

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 16, 2013****SUBJECT: CHAVEZ & FICKETT – JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF AN EXCLUSIVE NEGOTIATION
AGREEMENT AND PLANNING DOCUMENT WITH MCCORMACK
BARON SALAZAR, INC.****RECOMMENDATION**

Authorize the Chief Executive Officer to:

- A. Execute a one (1) year Exclusive Negotiation Agreement and Planning Document (“ENA”), with an option to extend for up to an additional one (1) year, with McCormack Baron Salazar, Inc. (“MBS”), or a development entity controlled and managed by McCormack Baron Salazar, Inc. that is reasonably approved by the Chief Executive Officer, to, among other things, explore the feasibility of developing a grocery store/market and associated parking on 1.56 acres of Metro property (the “Site”) located on the south side of Cesar E. Chavez Avenue between Fickett and Matthews Streets, in Boyle Heights, as indicated on Attachment A; and
- B. Terminate an existing Joint Development Agreement (the “JDA”) with MBS to develop and construct on the Site a mixed-use project containing 73 affordable apartments and approximately 3,250 square feet of retail space.

ISSUE

Metro’s Joint Development Policies and Procedures require Board authorization to execute the ENA. The proposed ENA will provide the framework for (a) exploring the feasibility of a grocery store use on the Site, (b) obtaining environmental clearance for such use in accordance with the California Environmental Quality Act, and (c) negotiating the key terms and conditions of a Joint Development Agreement and Ground Lease for such use. During the ENA period, MBS will also pursue project entitlements and financing, as well as operating commitments from a market operator. A market use on the Site is preferred by the City Council office and is supported by community stakeholders.

DISCUSSION

Metro and MBS are now parties to a Joint Development Agreement for the development of a mixed-use project containing 73 affordable apartments and approximately 3,250 square feet of retail space on the Site. During their pre-construction due diligence under the JDA, MBS received a request from the City Council office to consider a grocery store as part of the proposed mixed-use project. To accommodate this request, MBS spoke with market operators and performed initial planning and design work to look at the possibilities. The result of these efforts indicates that the Site could accommodate a 20,000 to 25,000 square foot grocery store and its related parking, but was not large enough to accommodate any other use in a manner that was financially feasible. MBS takes no exception to terminating the existing JDA and entering into the ENA to explore the feasibility of a grocery store development on the Site.

The community supports the development of a market at this location. This support was evident at a recent meeting staff held with the community on December 6th at the Boyle Heights Senior Center.

A total of \$208,415 in holding rent for the period ending January 31, 2013 is now due Metro under the JDA. Staff recommends that collection of this amount be deferred and discussed as part of negotiations for the grocery store development.

Background

Between 1996 and 1998, Metro acquired the Site and additional parcels to the west as a station site for the Metro Red Line Eastside Extension. When the Eastside Extension project was re-scoped as an extension of the Metro Gold Line, the rail alignment was moved from Cesar E. Chavez Avenue to 1st Street and the Site, which is located approximately 1/4 mile from the nearest Gold Line station at 1st and Soto, was no longer needed for station development.

During construction of the Eastside Extension, the Site was used to house the rail project's main construction offices, and provided construction-related parking and storage. Thereafter, the Site accommodated the construction offices and related parking for (a) Eastside Extension construction close out activities, (b) construction of the parking facility at the Pomona/Atlantic station, and (c) completion of certain improvements at Division 21.

In May 2009, the Board authorized staff to proceed with MBS's mixed-use development proposal (73 affordable apartments and approximately 3,250 square feet of retail space) on the Site.

Policy Implications

The recommended actions are generally consistent with the goals of Metro's Joint Development Policies and Procedures. That said, the change in development scope and issuance of an ENA to MBS may not conform to the solicitation criteria set forth in these policies and procedures. These criteria suggest that, upon termination of the JDA term, staff should seek development proposals for the Site from the development community via a competitive process. Staff does not recommend a competitive solicitation for the Site for the reasons set forth in the Alternatives Considered section below.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the Project is included in the FY13 budget in Cost Center 2210 (New Business Development), under Project 610011 (Economic Development).

Since the ENA is a multi-year contract, the Chief, Real Property Management & Development, will be accountable for budgeting any costs associated with the ENA, including any extension thereof, in future years.

Impact to Budget

The source of funds for this project is local right-of-way lease revenues, which are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact ongoing bus and rail operating and capital costs, the Proposition A and C and TDA administration budget or the Measure R administration budget.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended actions and reject the idea of a grocery store/market on the Site. If rejected, the Board could (a) reconfirm its desire to proceed with MBS's previously approved, mixed/use project, (b) request staff to terminate its pursuit of a grocery store/market development and seek new proposals from the development community via a competitive process or (c) hold on to the Site for future development. Staff does not recommend any of these alternatives, because they would delay development of the Site and community stakeholders support a grocery store use. Further, MBS has already completed conceptual planning and feasibility analyses necessary for consideration of a market use on the Site and has discussed such a use with various market operators, some of which have indicated an interest in the Site.

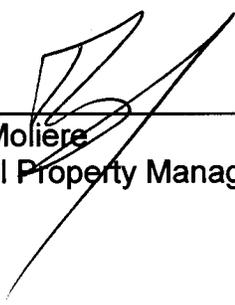
NEXT STEPS

Upon approval of the recommended actions, the ENA will be executed. Staff and MBS will explore further the feasibility of developing the proposed grocery store under the ENA, and, if deemed feasible, will commence negotiations on the business terms to be included in a Joint Development Agreement and ground lease for such use. MBS will also seek environmental clearance for the grocery store use in accordance with the California Environmental Quality Act. Upon receipt of such clearance and successful completion of negotiations, staff will return to the Board for authorization to proceed with the development and to execute a Joint Development Agreement and ground lease with respect to the same.

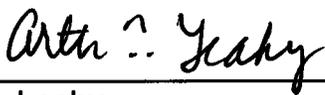
ATTACHMENTS

Attachment A – Plat of the Site

Prepared by: Greg S. Angelo
 Director of Real Property Management & Development
 (213) 922-3815



Roger S. Molière
Chief, Real Property Management & Development



Arthur T. Leahy
Chief Executive Officer

Plat of the Site

