

**Board Report**

File #: 2019-0827, **File Type:** Agreement**Agenda Number:** 6.

**PLANNING AND PROGRAMMING COMMITTEE
FEBRUARY 19, 2020****SUBJECT: WESTLAKE/MACARTHUR PARK JOINT DEVELOPMENT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (“CEO”) to execute a short-term Exclusive Negotiations Agreement and Planning Document (“ENA”) with the Walter J Company (“Proposer”) for the joint development of Metro-owned property at the Westlake/MacArthur Park Station (“Site”) for a period of six months, with an option to extend up to three additional months.

ISSUE

Staff have completed evaluation of an Unsolicited Joint Development Proposal (“Conceptual Proposal”) for development of the Metro-owned property at the Site along with adjacent property under the control of the Proposer. Staff have determined that the proposal to develop Metro’s property may yield significant affordable housing, community benefits and improvements surrounding the Site, and recommends entering into a short-term ENA to further refine the proposal with additional stakeholder and community input prior to considering entering into a full-term ENA with the Proposer.

BACKGROUND

On December 22, 2017, Metro received a Conceptual Proposal from the Proposer. In accordance with the Joint Development Unsolicited Proposals Policy (“JD UP Policy”), an evaluation committee made up of Metro staff from Joint Development, Operations, and Program Management reviewed the Conceptual Proposal and determined that it warranted additional consideration. After receiving CEO approval to proceed in February 2018, the Proposer was invited to submit a Phase 2 proposal (“Detailed Proposal”). After several phases of evaluation, the committee recommended advancing the proposal to the CEO. On June 14, 2019, per Federal Transit Administration requirements, Metro published its interest in the joint development of the Site for a 30-day period and ultimately recommended moving forward with the Proposer.

DISCUSSION

The Conceptual Proposal includes the redevelopment of the existing Metro plaza in conjunction with the construction of high-rise buildings on two adjacent lots owned by the Proposer (see Attachment

A). The plaza redevelopment will enhance connectivity and transit access at the Site while providing additional residential, commercial, and community space. The towers will provide housing and space for hotel units. In total, this transit-oriented development proposes:

- 665 residential units, with 120 units of affordable housing
- 252 hotel rooms
- 67,791 square feet of commercial space, and 75,679 square feet of open space amenities
- Significant enhancements to the Metro plaza promoting activation and connectivity of the station area
- A cooperative marketplace designed to support local artisans and vendors, with 20% of the commercial or retail floor area dedicated to minority-owned businesses and businesses that are owned and operated by Westlake/MacArthur Park District residents

Findings

The evaluation committee concluded that the Conceptual Proposal offers significant Transit Oriented Community (“TOC”) benefits that would not be possible if the development were to proceed without Metro’s property. Nor would it be possible for Metro to achieve the same degree of TOC benefits were the property to be developed on its own. From 2002 to 2017, Metro has been in various stages of negotiation for development of the Metro property at the station. These negotiations ended when it became clear that appropriate transit-oriented development was infeasible without using adjacent property as further discussed below. Staff’s analysis of the proposal indicates that the total value of development would be substantial enough that combining Metro and adjacent private property could overcome these hurdles.

Upon completing the review of the Conceptual Proposal, the committee recommended that it be advanced for the following key reasons:

- 1. Adjacent land enables a more substantial development project to overcome the challenges of a complex site:** The Metro-owned property at the Site is constrained by two station portals, an elevator, vent shafts, and a shallow station box that runs diagonal below the site. These physical constraints make it challenging to build above the station and deliver transit-supportive densities. A prior JD project was recently terminated in part due to the inability of the developer to deliver a financially feasible and desirable project given the Site’s constraints. The Proposer’s two adjacent properties, combined with the Metro-owned property, create a unique opportunity to span the station box and provide a mixed-use project with a significant number of housing units adjacent to transit.
- 2. Affordable Housing Provision:** Metro’s JD Policy sets a goal for 35% of the total housing units in the Metro Joint Development portfolio to be affordable for residents earning 60% or less of the Area Median Income (“AMI”). The Proposal would provide 120 affordable housing units (18% of total housing units) on the combined site. Including Metro’s property allows the Proposer to increase the project’s overall floor area ratio making it possible to build more affordable and market rate units than if the Metro property were to be developed on its

own.

3. Developer Team Experience with Metro: The Proposer's team has experience working with complex development sites and constructing over Metro subway portals. The Proposer's team architect designed and developed Solair, a mixed-use 22-story condo project above the Wilshire/Western station entrance.

4. Recent Community Experience: The Proposer's team has experience working with the MacArthur Park community. They will soon be breaking ground on a 41-story residential project with cultural/performance space at 1930 Wilshire, which is around the corner from the Site.

Short-Term ENA Deliverables

After careful consideration, the proposal has several areas that staff believes need to be addressed before moving forward with a full-term ENA. This includes requiring the developer to conduct initial community outreach to solicit input on the proposal and considering potential refinements to the project scope including the housing composition, parking quantities, and design integration with adjacent development opportunities. In addition, addressing concerns about gentrification and ensuring the protection of Metro's subsurface infrastructure will be critical. The short-term ENA will serve as an interim step that will allow the parties to directly communicate and address these areas of concern.

Equity Platform

Partnering to build a transit-oriented development with affordable housing falls into Pillar III-Focus and Deliver, of the Equity Platform by supporting affordable housing in an Equity Focused Community (as defined in the Values Framework of the Long-Range Transportation Plan update).

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. Operations staff will review and comment on the proposed development to ensure that the proposal will have no adverse impact on the Westlake/MacArthur Park Station, portal and public-serving areas on Metro's property. In addition, the eventual implementation of this Joint Development project will offer opportunities to improve safety for transit riders through better pedestrian, bicycle, and mobility connections.

FINANCIAL IMPACT

Adoption of the ENA would have no significant financial impact to the agency.

Impact to Budget

Funding for the Joint Development activities related to the ENA and the proposed project is included in the FY20 budget in Cost Center 2210, Project 401038.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The proposed project allows for a development that is in line with Goal 3 of the Strategic Plan, enhancing communities and lives through mobility and access to opportunity. The addition of affordable housing and community spaces adjacent to transit will increase ridership and activate the station area enhancing the community and the lives of community members through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to seek new development options via a competitive process. Staff does not recommend proceeding with these alternatives as the Proposal will yield greater affordable housing and TOC benefits than Metro would be able to achieve with its property alone.

NEXT STEPS

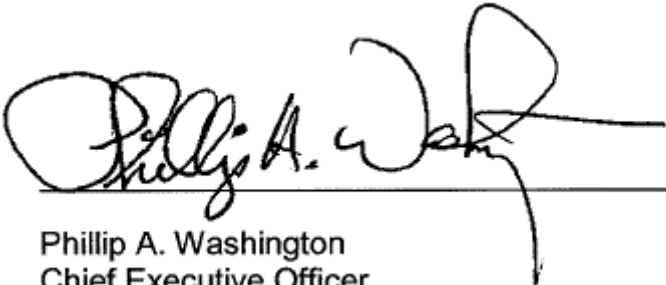
Upon Board approval of the recommended action, staff will execute the short-term ENA and Metro staff and the Proposer will commence preliminary negotiations in parallel with community outreach to engage stakeholders in a dialog about the development proposal and address the mentioned areas of the proposal that require refinement before returning to the Board to request a full-term ENA.

ATTACHMENTS

- Attachment A - Project Site Plan
- Attachment B - Proposed Project Rendering

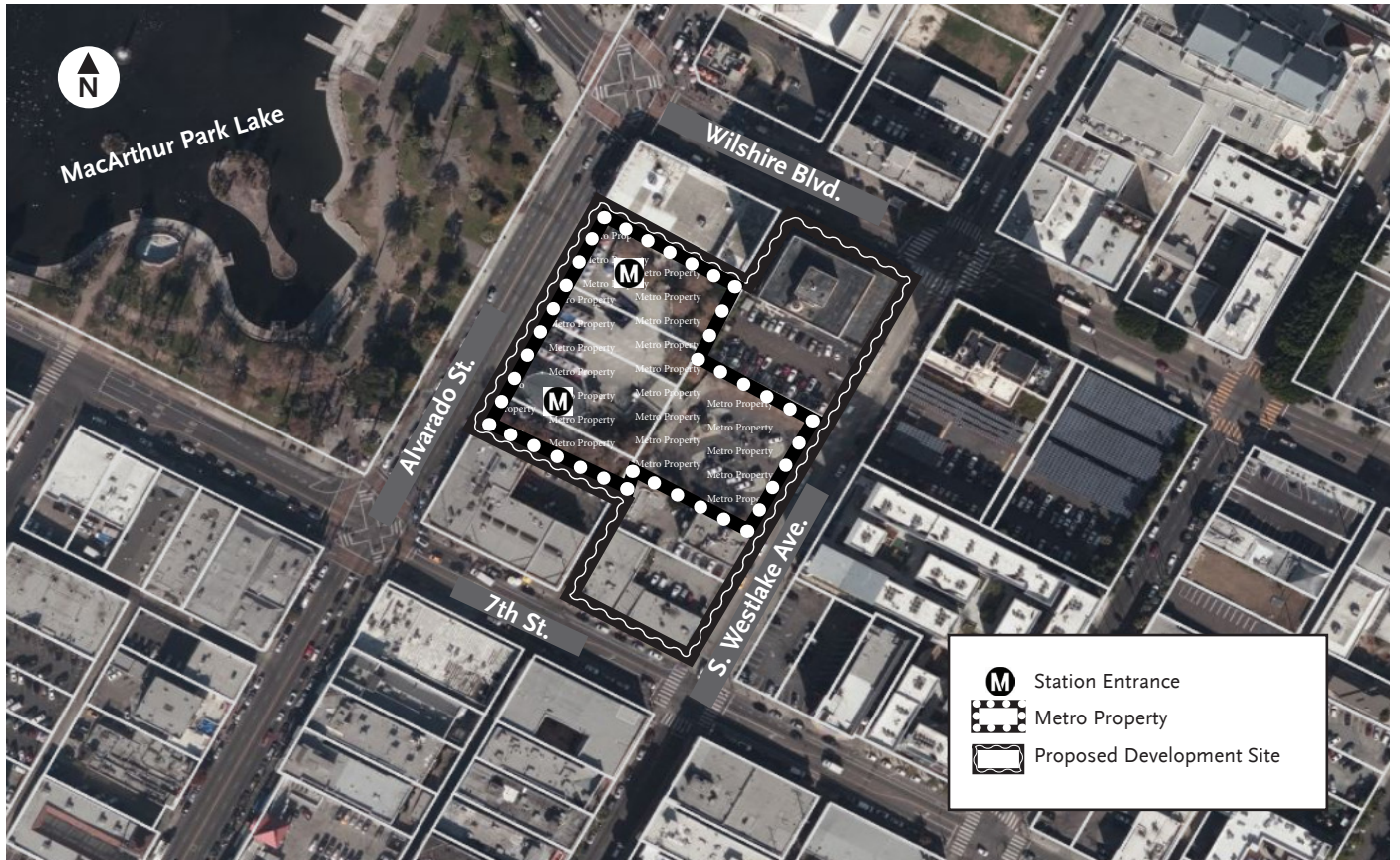
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Phillip A. Washington
Chief Executive Officer

Attachment A - Project Site



Attachment B – Proposed Project Rendering





Next stop: building communities.

Westlake/MacArthur Park Joint Development

Planning and Programming Committee

February 19, 2020

Legistar File 2019-0827

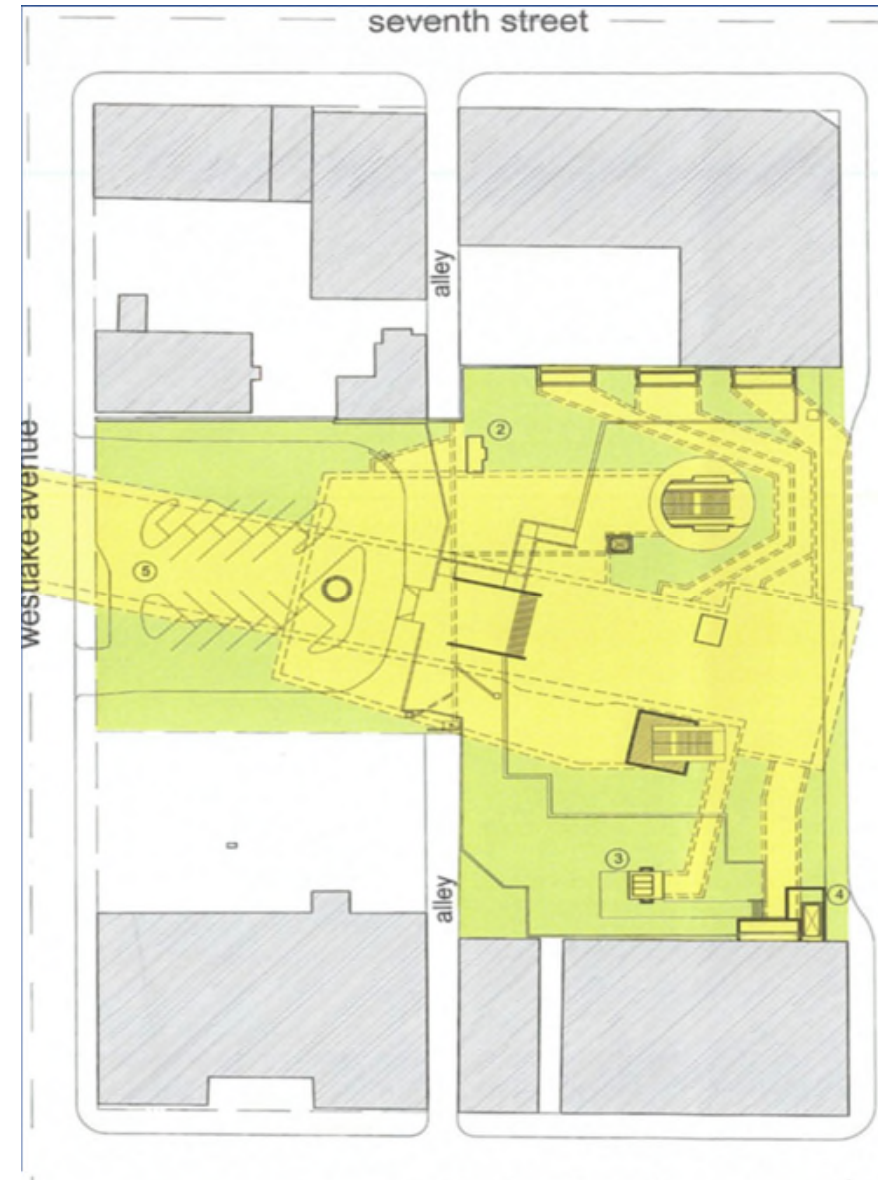


Recommendation

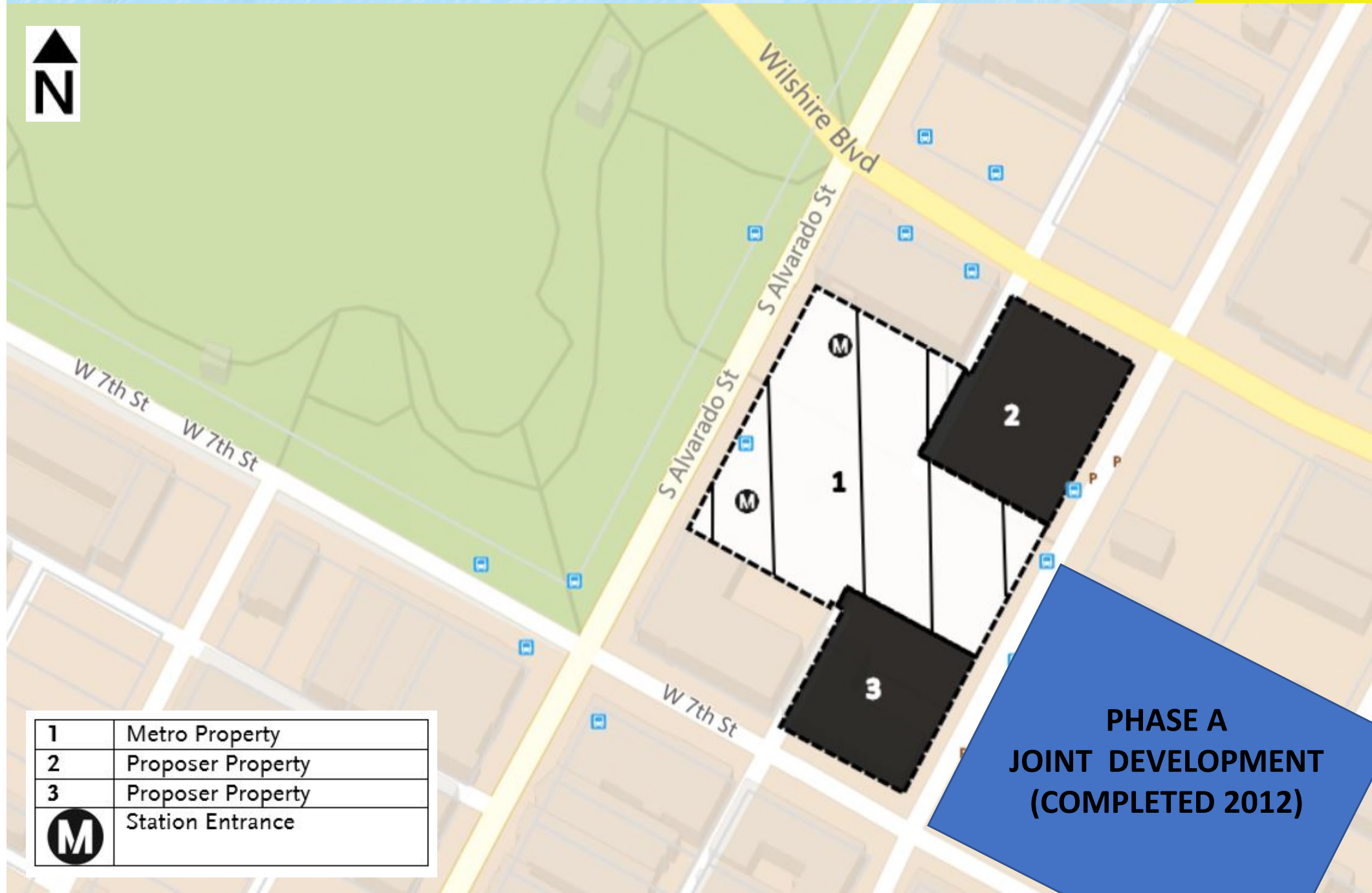
- > Authorize the Chief Executive Officer to execute a short-term Exclusive Negotiations Agreement and Planning Document (“ENA”) with the Walter J Company (“Proposer”) for the joint development of Metro-owned property at the Westlake/MacArthur Park Station for a period of six months, with an option to extend up to three additional months
- > Short-Term ENA will enable staff to exit procurement “blackout” period and open a dialogue with the Proposer and the community


Background

- May 2012 Phase A completed with 90 units of 100% Affordable Housing
- May 2017 Phase B (80 affordable units) determined infeasible due to subsurface infrastructure
- December 2017 Unsolicited Proposal received, initiating procurement “blackout”
- May 2019 Evaluation Committee recommends posting opportunity to allow for competing proposals
- June 2019 Second proposal received with fewer affordable units
- February 2020 Staff initiate study of affordable housing policy



Westlake/MacArthur Park Site Overview



1	Metro Property
2	Proposer Property
3	Proposer Property
	Station Entrance

**PHASE A
JOINT DEVELOPMENT
(COMPLETED 2012)**

Developer Proposal – Subject to Negotiation

- > 665 residential units, with 120 units of affordable housing
- > 252 hotel rooms
- > Approximately 70,000 sq./ft. commercial space
- > Approximately 75,000 sq./ft. open space amenities
- > Significant enhancements to the Metro plaza, promoting activation and connectivity of the station area
- > Cooperative marketplace supporting local artisans and vendors

Next Steps

Upon Board approval staff will:

- > Execute a short-term ENA
- > Commence preliminary negotiations with Proposer to address:
 - Affordable Housing Set-Aside and Community Amenities
 - Community Outreach
 - Design Concept including Parking
- > Staff will return to the Board in Fall 2020 to recommend next steps