



Metro

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Metropolitan Transportation Authority

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**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 5, 2014**

SUBJECT: CHAVEZ AND SOTO JOINT DEVELOPMENT

**ACTION: AUTHORIZE EXECUTION OF AN EXCLUSIVE NEGOTIATION
AGREEMENT AND PLANNING DOCUMENT**

RECOMMENDATION

1. Authorize the Chief Executive Officer to enter into an 18-month Exclusive Negotiation Agreement and Planning Document (“ENA”), with options to extend up to 12 additional months, with Abode Communities, or an entity created by Abode Communities (“Abode”), to explore the feasibility of developing a mixed-use real estate development and to negotiate the development scope and business terms to be included in a joint development agreement (“JDA”), ground lease(s) and other development documents for the Metro-owned property at Chavez and Soto (the “Development Sites”).
2. Amend the FY15 budget to allow deposit(s) collected from Abode under the ENA to be used to offset staff and third party costs associated with the negotiation of JDA and ground lease terms and the review and evolution of the development proposal.

ISSUE

In December 2013 the Joint Development team issued separate Requests for Proposals (“RFPs”) for three Metro-owned sites in Boyle Heights. One of the RFPs solicited real estate development proposals for the Development Sites (depicted on Attachment A). The two other RFPs solicited development proposals for: (a) Metro’s Soto station properties, and (b) Metro’s Mariachi Plaza station properties. Requests to enter into ENAs for these sites are covered in separate November 2014 Board Reports. Metro received three development proposals for the Development Sites in response to the RFP. One of these proposals was submitted by Abode. The recommended action will provide the Chief Executive Officer with authority to execute an 18-month ENA with Abode to further explore the feasibility of their proposed development for the Development Sites and to negotiate the development scope and business terms to be included in a JDA, ground lease(s) and other development documents. The recommended action will also provide the Chief Executive Officer with the authority to execute extensions of the ENA term for up to 12 additional months.

DISCUSSION

The Metro Gold Line Soto Station is located about one-quarter mile north of the Chavez and Soto joint development project site. The Development Sites consist of the 0.60-acre vacant parcel adjacent to the southeast corner of East Cesar E. Chavez Avenue and North Soto Street, plus the adjacent 0.77-acre vacant parcel on the southwest corner of East Cesar E. Chavez Avenue and North Matthews Street. These vacant parcels were used in connection with Metro Gold Line construction and have been the site of temporary construction trailers for several years. The Development Sites are adjacent to another Metro joint development site, at Chavez and Fickett. There is an active ENA with McCormack Baron Salazar to develop a supermarket at this site, and the ENA with Abode will require coordination between the two projects.

The Solicitation Process

The RFP soliciting real estate development proposals for the Development Site was issued in December 2013 in accordance with Metro's Joint Development Policies and Procedures. The RFP contained Conceptual Development Guidelines for the Development Sites that were approved by the Board in January 2013. Among other things, the RFP required each proposer to submit: (a) a narrative and graphic description of a development project that meets or exceeds the objectives and guidelines included in the Board-approved Conceptual Development Guidelines for the Development Sites; (b) details regarding the development team; (c) a financing plan and timeline for completion of the proposed development project; and (d) a financial proposal to Metro in exchange for a long-term ground lease of the Development Sites.

Metro received four proposals for the Development Sites. The proposals were received from the following teams, proposing the indicated developments:

<u>Development Team</u>	<u>Proposed Development</u>
Abode Communities	77 affordable family rental homes and 8,000 sq. ft. commercial space
AMG & Associates/Pacific Companies	245 affordable family apartments and 3,215sq. ft. of street level retail space in two, six-story buildings
McCormack Baron Salazar, Inc.	80 family apartments (16 market rate, 64 affordable) and 6,000sq. ft. of commercial space

The proposals were evaluated by a three-member panel, aided by a non-voting consultant team consisting of the Saucedo Group and Jim Suhr and Associates. Each proposing firm was evaluated based on the following criteria:

1. Proposed Development Project (35%)
2. Project Feasibility (35%)

3. Experience and Qualification of the Development Team (15%)
4. Financial Proposal to Metro (15%)

After its initial review of the proposals, the panel eliminated from further consideration the proposal provided by AMG & Associates/Pacific Companies because the other two proposals were more transit oriented and showed a clearer compatibility with the context of both the Development Sites and the neighborhood overall.

Abode Communities and McCormack Baron Salazar, Inc. were interviewed by the evaluation panel on September 23, 2014. After the interviews, the final scores were tabulated and discussed and the proposal submitted by the Abode team was identified as the preferred proposal.

The Selected Proposal

Abode submitted a well-conceived proposal for the Development Sites, including an attractive, transit-oriented design developed by their in-house architect Gio Aliano that will provide retail opportunities to Metro patrons and the community along with needed affordable family. A site plan, renderings and a summary of the proposed development are set forth on Attachments B and C.

The Abode team demonstrated a thorough understanding of the entitlement and financing processes needed to bring their proposed project to fruition and have an impressive track record of completing similar projects. Abode pursues a community-driven design process and has prior experience with developing housing through a ground lease relationship, with Los Angeles Unified School District and Housing Authority County of Los Angeles.

Abode Communities has offered the following ground lease financial proposal to Metro:

Base Ground Rent:	\$3,000,000 paid upon execution of the ground lease(s);
Holding Rent:	\$75,000
Cash Flow Participation:	10% of gross revenue generated by the commercial retail component, estimated at \$19,200 per year
Sale Proceeds:	Metro to receive 20% of Abode's share of any future refinancing or sale proceeds

During the ENA, Metro will have the property appraised, will consult with an Economic Advisor and will negotiate with Abode, as is necessary, to assure that Metro receives a fair market return under any future JDA and ground lease(s).

Policy Implications

The recommended actions are consistent with the goals of Metro's Joint Development Policies and Procedures to (i) enhance the land use and economic development goals of the surrounding community and conform to applicable local and regional

development plans (as such plans may be amended from time to time); (ii) promote and enhance transit ridership; (iii) reduce auto use and congestion through transit-linked development and (iv) generate value to Metro based on a fair market return on public investment. However, the proposed term of the ENA, 18 months plus up to 12 months of extensions, is not consistent with the Joint Development Policies and Procedures, which specify that the term of an ENA, including extensions, shall not exceed 18 months. Due to the impact of recent court decisions which will require the developer to obtain full CEQA clearance before the Metro Board may approve a specific joint development, staff is recommending an initial 18 month ENA period to allow Abode to complete the proposed project's entitlement process and CEQA clearance and to allow Metro and the Abode team to negotiate the business terms of a JDA, ground lease(s) and other development documents, with options for Metro to extend the ENA term up to an additional 12 months.

Selected Developer Team

The Abode team includes the following members:

- Developer & Entitlements: Abode Communities
- Architect: Abode In-House architect, Gio Aliano

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. During the ENA process and through the JDA and ground lease negotiations, Metro's operations staff will review and comment on the proposed development to ensure that the station, portal and public areas on Metro's property are maintained at the highest levels of safety.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the proposed project is included in the FY15 budget in Cost Center 2210 (New Business Development), under Project 610011 (Economic Development). In addition, upon execution of the ENA, the Abode will be required to provide an ENA Fee of \$25,000 and deposits totaling at least \$50,000. The deposits may be used to cover staff time from supporting departments and third party costs associated with the negotiation of JDA and ground lease terms and the review and evolution of the development proposal.

Since the ENA is a multi-year contract, the Managing Executive Officer, Countywide Planning & Development and Chief Planning Officer will be accountable for budgeting any costs associated with the ENA and the proposed project in future years.

Impact to Budget

Metro project planning activities and related costs will be funded from local right-of-way lease revenues and the deposit, as appropriate. Local right-of-way lease revenues are

eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact ongoing bus and rail operating and capital costs, Proposition A and C and TDA administration budget or Measure R administration budget.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to (a) enter into an ENA with one of the other proposers, (b) not proceed with development of the Development Sites and hold on to the property for future development, or (c) not proceed any of the proposers and seek new development proposals for the Development Sites from the development community via a new competitive process. Staff does not recommend proceeding with the first alternative because the Abode team submitted the strongest proposal in response to a widely solicited RFP and proceeding with any of the other proposers would circumvent staff's solicitation and review process. Staff does not recommend proceeding with the other two alternatives because such action would delay development of the Development Sites. Also, if the Board directs staff to conduct a new solicitation, it may not result in a development proposal that is more preferable than the current Abode proposal.

NEXT STEPS

Upon approval of the recommended action, the ENA will be executed, and, upon execution, staff and the Abode team will (a) explore further the feasibility of developing the proposed project on the Development Site, (b) complete the planning, design and entitlement work necessary to receive project approvals under CEQA, and (c) negotiate key terms and conditions to be included in a JDA, ground lease(s) and other development documents for the proposed project. If successful, staff will return to the Board for the authority to execute a JDA, ground lease(s) and other development documents with Abode in accordance with the negotiated terms and conditions.

ATTACHMENTS

Attachment A: Depiction of the Development Sites

Attachment B: Site Plan and Rendering of Proposed Development Project

Attachment C: Summary of the Proposed Development Project

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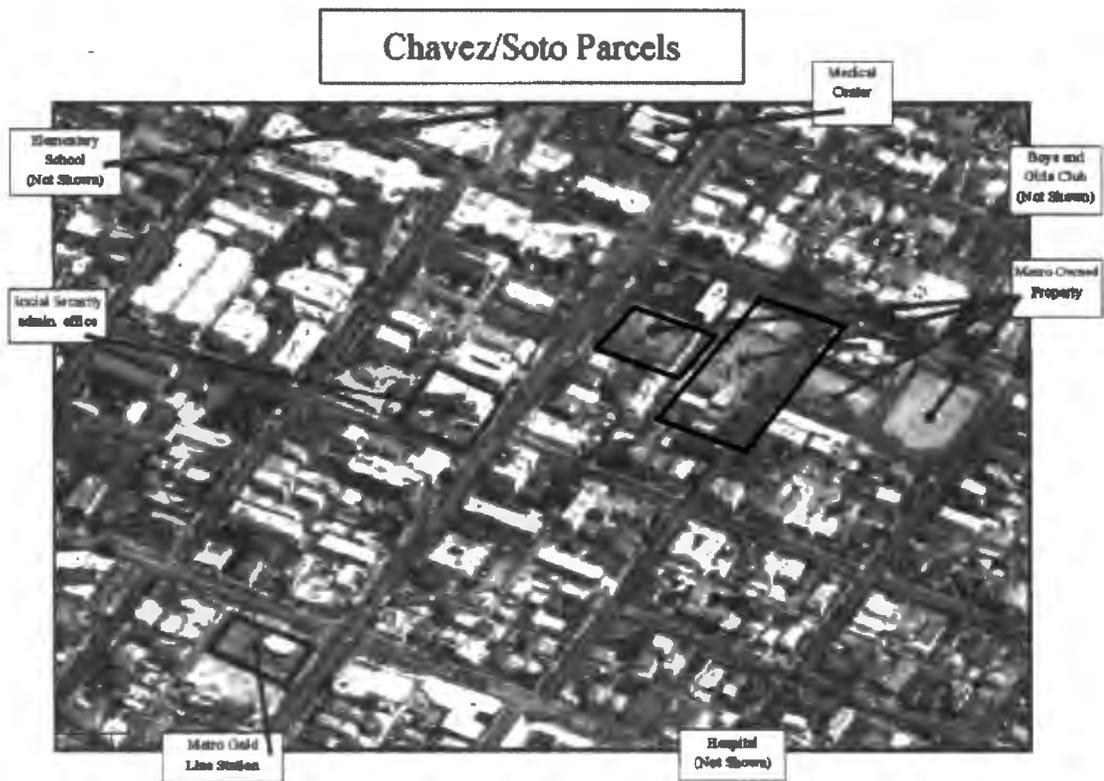
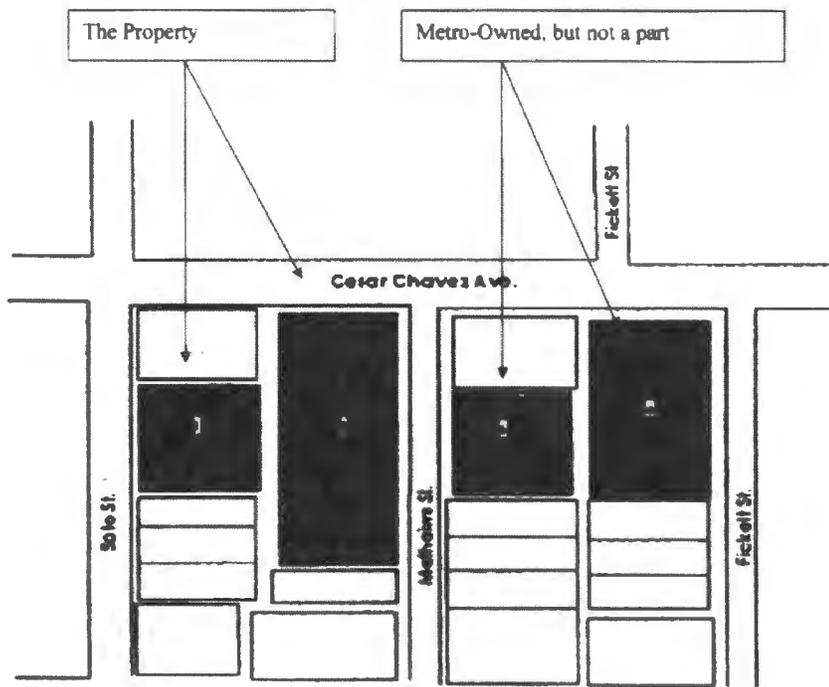
Martha Welborne FAIA
Chief Planning Officer

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

Depiction of the Development Sites

ATTACHMENT A





MOORE CLERKENWELL PARTNERSHIP
LOS ANGELES, CALIFORNIA
APRIL 2014

LA VERANDA
VIEW FROM CECIL CHAVEZ
& MATTHEWS STREET



**Abode Communities Chavez and Soto Proposal
PROJECT SUMMARY**

Abode Communities proposed a transit-oriented mixed-use affordable housing development located at Cesar Chavez Ave and Soto Street. This project offers 76,200 sf of leasable space, featuring 77 affordable rental homes consisting of 54, 2-bedroom/1-bath units and 23, 3-bedroom/2-bath units distributed between two buildings. The building to the west will be a 3-story building over podium, while the eastern building is a 3-story-over-podium, stepping into a 2-story-over-podium at the north end, and a 1-story-over-podium at the south end. The two buildings will be connected via a sky bridge.

PROPOSED USE	GROSS SF
2-Bedroom Units	48,600 (54 units)
3-Bedroom Units	27,600 (23 units)
Circulation & Auxiliary Space	27,050
Commercial Covered Parking	10,000
Commercial Space	8,000
Community Room	1,600
Property Management Office	1,000
Public Bicycle Storage	440
Resident Services Conference Room	750
Resident Services Office	250
Residential Bicycle Storage	1,950
Residential Covered Parking	31,700
Residential Surface Parking	6,700
SUBTOTAL	168,840
Open Space	18,100
TOTAL	189,940