

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 5, 2014****SUBJECT: 1st AND LORENA JOINT DEVELOPMENT****ACTION: AUTHORIZE 12-MONTH EXTENSION OF EXCLUSIVE NEGOTIATING
AGREEMENT****RECOMMENDATION**

Authorize the Chief Executive Officer to execute an amendment to the Exclusive Negotiating Agreement (ENA) with A Community of Friends (Developer) to extend its term for an additional 12 months, for the joint development of Metro-owned property at 1st and Lorena Streets along the Metro Gold Line Eastside Extension.

ISSUE

At its March 2013 meeting, the Board authorized the execution of an ENA with the Developer to develop Metro-owned property at 1st and Lorena Streets along the Metro Gold Line Eastside Extension. Since then the Developer has achieved substantial progress in advancing the project through final design, the California Environmental Quality Act (CEQA) review, and associated project approval requirements by the City of Los Angeles. Despite this progress and concerted efforts the Developer will not be able to complete the CEQA clearance process and obtain City approval for the project before the ENA expires on December 26, 2014. The City's adoption of the CEQA findings for the project and its approval of the project are conditions required by Metro prior to its approval of a Joint Development Agreement and execution of a Ground Lease.

DISCUSSION

The Developer has requested the ENA term extension in order to complete its environmental review and to explore a shift in the focus of the project. Attachment A is a letter from the Developer detailing this request. The environmental review has taken the Developer longer to complete than previously anticipated due to additional public meetings and stakeholder consultations. Further, as a result of the community meetings and meetings with service providers, the Developer is currently exploring the possibility of serving disabled veterans and their families for its special needs

component. The Developer needs additional time to integrate this new component into its project design, development and funding applications.

The Developer has submitted a timeline for completing the CEQA and entitlement process and has invested significant time and expense in the design, CEQA and entitlements to date. An additional community meeting will be held to present the revised approach to the project.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety as it only seeks a time extension for the ENA. No improvements will be constructed during the exclusive negotiations period. An analysis of safety impacts will be completed and submitted to the Board if negotiations result in a Joint Development Agreement and a Ground Lease.

FINANCIAL IMPACT

Funding for joint development activities is included in the FY15 budget under Project 610011. Since this is a multi-year project, the cost center manager and the Managing Executive Officer of Countywide Planning and Development will be responsible in budgeting any out-of-pocket costs that may potentially be needed.

Impact to Budget

There is no impact to the FY15 budget. Staff costs are budgeted to negotiate the proposed transaction, supervise any related design, review environmental documents and provide Metro oversight during construction, however no new capital investment or operating expenses are anticipated to implement this project. Revenues from the ground lease, holding rent and Developer deposit will offset continued staff and project-related professional services costs. These General Fund revenues are eligible for bus capital expenses.

ALTERNATIVES CONSIDERED

The Board could choose not to extend the ENA and elect to solicit a new developer. Staff does not recommend this alternative due to current Developer's longstanding commitment to and financial investment in the project, substantial progress achieved towards project development and overall community benefits to be derived from the proposed project.

NEXT STEPS

Upon approval of the recommended action, staff will complete and execute a term extension for the current ENA and continue negotiations with the Developer.

ATTACHMENT

A. Developer Request for ENA Term Extension

Prepared by: Nelia S. Custodio, Director
Countywide Planning and Development, (213) 922-3089

Jenna Hornstock, Deputy Executive Officer
Countywide Planning and Development, (213) 922-7437

Calvin E. Hollis, Managing Executive Director
Countywide Planning and Development, (213) 922-7319



Martha Welborne, FAIA
Chief Planning Officer



Arthur T. Leahy
Chief Executive Officer



CHIEF EXECUTIVE OFFICER
Dora Leong Gallo

September 16, 2014

BOARD OF DIRECTORS

CHAIR

Helena L. Jubany, FAIA, LEED AP
Corporate Director & Managing Principal
Jubany | NAC | Architecture

VICE CHAIR

Sean L. Leonard
President
S. L. LEONARD & Associates, Inc.

TREASURER

Allen Freeman
Manager, Transaction Advisory Services
Ernest & Young, LLP

SECRETARY

Mitchel B. Menzer
Partner
Paul Hastings LLP

Marc Branfield

Broker
Metropolitan Leasing and Management

Jill Dominguez

Principal
Essergy Consulting

Suzanne Ekerling

Executive Director, Development and Programs
USC Lusk Center for Real Estate

Philip N. Foder

Partner
Paul Hastings LLP

Elizabeth Garcia

Assistant Director
Department of Public Social Services

Susan Kamei

Associate Director
USC Spatial Science Institute

Michael S. Linsk

Real Estate and Management Consultant

Jeff Ong-Siong, CPA

Partner
RBZ, LLP

James Preis

Executive Director
Mental Health Advocacy Services, Inc.

Carmel B. Sella

Senior Vice President
Wells Fargo

Bridget Tucker

Housing Specialist
SCHARP

Elizabeth Vaughn

Community Volunteer

Ms. Nelia Custodio
Director, Real Property Management and Development
Los Angeles County Metropolitan Authority
One Gateway Plaza, 23rd Floor
Los Angeles, CA 90012

RE: 1st/Lorena - Exclusive Negotiation Agreement

Dear Ms. Custodio:

On June 27, 2013, A Community of Friends (ACOF) and Los Angeles County Metropolitan Transit Authority (Metro) entered into an Exclusive Negotiation Agreement and Planning Document (ENA) to plan and consider the terms and conditions of a potential Joint Development Agreement (JDA) for the development of a mixed-use transit-oriented development to be located at 1st and Lorena in the Boyle Heights community of the City of Los Angeles. Despite the progress and advancement of the proposed development, additional time is needed to meet CEQA clearance requirements and project approval by the City of Los Angeles, both conditions required for Metro Board's approval of the JDA. Therefore, ACOF respectfully requests a one (1) year extension of the ENA through December 26, 2015.

Since execution of the ENA, the following progress has been made:

1. ACOF engaged consultants of various disciplines for various analyses for traffic impacts, Phase I Environmental Assessment, Initial Study for CEQA, geotechnical study, civil engineers, land use, and architectural design, as well as financial and market analysis. The majority of these reports have been completed.
2. ACOF filed the Environmental Assessment Form on July 2, 2014 with City of Los Angeles Planning Department, for an Initial Study to support the adoption of a proposed Mitigated Negative Declaration (MND). Adoption of the MND will take place concurrent with the City approval of the land use entitlements for the proposed project and is anticipated to occur on or before October 1, 2015.
3. ACOF conducted two bilingual community meetings with over 125 audience members, in addition to presentations to various community groups and representatives of nearby property owners.

3701 Wilshire Boulevard, Suite 700 :: Los Angeles, CA 90010 :: (213) 480-0809 :: Fax (213) 480-4189 :: www.acof.org

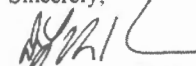
Ms. Custodio
September 16, 2014
Page Two

-
4. Our architect has completed several schematic design alternates with the goal of creating an optimal design and program that encompasses:
- the goals and objectives of Metro, which aim to fully maximize the best use and opportunities as a transit-oriented development;
 - mitigation that addresses comments and concerns provided by community members;
 - data and analyses of various multi-disciplinary consultants;
 - consideration of site constraints and opportunities for mixed use development;
 - mitigation of potential impacts to the surrounding community
5. ACOF has interviewed potential supportive service providers that have experience working in Boyle Heights and have successful track records.

Despite this progress, the environmental review process has taken longer than anticipated and is the primary reason for the extension request. Additionally, as a result of our community meetings and meetings with service providers, ACOF is currently exploring the possibility of targeting the special needs component of our project to serve homeless and/or disabled veterans and their families, and the additional time would help confirm this aspect of the project.

As you are aware, ACOF has invested significant capital and resources during the ENA phase and we remain committed to our partnership with Metro as we bring the mixed-use transit-oriented development to fruition. Our capacity, financial ability, and track record make us a partner that will provide a comprehensive approach toward promoting Metro's and the community's goals. Thank you in advance for your consideration. Please let us know if you have questions or if you would like to meet to discuss our request.

Sincerely,



Dora Leong Gallo
Chief Executive Officer

Copy: Jenna Hornstock, Deputy Executive Officer, Metro
Tara Barauskas, Director of Housing, ACOF
Jose Torres, Project Manager, ACOF

