

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
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metro.net**PLANNING AND PROGRAMMING COMMITTEE
MAY 15, 2013****SUBJECT: FIRST AND BOYLE (SOUTHWEST CORNER) – JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF AN AMENDMENT TO AN EXISTING
JOINT DEVELOPMENT AGREEMENT WITH MCCORMACK BARON
SALAZAR, INC.****RECOMMENDATION**

Authorize the Chief Executive Officer to execute and enter into an amendment to Metro's existing Joint Development Agreement (JDA) with McCormack Baron Salazar, Inc. (MBS) for the development of a 1.5-acre parcel (the Site) situated across the First Street and Boyle Avenue intersection from the Metro Gold Line Mariachi Plaza Station to: (a) extend the term of the JDA two (2) years to May 31, 2015; (b) modify the scope of the proposed development; (c) change the configuration and appearance of the project to accommodate the modified scope; and (d) acknowledge that affordable housing funding sources may require the recordation of long-term affordability covenants against all or a portion of the Site, and agree to review, consider and allow such covenants and their recordation, all in substantial accordance with the terms and conditions set forth on Attachment A.

ISSUE

Metro and MBS are now parties to the JDA, which provides MBS with the right to develop approximately 100 affordable apartments and approximately 6,800 square feet of retail space on the Site under a ground lease to be executed by the parties. The JDA was entered into on June 1, 2009 pursuant to Board authority granted in May 2009. The term of the JDA (as extended pursuant to the May 2009 Board approval) will expire on May 31, 2013. No further extensions of the JDA term have been authorized by the Board or are allowed under the JDA. In order to accommodate the lengthy and competitive funding processes required to finance affordable housing projects, additional time is required to enable the developer to assemble the necessary project funding. In addition, to accommodate a more-reasonable parking solution to the Site's sloping grade and the more-limited number of funding sources currently available for affordable housing, the scope, configuration and appearance of the development have

been changed. The project scope has been modified to be an approximately 80-unit affordable housing project with approximately 4,000 square feet of retail space, and the development's configuration and appearance have changed to conform to the modified scope. Lastly, as a condition to MBS's receipt of certain affordable housing funding, Metro may be requested to allow the recording of long-term affordability covenants against the Site, Metro's failure to allow the recordation of such covenants could place MBS at risk of losing such funding.

The proposed JDA amendment will: (i) provide the developer with two additional years to secure funding for the proposed project, (ii) allow for the proposed modification in the project's scope and a change in its configuration and appearance, and (iii) provide staff with the flexibility needed to consider and allow the recordation of certain affordability covenants against the Site. Except as set forth above and on Attachment A, the terms and conditions of the JDA will remain unchanged. Specifically, the proposed changes will not affect the amount of Holding Rent due under the JDA or the amount of rent to be paid under the proposed ground lease.

DISCUSSION

MBS has worked diligently to secure financing for the project, but requires additional time to assemble the multiple financing sources needed for affordable housing development. If the proposed changes to the JDA are authorized, MBS will apply for a \$4 million State Prop 1C allocation in June of this year in anticipation of an award in September 2013. If successful, MBS will then apply for a 9% tax credit award that will provide an estimated \$16 million in funding to the project. The \$25 million project's remaining financing will be as follows: \$2 million in private financing in the form of a bank loan and \$3million in Los Angeles Housing Department funds.

While the funding solicitation process is ongoing, MBS will work with Metro staff to advance the plans and specifications for the proposed project. Metro staff and City of Los Angeles plan check approval of construction documents should occur prior to the securing of all necessary project funding.

Background

The property comprising the Site was purchased by Metro to support construction of the Metro Gold Line Eastside Extension tunnel through Boyle Heights. The Site is currently vacant, except for a traction power substation located in the northwest corner of the Site and a large vent serving Metro's subsurface environment that daylight onto the Site's northerly edge, midway between Boyle Avenue and the 101 freeway. The proposed development will not have any effect on the substation, the vent or the Gold Line's operation.

The proposed project qualifies for a Class 32 Categorical Exemption under the California Environmental Quality Act.

Policy Implications

The recommended actions are generally consistent with the goals of Metro's Joint Development Policies and Procedures. As an alternative to the recommended amendment, these policies and procedures allow for the re-solicitation of development proposals for the Site from the development community via a competitive process. Staff does not recommend a new competitive solicitation 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 JDA and the development project is included in the FY13 budget in Cost Center 2210 (New Business Development), under Project 610011 (Economic Development).

Since the JDA, as amended, will be a multi-year contract, the Chief, Real Property Management and Development, will be accountable for budgeting any costs associated with the JDA, 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 JDA amendment 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. If rejected, the JDA will terminate on May 31, 2013 and the Board could (a) request staff to seek new proposals from the development community via a competitive process, or (b) retain the Site for future development. Staff does not recommend either of these alternatives, because they would delay development of the Site. Extensive entitlement actions are not needed for the anticipated development, as the proposed use is allowed under the Site's current zoning and General Plan designation. Further, procurement and assembly of the multiple financing sources necessary to the development of affordable housing is an arduous, time consuming and competitive process that has been vigorously pursued by MBS for this Site. MBS has a successful record in assembling the funds necessary to construct and operate their projects as witnessed by their successful development of certain recent Metro joint development projects, including Westlake MacArthur Park (Phase A) and the initial phase of Taylor Yard.

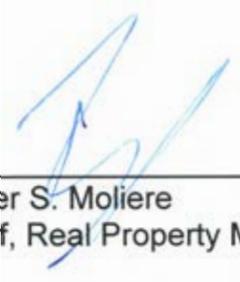
NEXT STEPS

Upon approval of the recommended actions, the JDA amendment will be executed, staff and MBS will continue to advance the proposed project's design and MBS will seek project funding in accordance with the narrative in the Discussion section above.

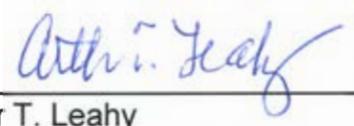
ATTACHMENTS

- Attachment A – Summary of Proposed Modifications to the Key Terms and Conditions for Proposed First Amendment to JDA with McCormack Baron Salazar (1st& Boyle)
- Attachment A1 – Conceptual Site Plan
- Attachment A2 – Conceptual Project Rendering

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Roger S. Moliere
Chief, Real Property Management & Development



Arthur T. Leahy
Chief Executive Officer

**Summary of Proposed Modifications to the Key Terms and Conditions
for
Proposed First Amendment to JDA with McCormack Baron Salazar
(1st& Boyle)**

Proposed Changes:

**Proposed
Development
Scope/Configuration/
Appearance:**

The proposed JDA amendment will provide for:

- A. A modification in the proposed number of apartments in the project from 100 units (with 98 affordable units and two, market-rate property manager's units) to approximately 80 units (with all but one market-rate unit for a property manager being affordable);
- B. A modification in the proposed retail square footage in the project from approximately 6,800 sq. feet to approximately 4,000 sq. ft.;
- C. A reconfiguration of the proposed development from that previously proposed to a configuration substantially in accordance with that set forth on the Conceptual Site Plan attached hereto as Attachment A1; and
- D. A project appearance for the proposed development that is substantially in accordance with the Conceptual Project Rendering attached hereto as Attachment A2.

**JDA Term/
Predevelopment
Period:**

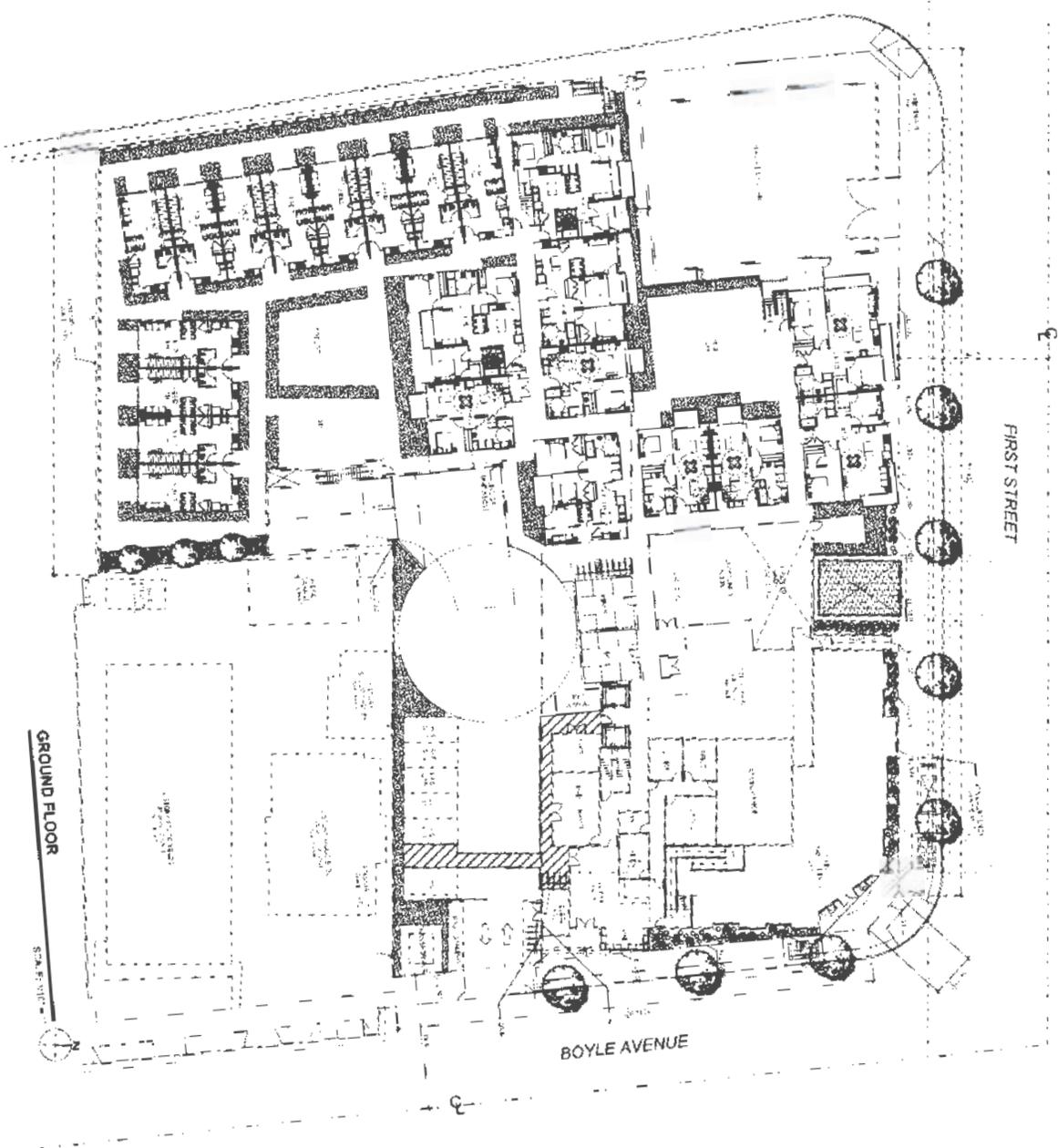
The proposed JDA amendment will extend the term of the JDA (as already extended) two (2) years to May 31, 2015, without any further option to extend.

**Affordability
Covenants:**

The JDA Amendment will include (a) a Metro acknowledgement that the use of certain funding sources for

the construction and operation of the project may require long-term affordability covenants to be recorded against all or a portion of the Site (including Metro's fee interest therein) as a condition to the use of such funding, and (b) a Metro agreement to review, consider and allow the recordation of such covenants; provided, however, that Metro's consent to the recordation of (i) any covenant against all or a portion of Metro's fee interest in the Site shall be at the sole and absolute discretion of the Chief Executive Officer, and (ii) any covenant against the ground lease tenant's leasehold estate shall be at the reasonable discretion of the Chief Executive Officer. Notwithstanding the forgoing, the Chief Executive Officer shall not allow the recordation of any covenants that would obligate Metro to construct any affordable housing.

Conceptual Site Plan



Conceptual Project Rendering



① RENDERINGS

DE Architects AIA
OCT 2012

SANTA CECILIA APARTMENTS

1730 E. 1ST STREET, LOS ANGELES, CA 90033