File #: 2019-0624, **File Type:** Agreement **Agenda Number:** 11.

PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 20, 2019

SUBJECT: EXPO/CRENSHAW JOINT DEVELOPMENT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute an amendment to the Exclusive Negotiation Agreement and Planning Document with Watt Companies, doing business as WIP-A, LLC, and the County of Los Angeles for 12 months with the option to extend for an additional four months for the joint development of 1.77 acres of Metro-owned property and 1.66 acres of County-owned property at the Expo/Crenshaw Station.

ISSUE

Metro, the County of Los Angeles (County) and Watt Companies, doing business as WIP-A, LLC (Developer) are parties to an Exclusive Negotiation Agreement and Planning Document (ENA) for the development of a mixed-use project adjacent to the Expo/Crenshaw Station (See Attachment A - Site Map). The development program includes a minimum of 400 total rental units (15% of which will be restricted to households earning 30% or less of area median income, and 5% of the total units restricted to households earning 30-80% of area median income), and at least 40,000 square feet of commercial and community space (Project). The ENA is set to expire on December 15, 2019. An extension of the ENA term is necessary to allow the Developer sufficient time to fully entitle and environmentally clear the Project with the City of Los Angeles and finalize the Joint Development Agreement (JDA) and Ground Lease (GL) terms, subject to Metro Board of Directors (Metro Board) and County Board of Supervisors (County Board) approval.

BACKGROUND

Following a competitive solicitation process, the Metro Board and County Board approved entering into a six-month ENA in late 2017/early 2018 with the Developer for joint development of Metro and County-owned parcels at the Expo/Crenshaw Station (Site). The six-month ENA provided an interim period before executing a long-term ENA so that the community could provide input on the Project and the Developer could identify a community-based organization to partner with on the development of the Project.

In the spring of 2018, the Developer entered into an agreement with West Angeles Community

Development Corporation (WACDC) to partner in the execution and operation of the Project. On September 25, 2018 the County Board approved entering into an ENA with the Developer and Metro for a term of 18 months with the option to extend up to 30 months. On September 27, 2018 the Metro Board approved entering into a 14-month ENA with the Developer and the County with the request that staff provide a progress report which was issued in March 2019. The tri-party ENA was executed on October 15, 2018 and will expire on December 15, 2019.

DISCUSSION

The Developer has diligently performed its obligations under the ENA including performing extensive, on-going community outreach, refining the conceptual development plan, and submitting the Project for entitlements with the City as further described below.

Community Outreach
After the 14-month ENA was executed, the Developer held several meetings with local residents, community organizations and government officials to provide updates on the proposed Project. An online survey aimed at gathering input on the Project was circulated and over 200 responses were received. Given the Project will be required to comply with the County's Local Hire Policy, in June 2019 the Developer, in partnership with WACDC, Vernon-Central/LATTC WorkSource Center and Coalition for Responsible Community Development, hosted a local hire "listening session". At this meeting the Developer and their partners obtained feedback on past experiences with local hire programs and began to share information on future employment resources associated with the Project.

Concept Development
Metro and the County, with support from an urban design consultant, have extensively reviewed the Developer's Project plans and provided feedback on the design. The review has focused on conformance with the community vision as outlined in the Expo/Crenshaw Station Joint Development Guidelines, responsiveness to community input received, and on ensuring compatibility between the Project and Metro infrastructure. On July 11, 2019, the Developer and WACDC hosted a workshop where they unveiled the revised conceptual plans based on stakeholder and Metro/County feedback. Over 200 stakeholders attended. Participants engaged with the Developer's architectural/urban design team and expressed that they were generally pleased with the Project's progress. Although the Project has been refined, the Project scope as approved by the Metro Board and County Board in September 2018 remains unchanged.

Entitlements
The Developer submitted for entitlements from the City of Los Angeles in September 2019. Metro Joint Development Policy and relevant case law do not allow the Metro Board to approve JDA and GL terms nor authorize Metro to enter into related agreements until a project has received an environmental clearance under the California Environmental Quality Act. The recommended 12-month ENA term extension (with an option to extend an additional four months) will allow the Developer to complete the entitlements process, environmentally clear the Project, and begin to assemble the Project's financing sources. Metro staff, with support from a financial consultant and County Counsel, have been diligently negotiating a term sheet outlining the JDA and GL terms, subject to Metro and County Board approval.

Equity Platform

Consistent with the Equity Platform pillar “listen and learn”, the Project has gone through a lengthy community engagement process beginning with the creation of Development Guidelines which set the vision for these publicly-owned properties. The Developer continues to maintain a commitment to engaging with stakeholders, and has refined the Project in response to feedback. Furthermore, the Project is an opportunity to “focus and deliver” by adding much needed, transit-oriented affordable housing and other community benefits in the Crenshaw community.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no adverse impact on safety as it only seeks a time extension for the ENA period during which no improvements will be constructed. An analysis of safety impacts will be completed and presented to the Metro Board for consideration if and when negotiations result in proposed terms for a JDA and GL.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the Project is included in the adopted FY20 budget in Cost Center 2210, Project 401045.

Impact to Budget
There is no impact to the FY20 budget. The ENA executed in October 2018 required the Developer to pay Metro a non-refundable fee of $25,000, as well as a $50,000 deposit to cover third-party expenses. The Developer must replenish that deposit when it reaches a balance of less than $25,000.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports the Strategic Plan Goal to “enhance communities and lives through mobility and access to opportunity”, specifically Initiative 3.2 which states “Metro will leverage its transit investments to catalyze transit-oriented communities and help stabilize neighborhoods where these investments are made.” The proposed Project will deliver a number of community benefits, including transit-accessible housing and new commercial/community space.

ALTERNATIVES CONSIDERED

The Board could chose not to extend the ENA term, in which case the ENA would expire in December 2019. Metro could then choose to solicit a new developer and proposal for the Site. Staff does not recommend this alternative due to the fact that the Developer, Metro, and the County have worked diligently and in good faith as partners to advance the Project. Furthermore, the recommended action builds upon the significant community input and procurement process that has transpired thus far. A new procurement process would delay the development of Site, and Metro and the County may fail to take advantage of currently favorable conditions in the real estate market.

NEXT STEPS

Upon approval of the recommended action, staff will prepare and execute an amendment to the ENA extending the term for 12 months with the option to extend an additional four months. Metro staff, with support from a financial consultant and County Counsel, will continue working with the Developer to finalize negotiations for a JDA and GL. Following the Developer's completion of the entitlements and environmental clearance process with the City of Los Angeles and before the end of the ENA period, staff will return to the Board with recommended JDA and GL terms. The Developer and WACDC, together with Metro and County staff, will continue to engage with the community as the Project advances. During the ENA period the Developer will begin to assemble financing for the Project including affordable housing resources.

ATTACHMENTS

Attachment A - Site Map

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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

SITE MAP

SITE A

Owner: Los Angeles County
Site: 1.66 acres
Use: County Probation Department

SITE B

Owner: Metro
Site: 1.77 acres
Use: Construction staging

Expo/Crenshaw Joint Development Project

Planning and Programming Committee

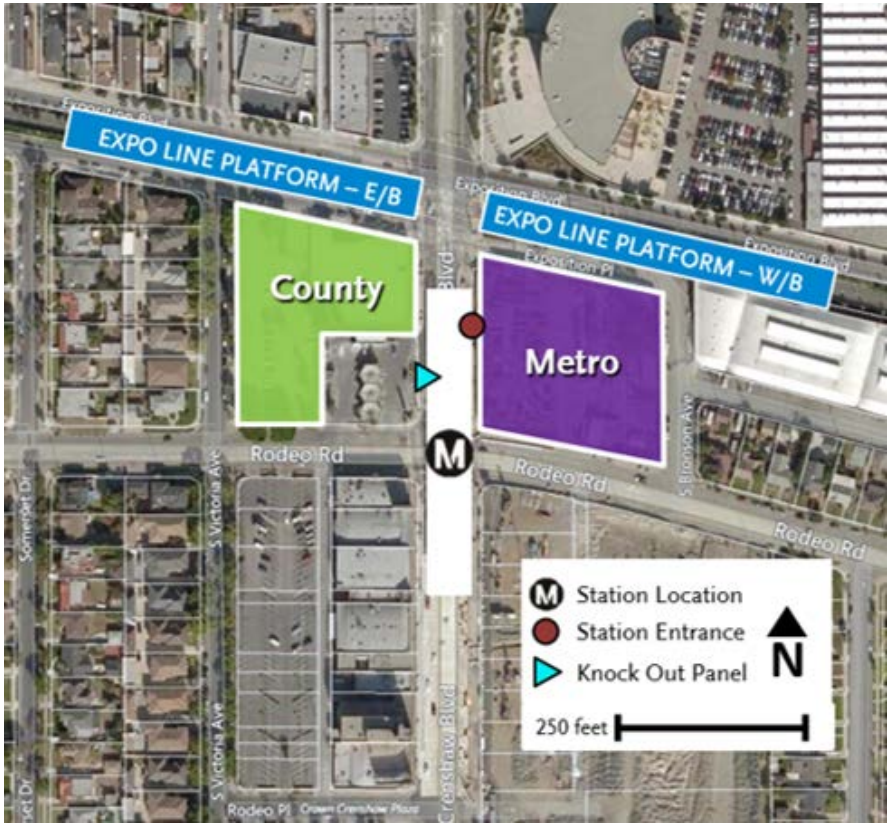
November 20, 2019

Legistar #2019-0624, Agenda Item 11

Metro

Recommendation

- Amend the Exclusive Negotiation Agreement and Planning Document (ENA) with Watt Companies to extend it 12 months with an option to extend an additional 4 months.



Metro

Background

- **June 2016:** Board adopted Development Guidelines following more than 25 community meetings.
- **Late 2017/Early 2018:** After a competitive RFP process, Metro and County Boards approved a 6-month Short-Term Exclusive Negotiation Agreement (ENA) with Watt Companies.
- **September 2018:** Metro Board approved entering into a 14-month ENA which will expire December 15, 2019.

Metro

Project Progress

During 14-month ENA period, Developer has made significant progress in fulfilling its obligations under the ENA:

- Held several meetings with community stakeholders including hosting a local hire "listening session" and a public workshop with more than 200 attendees
- Conducted an online survey aimed at gathering input with over 200 responses received
- Advanced project design in response to community feedback
- Submitted for entitlements from City of Los Angeles in September 2019

Metro

Project Scope

- 401 total rental units (20% affordable set aside)
  - 15% restricted to households earning 50% or less of AMI
  - 5% restricted to households earning 30-80% of AMI
- 40,000 sq. ft. of commercial and community space
  - Proposed tenants include a grocery store and local small businesses
- Nearly an acre of public open space
- Preserves opportunity to build second entrance to Expo/Crenshaw underground station

Metro

Next Steps

- **Late 2020** – Entitlements and environmental clearances expected.

- **On-going through 2020**
  - Negotiate term sheet for Joint Development Agreements and Ground Leases with Metro and County
  - Public hearings and continued community engagement
  - Secure project financing

- **Early 2021** – Return to Metro and County Boards for consideration of final transaction terms