



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.2000 Tel  
metro.net

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**PLANNING AND PROGRAMMING COMMITTEE  
JANUARY 15, 2014**

**SUBJECT: 1<sup>ST</sup> AND LORENA JOINT DEVELOPMENT**

**ACTION: RECEIVE AND FILE STATUS REPORT ON 1<sup>ST</sup> & LORENA JOINT DEVELOPMENT AND OTHER EAST LOS ANGELES JOINT DEVELOPMENT ACTIVITY.**

**RECOMMENDATION**

Receive and file this status report on the Board-approved development at 1<sup>st</sup> & Lorena Streets in Los Angeles as well as the status of other proposed joint developments in the Boyle Heights area of the City of Los Angeles.

**ISSUE**

**1<sup>st</sup> & Lorena Joint Development**

At its March 2013 meeting, the Board authorized the execution of an Exclusive Negotiation Agreement (ENA) with A Community of Friends (Developer) to develop a project consisting of 53 affordable apartments and 5,000 square feet of retail space and associated parking at the MTA-owned site at 1<sup>st</sup> and Lorena Streets in the City of Los Angeles. We have since negotiated the terms of the ENA and the Developer and MTA executed the ENA embodying the terms approved by the Board in June 2013. A copy of the Board report of March 2013 is attached as Attachment A.

During the period since the execution of the ENA, we have received from the Developer a full package of design and pedestrian interface materials and a new survey. A new appraisal is in progress in order to set rental negotiating parameters and our outside counsel on the project and County Counsel have completed the initial draft of the Joint Development Agreement (JDA) and Ground Lease. In addition, we and the Developer have engaged in and are planning further regular community meetings to continue the process developed for this and other developments in the Boyle Heights area in order to keep all stakeholders fully informed.

The Developer has timely responded to all requests for information and documentation and the process is proceeding in the normal course. Our next steps will be to complete the JDA and Ground Lease negotiations as well as any needed final environmental and governmental approvals and then return to the Board for authorization to enter into those agreements and proceed with construction.

## Other East Los Angeles Projects Under Agreement

In addition to the 1<sup>st</sup> & Lorena project two further Board-approved joint development projects are the subject of existing MTA/developer agreements and are proceeding toward finalization and construction; 1) A proposed development at Chavez and Fickett Streets which is proposed as an approximately 23,000 square foot market; and 2) A development at the Southwest corner of 1<sup>st</sup> and Boyle Streets (across the street from MTA's Mariachi Plaza site) scheduled for construction of approximately 80 affordable apartments and up to 4,000 square feet of retail space. Both are in the final stages of documentation and governmental approval and we expect finalization during the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2104.

## Newly Issued Requests for Proposals (RFPs)

We have also recently issued separate Requests for Proposals (RFPs) for the development of three Metro-owned sites in Boyle Heights. Two of the sites are located at Metro Gold Line Eastside Extension stations, and the third is located on vacant Metro property that was used to support construction of the Eastside Extension and other Metro projects, including the Metro Express Lanes project. The three sites are as follows:

- Soto Station site at 1<sup>st</sup> and Soto Streets;
- Mariachi Plaza Station site at the northeast corner of 1<sup>st</sup> and Boyle Streets;  
and
- The vacant site at Chavez and Soto Streets.

The subject solicitations follow staff engagement with the community and the Board's approval of development guidelines for each of the subject sites earlier this year. The RFPs include the Board-approved guidelines and other pertinent information regarding each site and, very generally, the types of development anticipated.

We have published notice of the RFPs' availability in the *Los Angeles Times* and other selected local newspapers. We have also sent email notifications to each of the over 440 individuals and companies maintained in our Joint Development RFP database, and will notify all appropriate City offices as well as community stakeholders of the RFPs' availability. Our notifications will include the following organizations:

- Boyle Heights Chamber of Commerce;
- Boyle Heights Neighborhood Council;
- Building Healthy Communities – Boyle Heights Collaborative;
- East Los Angeles Community Corporation;
- Hollenbeck Community Police Station;
- Proyecto Postoral at Dolores Mission;
- Resurrection Church (Father Richard Mortta);
- Santa Isabel Church (Father Benito); and
- White Memorial Hospital.

Responses to all of the RFPs are due February 28, 2014. We have scheduled RFP information conferences in mid-January to answer questions and to provide further information to interested proposers. After evaluation of all proposals, we will return to the Board with our recommendation for each site, which may include a request for authorization to enter into exclusive negotiations with any recommended proposers.

## **ATTACHMENTS**

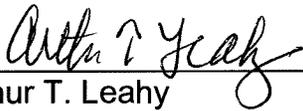
Attachment A – Board Report of March 2013

Prepared by: Roger Moliere, Chief Real Property & New Business Development  
(213) 922-2225



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Martha Welborne, FAIA  
Chief Planning Officer



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Arthur T. Leahy  
Chief Executive Officer

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.2000 Te  
metro.net**PLANNING AND PROGRAMMING COMMITTEE  
MARCH 20, 2013****SUBJECT: 1<sup>ST</sup> AND LORENA JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF EXCLUSIVE NEGOTIATION  
AGREEMENT FOR JOINT DEVELOPMENT AT 1<sup>ST</sup> AND LORENA  
ALONG THE METRO GOLD LINE****RECOMMENDATION**

Authorize the Chief Executive Officer to enter into an Exclusive Negotiation Agreement (ENA) with A Community of Friends (Developer) to develop a mixed-use joint development project on vacant Metro property adjacent to the 1st/Lorena Traction Power Substation along the Metro Gold Line; and amend the FY13 budget to allow any deposits collected from Developer to offset support costs.

**ISSUE**

MTA owns a parcel of land located at 1<sup>st</sup>/Lorena, as summarized in Site Diagram in Attachment A, on which is situated a Traction Power Substation serving the Edward R. Roybal Metro Gold Line Eastside Extension. The majority of the parcel, which is situated a short distance west of Indiana Station, is vacant and suitable for development. In January 2007, the Board authorized execution of an exclusive right to negotiate with Developer on this parcel, in furtherance of a development solicitation authorized by the Board and issued in 2005. The Developer wishes to proceed with a somewhat modified project, and therefore staff recommends execution of a new agreement to allow for renewed consideration of the proposal.

**DISCUSSION**

In addition to its current use, the project site was also used as a construction staging area. Following completion of the line, the balance of the parcel not needed for traction power was leveled and the size of the parcel was adjusted slightly from what was originally solicited. Since then, the parcel has remained vacant and unoccupied in anticipation of future development.

While several years have elapsed since the Board's previous authorization, the Developer has maintained its interest in the project, which as summarized Attachment A, is slated to receive subsidies through the California Mental Health Services Act (Proposition 63) on half of the affordable apartment units proposed in the development program. Despite the recent turmoil in the credit markets, and despite a slight adjustment to the size of the parcel from what was originally solicited, the Developer believes it is possible to proceed with a modified project. In summary:

Proposal of January 2, 2006

- 43 apartment units
- 26,500 square feet retail space
- 109 parking spaces
- 2 community rooms

Modification of January 11, 2013

- 53 apartment units
- 5,000 square feet retail space
- 53 parking spaces
- Meeting rooms for tenants

A second, separate project at 1<sup>st</sup>/Soto proposed by Developer and authorized by the Board in December 2006 was withdrawn by Developer, and staff plans a new solicitation there shortly. Therefore, staff recommends the Developer be afforded a contemporary opportunity for renewed consideration of the project, with a modification as summarized above and in the Summary of Terms in Attachment A. To this end, a new ENA would need to be authorized by the Board.

Developer has proposed to carry out the project by means of consultation with MTA staff. Neither Developer nor MTA staff has carried out a current analysis of the potential safety considerations, operating impacts, or other issues that will be necessary to advance this project. Staff recommends that the Board authorize entering into an ENA with Developer to carry out the needed analysis and negotiation to complete the project. Staff will in turn evaluate the proposal, in conformance with any needed environmental review and MTA policies, and if successful, bring a request back to the Board for authorization of a joint development agreement (JDA) and ground lease, together with a request for any needed environmental clearance.

**DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety because no improvements will be constructed as a result of entering into an ENA. Nonetheless, approval of this item will allow the needed analysis of safety impacts to be completed, and in turn, submitted to the Board if negotiations for a JDA and ground lease are successful.

**FINANCIAL IMPACT**

Funding for joint development activities is included in the FY13 budget under Project 610011. Other than support costs needed to negotiate the proposed transaction, supervise any related design and oversee environmental review and construction, no new capital investment or operating expenses are planned to implement this project. Revenues from ground lease rent, holding rent and deposits to cover our support of the project will offset continued staff and consultant related costs. These General Fund

revenues are eligible for bus capital expenses. We expect any financial returns to be negotiated to be fair and reasonable as set forth in Summary of Terms in Attachment A. Since this is a multi-year project, the cost center manager and Chief, Real Property Management and Development are accountable for budgeting of any future out-of-pocket cost that may potentially be needed.

### **ALTERNATIVES CONSIDERED**

The Board could choose not to take the recommended actions and elect to newly solicit alternative development proposals. Staff does not recommend this alternative due to Developer's longstanding commitment to the project and the overall community benefits to be derived from the proposed development program.

During a community meeting held on December 6, 2012 in Boyle Heights, Metro sought input regarding Metro's desire to develop its property at the 1<sup>st</sup>/Soto Station and other parcels (as described to the Board in January 2013). During this community meeting, several spontaneous comments were received from meeting attendees seeking the development of the 1<sup>st</sup>/Lorena parcel as a pocket park. Staff does not recommend this alternative, consistent with Metro's Joint Development Policies and Procedures.

### **NEXT STEPS**

Upon approval of the recommended actions, staff will complete and execute the ENA in accordance with the terms set forth in Attachment A.

### **ATTACHMENTS**

A. Site Diagram and Summary of Terms

Prepared by: Alexander E. Kalamaros  
Transportation Planning Manager  
(213) 922-3051

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Roger S. Moliere  
Chief, Real Property Management and Development

*Arthur T. Leahy*

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Arthur T. Leahy  
Chief Executive Officer

SITE DIAGRAM



**SUMMARY OF TERMS**

Summary of Proposed 1<sup>st</sup>/Lorena Joint Development Project

Date of Proposal:

February 2, 2006, and as modified on January 11, 2013

Proposal Submitted By:

A Community of Friends, a California Non-Profit Public Benefit Corporation,  
Los Angeles, California

Project Location:

Northeast corner of 1st Street and Lorena Street, Los Angeles, California

Program Summary:

Mixed use development including 53 affordable apartment units, 5,000 square feet of retail space and 53 parking spaces. The housing component is proposed to be a mixed-population building, with apartments available to both low income and special needs households. Known as permanent supportive housing, 50% of the units will be available to formerly homeless individuals living with mental illness. Consistent with supportive housing, the project will include common area amenities such as community rooms and offices to be used for supportive services specifically for tenants residing in the building

Planned Development Entity:

Limited partnerships including a New Market Tax Credit commercial component, and a Low Income Housing Tax Credit residential component

Proposed Financing:

Construction loan, mini-permanent loan and equity investment. Developer expects to receive subsidies through the California Mental Health Services Act (Proposition 63)

Planned Development Cost:

\$23.1 million