

**Board Report**

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**File #:** 2017-0740, **File Type:** Contract**Agenda Number:** 17.

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**PLANNING AND PROGRAMMING COMMITTEE  
JANUARY 17, 2018****SUBJECT: MARIACHI PLAZA JOINT DEVELOPMENT****ACTION: AUTHORIZE EXECUTION OF EXCLUSIVE NEGOTIATION AGREEMENT AND  
PLANNING DOCUMENT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and execute an 18-month Exclusive Negotiation Agreement and Planning Document (ENA) with East LA Community Corporation ("ELACC" or "Developer") for the development of 1.08 acres of Metro-owned property at the Mariachi Plaza Station Site (Site), subject to resolution of protests, if any.

**ISSUE**

In March 2017, Metro released a Request for Proposals (RFP) for joint development of Metro-owned parcels at the Mariachi Plaza Gold Line Station (See Attachment A - Site Map). On June 29, 2017, Metro received two proposals (See Attachment B - Procurement Summary), and following evaluations, staff recommends entering into an ENA with ELACC, the highest scoring firm. During the ENA period, ELACC with Metro staff support, will outreach to the community regarding the project, further refine the scope, seek entitlements and negotiate a term sheet leading to a Joint Development Agreement (JDA) and Ground Lease (GL).

**DISCUSSION****Background**

In November 2009, the Metro Gold Line Eastside Extension opened and began providing light rail transit service including four stations in Boyle Heights. One of the stations, Mariachi Plaza, located at 1st Street and Boyle Avenue, has various vacant parcels of land that were acquired by Metro to build the station and for construction staging. It has since been determined that these properties have potential for transit oriented development. In November 2014, Joint Development (JD) staff recommended awarding an ENA to explore the feasibility of developing a 120,570 square-foot mixed-use commercial project on Parcels A and B, along with a privately-held adjacent parcel. There was significant opposition to this proposal by Boyle Heights residents and stakeholders. In March 2015, staff recommended not moving forward with the ENA and re-initiating the JD process in order to conduct extensive community engagement to create community-driven Development Guidelines for the Site. Following community input, the Mariachi Plaza Development Guidelines (Development

Guidelines) were adopted by the Board in January 2017 and integrated into the RFP.

### Site Description

The Site is adjacent to Mariachi Plaza, a historic symbol of art, culture and commerce for the Boyle Heights community. Serving both as a transit gateway and representative of the community's identity, Mariachi Plaza hosts professional Mariachi musicians, a weekly farmers market, multiple community-organized events and the annual Mariachi Festival. A portion of Mariachi Plaza resembles the famous Plaza Garibaldi located in Mexico City, and serves as an emblem of cultural pride and identity for Boyle Heights. Moreover, the Plaza is a major anchor to the commercial corridor on 1<sup>st</sup> Street and an important gathering space for local residents.

The Site is made up of three parcels with a total developable area of 0.75 acres (See Attachment A - Site Map). Parcels A and B are currently used as surface parking lots, and as such are appropriate for new development. Parcel C, a portion of which houses the existing transit Plaza, can be utilized for ancillary uses to the development such as kiosks, outdoor furniture and dining areas, public art space, landscaping, and/or other open and public spaces. This area is approximately 14,150 square feet in size.

The community engagement and Development Guidelines process helped guide and subsequently establish the vision for the Site. The Development Guidelines offer a community-driven vision for development that will reflect the community's diversity; provide and enhance amenities for local residents and families; create housing to meet the needs of the existing Boyle Heights community; support local businesses, include public open space, and support the preservation of the Mariachi culture. Based on a strong community desire for affordable housing at the Site, the Development Guidelines encouraged proposals to include a minimum of 40 units of affordable housing, with as many as are financially feasible in the "low" and "very low income" restricted categories.

### Developer Proposal

The recommended proposal was submitted by ELACC, a 501(c)(3) nonprofit and Community-Based Organization (CBO) founded in 1995 with the mission to advocate for economic and social justice in Boyle Heights and East Los Angeles. ELACC provides affordable housing, community services, community organizing, and wealth-building services to over 2,000 residents. Since 1995, ELACC has developed and now owns 731 units of affordable rental housing, with 504 units in the pipeline.

ELACC's proposal articulates a project vision that clearly and purposefully follows the stated goals and objectives of the Development Guidelines and includes partnerships with numerous community-based organizations. Moreover, the design captures the essence of the community and is of a scale, form, shape and size that complements and respects the surrounding community (See Attachment C - Conceptual Site Plan and Renderings). Development on Parcel A will consist of a 60-unit affordable rental development targeted to low income families and transitional age youth. This exceeds the expectations for the provision of affordable housing as outlined in the Development Guidelines. The proposed name for the project is the Lucha Reyes Apartments in honor of the late Mexican Mariachi star Lucha Reyes whose statue is situated in Mariachi Plaza. The development will also include 6,340 square feet of retail at street level facing the Plaza and a 2,035 square-foot Mariachi Cultural Center reserved for the Organizacion de Mariachis Unidos de Los Angeles (OMULA). Additionally, across the street on Parcel B, there will be a community garden operated by the CBO and non-profit

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CALO YouthBuild. The project will include parking per the requirements of the City of Los Angeles, as well as an additional 11 spaces for local businesses. Additional parking was included to meet requests from the community to address the high demand for parking for the businesses along 1<sup>st</sup> Street. The project will also include 84 bicycle spaces - 24 will be reserved for tenants, with 60 for public use.

Metro's Joint Development Program seeks to facilitate construction of affordable housing units, such that 35% of the total housing units in the Metro JD portfolio are affordable for residents earning 60% or less of the Area Median Income (AMI). This project supports that goal by bringing the total affordable units completed, in construction and/or in negotiations, to 34%. Twenty-eight of the 60 units will be reserved for families earning 50% of AMI, with 30 units reserved for transitional age youth (18-24 years old) with rents set at 30% of AMI. ELACC will secure 30 project-based Section 8 vouchers for these units. Jovenes, Inc. is a CBO and project partner and will provide supportive services for the transitional age youth. The two remaining units will be for property management and maintenance staff.

For the commercial component, it is anticipated that the property would include space for 1-2 restaurants, and 2-3 small retail shops, ranging in size from 700-1,100 square feet. These smaller retail shops would be designed to encourage and foster neighborhood--serving commercial retail. The public open space located on Parcel B will offer much needed open green space in Boyle Heights which has one of the lowest ratios of green space per resident. As a community garden, this space will offer the community access to fresh produce. The proposed operator, CALO YouthBuild, recently received a grant from the National Wildlife Federation which they intend to use for the operation of the community garden. Finally, the location of Mariachi Plaza has served as an informal gathering place for Mariachi bands. In order to help sustain and preserve the Mariachi tradition at this location, the proposal will include a space for OMULA's members to not only store their equipment and gather together, but also to conduct music classes.

#### Financial Offer

The Metro Joint Development Policy has a number of objectives and goals, one of which is fiscal responsibility and a fair return to Metro. The recommended project proposes a three-tiered ground lease payment structure made up of the following: Tier 1 - Capitalized Ground Lease Payment of \$20,000 per unit paid at execution of Ground Lease (\$1.2 million); Tier 2 - Base Ground Lease Payment of \$25,000 at 1<sup>st</sup> year of operations and escalating 3.5% per annum; and Tier 3 - Percentage rent at 33% of available distributable Cash Flow on an annual basis. Staff will engage a financial consultant to support ongoing financial negotiations and ultimately develop a financial term sheet during the ENA term.

#### The ENA

The ENA term is for 18 months, with the option to administratively extend up to 30 months. Key activities during the term of the ENA include:

- Additional community engagement for project scoping and refinement, led by the Developer and supported by Metro staff
- Beginning of the project entitlement and CEQA process
- Negotiation of a term sheet for the Joint Development Agreement and Ground Lease

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## **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety. Metro's operations staff will review and comment on the proposed development to ensure that the proposal, and in particular the uses on Parcel C, have no adverse impact on the station, portal and public-serving areas on Metro's property.

## **FINANCIAL IMPACT**

Funding for the joint development activities related to the ENA and the proposed project is included in the FY18 budget in Cost Center 2210, Project 401018. In addition, the ENA will require a non-refundable fee of \$50,000 as well as a \$50,000 deposit to cover third-party expenses during the negotiation period.

### **Impact to Budget**

Metro project planning activities and related costs will be funded from General Fund local right-of-way lease revenues and any deposits secured from ELACC, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses.

## **ALTERNATIVES CONSIDERED**

The Board could choose not to proceed with the recommended action and could direct staff to (a) not enter into an ENA with ELACC, (b) evaluate whether to enter into an ENA with the other proposer; or (c) not proceed with the project and seek new development options via a new competitive process. Staff does not recommend proceeding with these alternatives as the recommended action and proposed project reflect the vision of the community as determined through a robust community engagement process; the selected Developer is a community-based organization committed to ongoing stakeholder engagement; and the recommended Developer was selected through a thorough evaluation process. A new RFP process would delay the development of the Site.

## **NEXT STEPS**

Upon approval of the recommended action, Metro will enter into an ENA with ELACC. The Developer, together with the joint development staff, will continue to solicit community input to refine the project. ELACC will advance project design and begin the environmental clearance and entitlement process. Metro staff, with support from a financial consultant and County Counsel, will negotiate a term sheet for a Joint Development Agreement and Ground Lease. Staff will return to the Board with the terms of a recommended Joint Development Agreement and Ground Lease at the end of the ENA negotiation period.

## **ATTACHMENTS**


Attachment A - Site Map

Attachment B - Procurement Summary

Attachment C - Conceptual Site Plan and Renderings

Prepared by: Nicole Velasquez, Principal Transportation Planner, Countywide Planning & Development, (213) 922-7439  
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Reviewed by: Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051  
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Phillip A. Washington  
Chief Executive Officer

# Attachment A

## Site Map

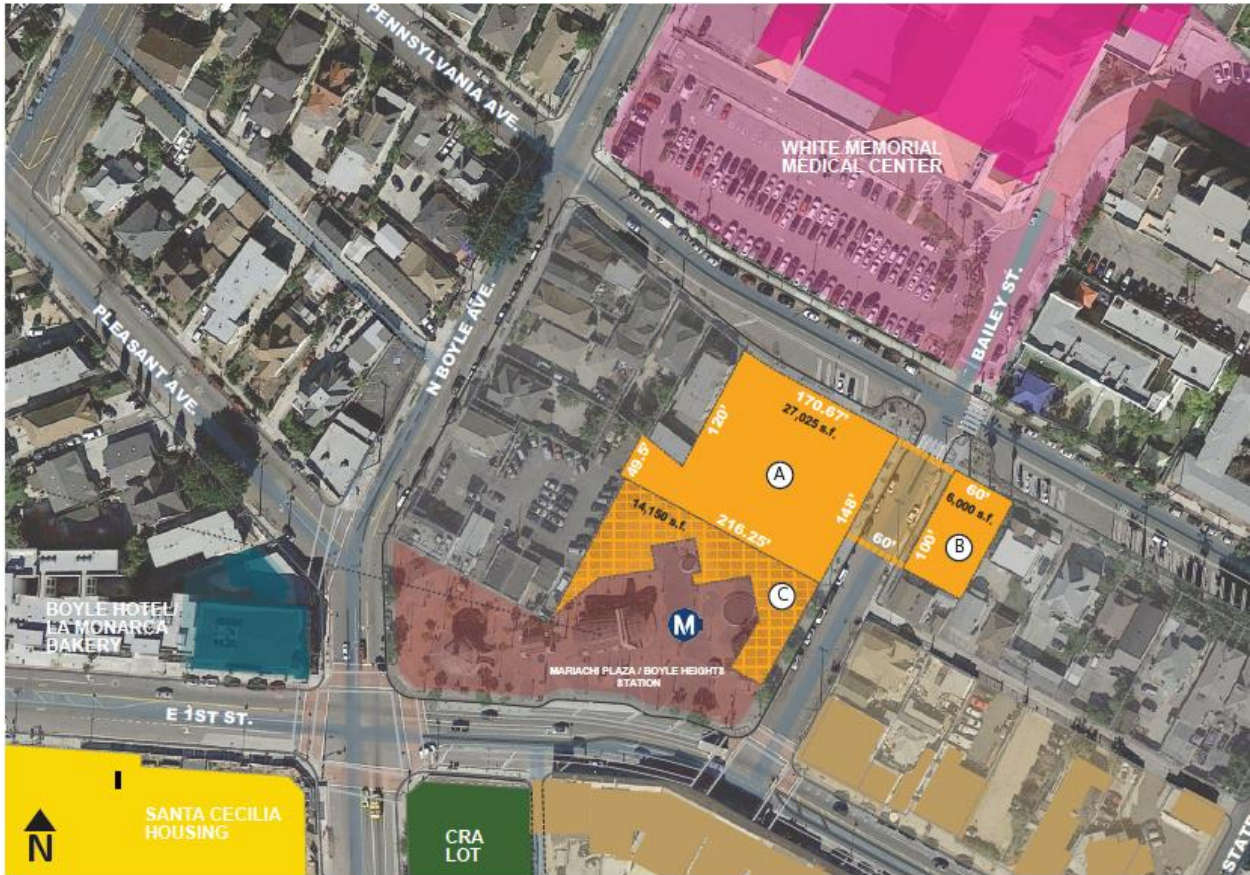


Figure 1: Mariachi Plaza Station Joint Development Site Map

Parcel A: Existing Parking lot (27,025 SF)

Parcel B: Existing lot (6,000 SF)

Parcel C: Portion of existing Mariachi Plaza (14,150 SF)

**PROCUREMENT SUMMARY**

**MARIACHI PLAZA JOINT DEVELOPMENT PROJECT/PS3972200**

1.	<b>RFP Number:</b> PS39722	
2.	<b>Recommended Vendor:</b> East LA Community Corporation	
3.	<b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP- Joint Development <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> March 20, 2017	
	<b>B. Advertised/Publicized:</b> March 20, 2017	
	<b>C. Pre-proposal/Pre-Bid Conference:</b> April 6, 2017	
	<b>D. Proposals/Bids Due:</b> June 29, 2017	
	<b>E. Pre-Qualification Completed:</b> N/A	
	<b>F. Ethics Declaration Forms Received:</b> June 29, 2017	
	<b>G. Protest Period End Date:</b> January 19, 2018	
5.	<b>Solicitations Picked up/Downloaded:</b> 62	<b>Bids/Proposals Received:</b> 2
6.	<b>Contract Administrator:</b> Walter Sparkuhl	<b>Telephone Number:</b> (213) 922-7399
7.	<b>Project Manager:</b> Nicole Velasquez	<b>Telephone Number:</b> (213) 922-7439

**A. Procurement Background**

This Board Action is to approve an Exclusive Negotiation Agreement and Planning Document (ENA) with East LA Community Corporation (ELACC) for the development of 1.08 acres of Metro-owned property at the Mariachi Plaza Station (Site). Board approval of contract awards are subject to resolution of any properly submitted protest(s).

The RFP was issued in accordance with Metro’s Acquisition Policy and will result in an 18-month ENA.

A pre-proposal conference for this RFP was conducted on April 6, 2017 and was attended by 14 people representing 10 firms. One question was asked and a response was provided prior to the proposal due date.

A total of two proposals were received on June 29, 2017.

**B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Metro, the Community-Based Organization (CBO) Leadership for Urban Renewal Network (LURN) and an independent member of the Boyle Heights community, was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

- Vision, Scope and Design 35 percent
- Development Team Experience & Financial Capacity 30 percent
- Financials 20 percent
- Implementation 15 percent

The evaluation criteria are appropriate and consistent with criteria developed for other, similar joint development procurements. Several factors were considered when developing these weights, giving the greatest importance to Vision, Scope and Design, and Development Team Experience and Financial Capacity.

Both of the proposals received were determined to be within the competitive range and are listed below in alphabetical order:

1. Cesar Chavez Foundation (CCF)
2. East LA Community Corporation (ELACC)

On September 29, 2017, the PET met and interviewed the firms. The firm's project managers and key team members had an opportunity to present each teams' qualifications and respond to the PET's questions. In general, each team's presentation addressed the requirements of the RFP, experience with all aspects of the required tasks, and stressed each firm's commitment to the success of the project. Also highlighted were work plans and perceived project issues. Each team was asked questions relative to each firm's proposed alternatives and previous experience.

### **Qualifications Summary of Firms within the Competitive Range**

#### **ELACC**

ELACC is a 501(c) (3) nonprofit and Community-Based Organization founded in 1995. ELACC provides affordable housing, community services, community organizing, and wealth building services to over 2000 residents. Since 1995, ELACC has developed and now owns 731 units of affordable rental housing with 504 units in the pipeline.

#### **CESAR CHAVEZ FOUNDATION**

The Cesar Chavez Foundation (CCF) is a California 501(c)(3) non-profit corporation and submitted a proposal with its wholly-owned subsidiary, Vista Del Monte (VDM), also a California 501 (c)(3) non-profit corporation. CCF has over 40 years of experience and has completed over 300 single-family homes for sale to low-income



households and over 4,000 affordable multi-family units throughout sites in California, Arizona, New Mexico and Texas.

### **Summary of Proposed Development Programs<sup>1</sup>**

Each proposer was required to submit a table with gross square footage for each proposed use, including public and private open space, housing units, retail or office space, parking, and any other information relevant to the development program. This information is summarized below.

#### **Residential**

	<b>ELACC</b>	<b>CCF</b>
<b>Residential Units (#)</b>	<b>60</b>	<b>80</b>
# units 30% AMI	30	10
# units 35% AMI		6
# units 40% AMI		8
# units 45% AMI		10
# units 50% AMI	28	12
# units 60% AMI	-	33
Manager's unit	2	1
<b>Bedrooms</b>		
0	26	32
1	19	36
2	8	11
3	7	0

#### **Non-Residential Uses**

	<b>ELACC</b>	<b>CFF</b>
Retail/Dining (SF)	6340	
Cultural Center (SF)	2035	8500
Community Room (SF)		2000
Parking (on-site spaces)	54	84
Bicycle Spaces	84	104
Public Park (SF)	6000	6072

### **Summary of Proposed Funding and Financial Terms<sup>2</sup>**

Each proposer was required to submit the anticipated sources of proposed project funding. Proposers were also required to submit a financial offer to Metro which included key financial information such as ENA fee, lease period, rents at all stages

<sup>1</sup> The Development Program is based on proposal submissions. The recommended proposal is preliminary and subject to change during the transaction negotiation.

<sup>2</sup> The Funding and Financial Terms are based on proposal submissions. The recommended proposal is preliminary and subject to change during the transaction negotiation. The Board will consider final terms as part of the proposed Ground Lease approval.

of development, and any other terms proposers would like to offer. These are summarized below.

**Funding Sources Ratios**

	<b>ELACC</b>	<b>CCF</b>
Equity	\$100	\$2,367,520
Conventional Debt	\$1,945,235	\$1,632,880
Competitive Grants	\$25,637,894	\$25,790,835
<b>Total Development Cost</b>	<b>\$27,583,229</b>	<b>\$29,791,235</b>

**Summary of Proposed Financial Terms**

	<b>ELACC</b>	<b>CCF</b>
Ground Lease Term	55 years plus one 10 year option	65 years
Upfront Payment	\$1.2M at execution of Ground Lease	\$2M at execution of Ground Lease
ENA Fee	\$50,000	\$50,000
Holding/ Construction/ Lease-Up	\$42,803	Yes, amount not specified
Potential Additional Rent	\$25,000 at beginning of 1 <sup>st</sup> YR of operations, escalating at 3.5% per annum; 33% of available residential cash flow, 33% of available commercial cash flow	25% of residual cash flow
Participation Sale/Refinance	33% net proceeds upon refinancing	20% of Developer Fee upon refinancing

A summary of the PET's scores is below.

<b>1</b>	<b>East LA Community Corporation</b>	<b>Average Score</b>	<b>Factor Weight</b>	<b>Weighted Average Score</b>	<b>Rank</b>
<b>2</b>	Vision, Scope and Design	82.84	35%	28.99	
<b>3</b>	Development Team, Experience & Financial Capacity	81.58	30%	24.47	
<b>4</b>	Financials	70.84	20%	14.17	
<b>5</b>	Implementation	83.75	15%	12.56	
<b>6</b>	<b>Total</b>		<b>100%</b>	<b>80.19</b>	<b>1</b>
<b>7</b>	<b>Cesar Chavez Foundation</b>				
<b>8</b>	Vision, Scope and Design	74.41	35%	26.04	
<b>9</b>	Development Team, Experience & Financial Capacity	72.50	30%	21.75	
<b>10</b>	Financials	74.60	20%	14.92	
<b>11</b>	Implementation	77.50	15%	11.63	
<b>12</b>	<b>Total</b>		<b>100%</b>	<b>74.34</b>	<b>2</b>

### **C. Background on Recommended Developer**

The recommended firm, East LA Community Corporation (ELACC), is a CBO and 501(c)(3) nonprofit corporation located in the Boyle Heights community in the City of Los Angeles. ELACC has been in business since 1995 and is a well-established leader in community development. The organization provides affordable housing, community services, community organizing, and wealth building services to over 2,000 residents. ELACC's track record includes leveraging over \$135 million of investment, and houses over 1,000 residents in safe, habitable, and affordable housing throughout Boyle Heights and East Los Angeles. The firm mobilizes a community organizing base of over 1,300 members annually, and has helped over 3,000 families purchase their first homes, avoid foreclosure, establish savings, and build and sustain wealth. ELACC has increased the supply of quality affordable housing by building and/or rehabilitating multi-family housing for very-low and low-income households in Boyle Heights, Unincorporated East Los Angeles, and other Latino communities.

The development team also includes Y&M Architects who has worked on projects totaling over 11,000 units. AMJ Construction Management Services would provide construction management support and has over 30 years of experience. Entitlement services would be provided by QES, Incorporated who has provided services to Los Angeles area developers for over 30 years. The team also includes John Stewart Company who has provided property management services to affordable housing projects since 1978. Community-based non-profit organizations CALO YouthBuild

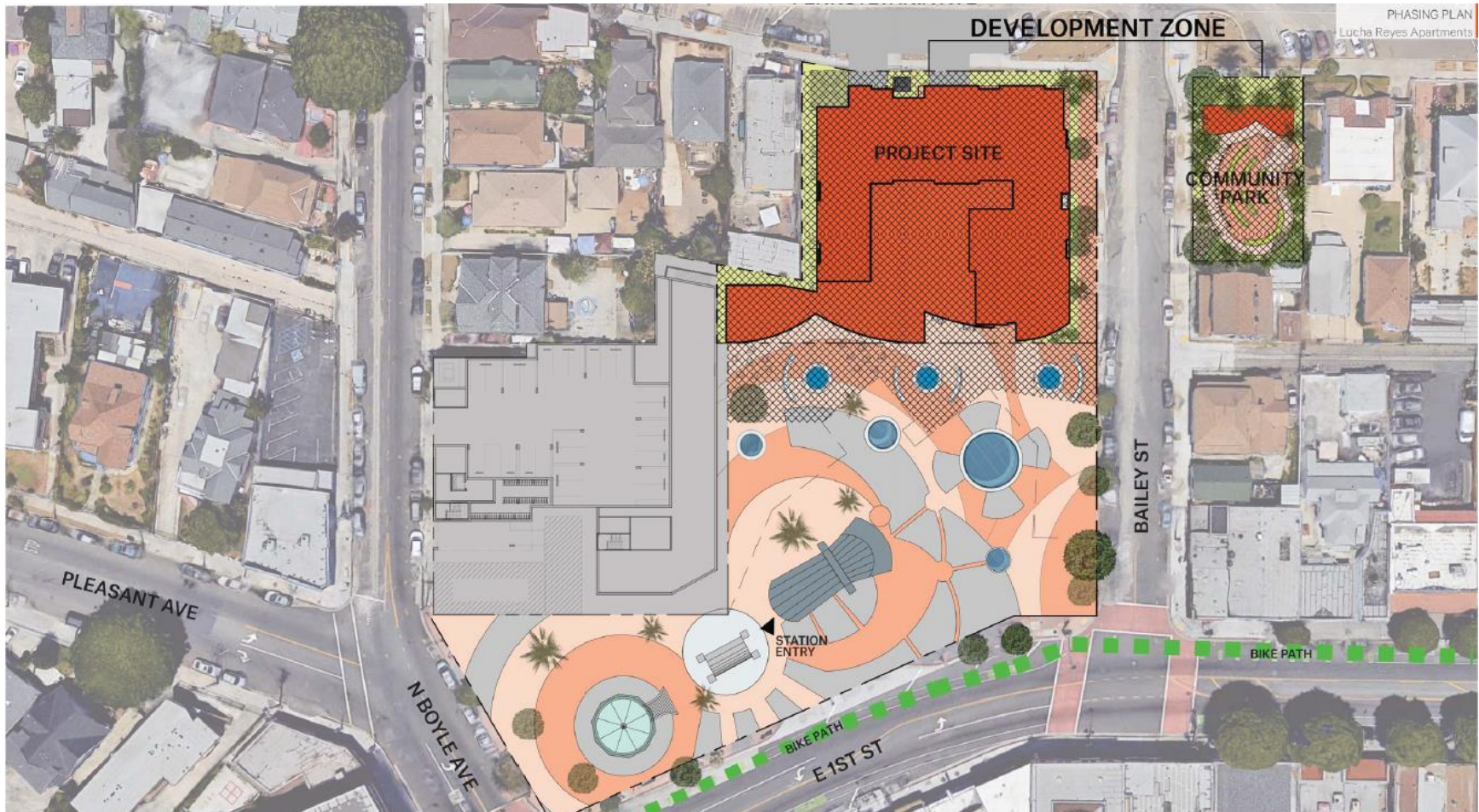
and Jovenes, Inc. will provide services and community programs as members of the project team.

**D. DEOD Summary**

Metro encouraged Development Teams to create opportunities to include Metro-certified SBE/DBE and DVBE firms in their projects, through professional and/or construction services. ELACC did not commit to SBE/DBE or DVBE participation in its proposal. However, ELACC committed to both Veteran Subcontractor Hiring and Veteran Employee Hiring in the delivery of the project.

Attachment C

Conceptual Site Plan and Renderings





**Attachment C (cont.)**

**Conceptual Site Plan and Renderings**



**Attachment C (cont.)**

**Conceptual Site Plan and Renderings**

