increases the disparity to \$308,236. The value of the developer’s collective advertising signage obligation (\$400,341) more than covers this disparity and provides Metro with \$92,105.

FINANCIAL IMPACT

Funding for joint development activities is included in the FY11 Budget under project 610011, task 01.01, in cost center 2210. These General Fund revenues are eligible for bus and rail operating and capital expenses. The \$92,105 one-time payment will offset continued staff and consultant related costs.

BACKGROUND

In March 2005, the Board authorized the Chief Executive Officer to enter into ground leases and other documents and agreements necessary for the development of a 265 to 375 room hotel, 100 to 150 condominiums, 250 to 375 apartments, 50,000 to 93,000 square feet of retail space and up to 29,500 square feet of advertising signage at the Metro Red Line Hollywood & Vine Station. In January of this year, the developers completed and opened their respective projects, which include, collectively, the 305 room W Hollywood hotel, the 143 W Hollywood condominiums, 375 apartments, 50,407 square feet of retail space and 28,812 square feet of advertising signage. The existing bike room and the public restrooms were opened with the W Hollywood development.

CBRE Consulting, an outside economic advisor to Metro, helped staff negotiate the exchange of space and value the various components of the transaction. They concur that a one-time payment of \$92,105 plus the value of the 1,018 square foot Vine Street retail space that Metro will receive is equal to the value of Metro's relinquished advertising signage rights, plus the value of (i) the 705 square feet of existing bike room/restroom space that Metro will be giving to the developer and (ii) the improvements the Developer will be making for Metro's benefit.

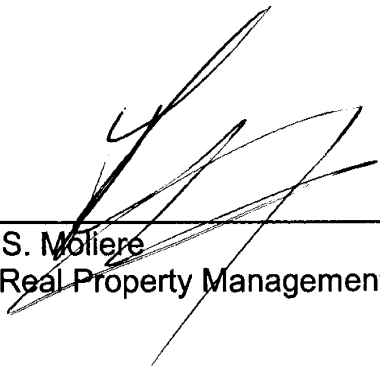
NEXT STEPS

Upon approval of the recommended actions, staff will finalize negotiation with the Hotel Developer and Legacy regarding the terms and conditions of the ground lease amendments, and with the Condo Developer regarding the terms and conditions of the amendment of the Agreement Containing Covenants. Thereafter, the Chief Executive Officer (or his designee) will execute and enter into said amendments and those other necessary or prudent documents and agreements that are substantially consistent with the provisions set forth on Attachment A.

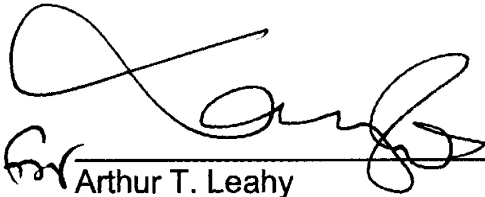
ATTACHMENTS

- Attachment A - Summary of Key Amendment Terms and Conditions
- Attachment B - Plat Depicting the Existing Bike Room, the Public Restroom Space and the Metro Access Improvements
- Attachment C - Plat Depicting the Vine Street Retail Space

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Roger S. Mollere
Chief, Real Property Management and Development



Arthur T. Leahy
Chief Executive Officer

**Summary of Key Terms and Conditions
Hollywood & Vine Joint Development
Exchange of Bike Room and Public Restroom Space for Vine Street Retail Space/
Release of Developer Obligation to Provide Advertising Signage**

**Adding the Existing
Bike Room and Public
Restroom to the
Premises under the
Hotel Ground Lease:**

The Los Angeles County Metropolitan Transportation Authority (“**Metro**”) and HEI/GC Hollywood & Vine Hotel LLC (“**Hotel Developer**”) shall amend that ground lease by and between the Hotel Developer and Metro, dated March 29, 2007 (the “**Hotel Ground Lease**”) to add the following to the Premises under the Hotel Ground Lease: (a) the 424 square foot bike room depicted on Attachment B (the “**Existing Bike Room**”), and (b) that 281 square foot portion of the existing public restrooms depicted on Attachment B (the “**Public Restroom Space**”).

**Removing the Vine
Street Retail Space
from the Premises
under the Hotel
Ground Lease:**

Metro and Hotel Developer shall amend the Hotel Ground Lease to remove and exclude from the Premises under the Hotel Ground Lease that 1,018 square foot retail space, fronting Vine Street and depicted on Attachment C (the “**Vine Street Retail Space**”), subject to reasonable restrictions on Metro’s use of the Vine Street Retail Space for non-bicycle related uses and the ability to run certain utilities through the space; provided such utilities do not interfere with Metro’s intended use.

**Metro’s release
of each developer’s
Advertising Signage
Obligation:**

Metro and Hotel Developer shall amend the Hotel Ground Lease to release Hotel Developer from its obligation to provide Metro with the MTA Advertising Sign, as defined and provided in Section 28.21 of the Hotel Ground Lease.

Metro and Legacy Partners Hollywood & Vine, L. P. ("**Legacy**") shall amend that ground lease by and between Legacy and Metro, dated March 29, 2007 (the "**Apartments Ground Lease**") to release Legacy from its obligation to provide Metro with the MTA Advertising Sign, as defined and provided in Section 28.20 of the Apartments Ground Lease.

Metro and HEI/GC Hollywood & Vine Condominiums LLC ("**Condo Developer**") shall amend that Agreement Containing Covenants by and between Condo Developer and Metro, dated March 29, 2007 (the "**Condo Agreement Containing Covenants**") to release Condo Developer from its obligation to provide Metro with the MTA Advertising Sign, as defined and provided in Section 16.16 of the Condo Agreement Containing Covenants.

**Metro Access
Improvements:**

Hotel Developer shall close off the Existing Bike Room and the Public Restroom Space from the at-grade elevator lobby for the Metro Red Line elevators, and shall create an access corridor (with a locking door at such elevator lobby) connecting such elevator lobby with the subway vent shaft situated northwesterly of such elevator lobby (the "**Metro Access Improvements**"). All work shall be substantially in accordance with the work shown on Attachment B and shall be to the reasonable satisfaction of Metro. All finishes shall be substantially similar to existing finishes surrounding the Metro Access Improvements.

**Hotel Developer's
one-time payment to
Metro:**

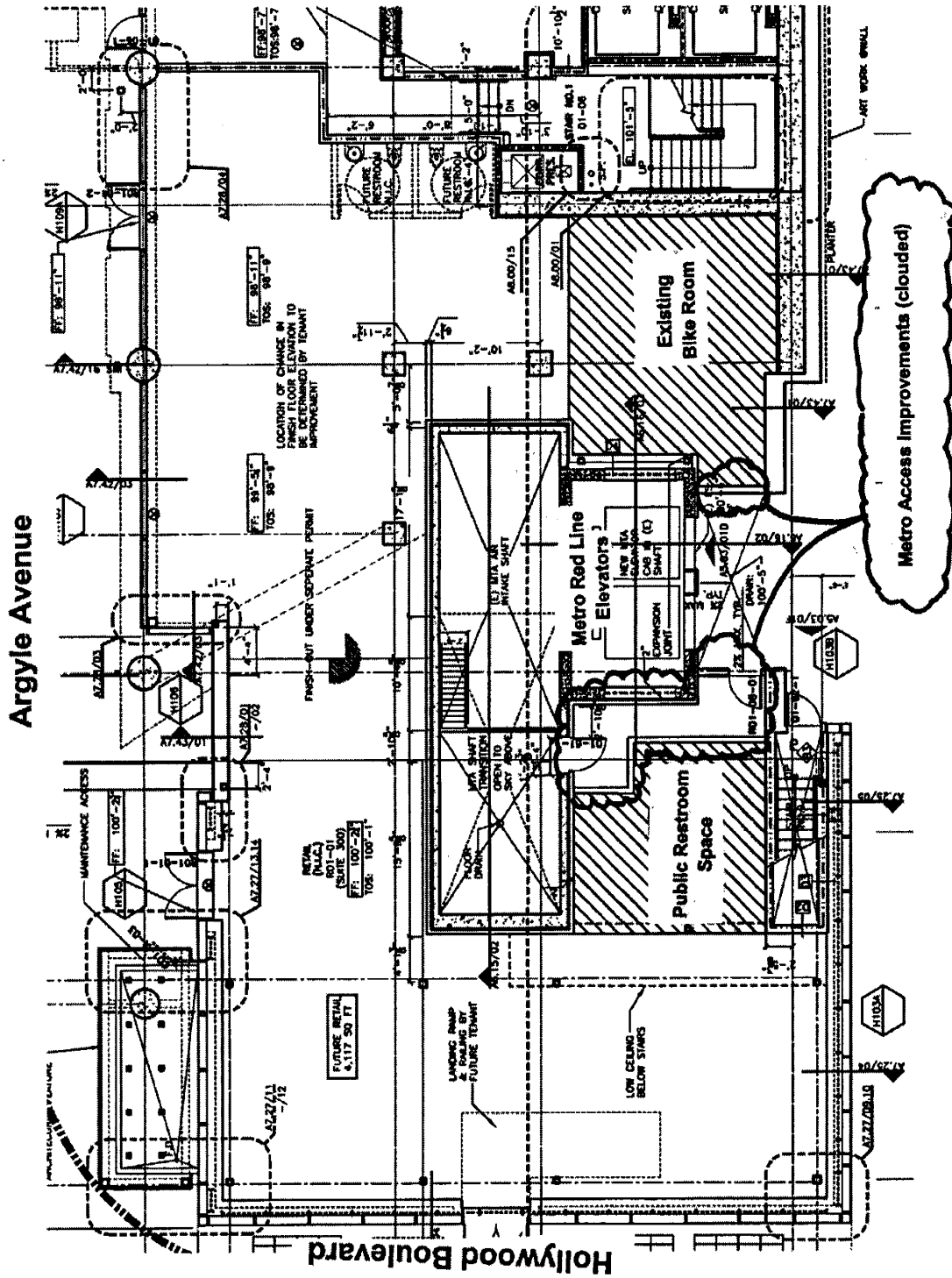
Hotel Developer shall provide Metro with a one-time payment of \$92,105, which payment shall be made on the day that the amendment to the Hotel Ground Lease is executed.

Other:

The parties shall also amend the Hotel Ground Lease, Apartments Ground Lease, Agreement Containing Covenants and other existing documents and agreements (the "**Existing Documents**") as is necessary or prudent to address matters resulting from (i) the addition of the Existing Bike Room and the Public

Restroom Space to the Premises under the Hotel Ground Lease; (ii) the removal and exclusion of the Vine Street Retail Space from the Premises under the Hotel Ground Lease; and (iii) [xxx]. An example of such an amendment is the eliminating of the Public Restrooms from the definition of Common Areas under the Hotel Ground Lease. The parties shall also amend the Existing Documents and shall create and execute such new documents and agreements as is necessary or prudent to carry out the purpose and intent of the transaction described in the Board report to which this Summary of Key Terms and Conditions is attached.

Plat Depicting the Existing Bike Room, the Public Restroom Space and the Metro Access Improvements



Plat Depicting the Vine Street Retail Space

