

**Board Report**

File #: 2019-0874, **File Type:** Contract**Agenda Number:**

**PLANNING AND PROGRAMMING COMMITTEE
MARCH 18, 2020****SUBJECT: LITTLE TOKYO/ARTS DISTRICT STATION JOINT DEVELOPMENT****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

WITHDRAWN: AUTHORIZE the Chief Executive Officer to execute an 18-month Exclusive Negotiation Agreement and Planning Document (ENA), with the option to extend up to 30 months, with Innovative Housing Opportunities, Inc. (Developer) for the development of the Metro-owned Regional Connector Little Tokyo/Arts District Station (Site), subject to resolution of protest(s) if any.

ISSUE

In August 2018, Metro released a Request for Interest/Qualifications (RFI/Q) for the development of the Metro-owned Regional Connector Little Tokyo/Arts District Station Site (see Attachment A - Site Map). After evaluating eight responses received, Metro invited four qualified developers to respond to a Request for Proposals (RFP). After thorough evaluation, staff recommends entering into an ENA with Innovative Housing Opportunities, the highest-scoring firm.

BACKGROUND

Joint development of the Site is a required mitigation measure for the Regional Connector Transit Project (Project) and presents an opportunity to activate the Little Tokyo/Arts District Station area with transit supportive uses that connect to the surrounding community. The Site is approximately 1.2 acres with approximately 30,000 square feet of developable area due to transit infrastructure constraints. While ideally situated to be both a regional transportation hub and gateway to culturally rich surrounding communities, its small size and physical constraints demand innovative approaches to create a compelling and financially stable project.

Metro's joint development process typically begins with creating Development Guidelines which accompany an RFP for a site. Given the Site's unique opportunities and challenges and the extensive community visioning and planning already completed in the Little Tokyo and Arts District communities, staff instead worked with community stakeholders and consultants to prepare an "Opportunity Overview" of the Site that built upon the existing community-driven visioning documents and planning efforts. The team analyzed relevant regulatory plans and policies, identified the real estate development opportunities and developable areas around Metro's transit infrastructure, and

conducted outreach to better understand community priorities for the Site.

Community Outreach

Metro and the consultant team held two roundtables with Little Tokyo and Arts District community leaders in January and February 2018. Staff circulated a public survey from February to March 2018 which drew over 600 responses, and in May 2018 hosted an interactive booth at the Regional Connector “Halfway There!” celebration. From this engagement process, the following community goals for the Site emerged:

- Create a safe, vibrant, transit-supportive project;
- Provide community-oriented uses and programming;
- Integrate community preferences for design and character;
- Support existing local businesses and draw new visitors to the area; and
- Incorporate strategies for environmental and financial sustainability.

To confirm that community priorities were accurately captured, Metro staff made available a draft of the Opportunity Overview on Metro’s website and accepted public comments from July to August 2018.

To generate interest in the development of the Site and to promote the RFI/Q, Metro staff hosted a “Building Partnerships” networking event in June 2018, which attracted over 100 participants representing real estate developers, architecture/design firms, service providers, community-based organizations, general contractors and subcontractors, cultural/arts organizations, and small businesses. The event aimed to introduce potential project proposers to one another, encourage local partnerships and small business participation, and ultimately facilitate collaborations that could result in innovative proposals. Metro partnered with the Asian Pacific Islander Small Business Program, Little Tokyo Business Improvement District, and the Regional Connector Community Leadership Council Little Tokyo/Arts District Station Area Committee to promote the event.

Developer Selection

Given the unique potential and constraints for the Site, staff followed a “two-step” procurement process, first releasing an RFI/Q from which qualified developers were invited to respond to an RFP. A summary of the developer selection process is provided as Attachment B - Procurement Summary.

DISCUSSION

Developer Proposal

The highest scoring proposal was submitted by Innovative Housing Opportunities, Inc. (IHO), a California non-profit public benefit organization, in conjunction with Western Pacific Housing, LLC (Developer). IHO was formed in 1976 to address the lack of low to moderate income housing in the City of Irvine and has completed over 550 affordable residences throughout Orange, Los Angeles, Riverside and San Diego counties. Today, IHO’s portfolio includes housing communities throughout Southern California, with approximately 380 units in predevelopment. Western Pacific Housing, LLC is a consortium of real estate development professionals who have collectively completed 1,200 affordable units, 400 market rate units, and over 200,000 square feet of retail/commercial space. In addition, the developer team includes LA Commons, a regional cultural and arts non-profit with

experience working in communities surrounding the Site.

The Developer's Project proposal includes:

- 78 residential units, including
 - 40 affordable units at 30-50% area median income (AMI), 21 of those for transition-age youth (TAY)
 - 30 affordable units at 80% AMI
 - 7 live/work for artists at 120% AMI
 - 1 manager unit
- Approximately 10,000 sq. ft. of ground floor commercial space with space set aside for Little Tokyo legacy businesses at a discounted rate.
- Dedicated community space including a "Makers Space" to provide skills training and employment opportunities for TAY and area residents.
- Activation of the Metro plaza with cultural programming and events such as farmers markets, movie nights, kiosks, etc.
- Transit-supportive amenities such as wayfinding and space for car-share, micro-mobility devices and/or a bike hub.
- Transit passes will be provided to residents living in the 30-50% AMI units for their first 18 months of occupancy.
- 65-year ground lease term.
- A one-time capitalized payment and annual ground lease payments equivalent to approximately \$600,000.

See Attachment C - Site Plan and Rendering for additional information on the proposed Project.

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 AMI. Including the Project, the total affordable units that have been completed, are in construction and/or in negotiations in the Joint Development portfolio will be 36%. The Project will also create employment opportunities in construction and will be required to comply with Metro's Project Labor Agreement and Construction Careers Policy.

ENA Term

The ENA provides Metro and the Developer the opportunity to refine the Project and seek community feedback, negotiate terms of a Joint Development Agreement and Ground Lease, and seek environmental approvals and City of Los Angeles entitlements. In addition, the ENA term will provide the opportunity to address the following concerns raised by the PET:

- a) While the Developer proposal articulates a vision that meets a number of the objectives highlighted in the Opportunity Overview, the PET concluded that the Project needs further refinement of its urban design and architectural features. With support from an urban design consultant, Metro will provide feedback on the conceptual design, particularly focusing on strengthening the open space as it relates to the transit station, building façades and circulation through the Site.

- b) In addition, the Metro Joint Development Policy strongly encourages partnerships with community-based organizations (CBOs). Staff believes the Developer team would be strengthened with the addition of a locally-based community partner. Within six months of execution, the Developer will be required to partner with a CBO experienced in working with Little Tokyo and the Arts District communities.

Equity Platform

Consistent with the Equity Platform pillar “listen and learn”, the Project undertook a lengthy community engagement process beginning with the creation of the Opportunity Overview which set the vision for this publicly-owned property. The Developer will be required to engage with stakeholders and refine 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 downtown Los Angeles community.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. The eventual implementation of this Joint Development Project at the Regional Connector Little Tokyo/Arts District Station will offer opportunities to improve safety for transit riders through better pedestrian and bicycle connections.

FINANCIAL IMPACT

Funding for staff time related to the ENA and the proposed Project is included in the FY 2020 budget in Cost Center 2210 (Joint Development) under Project 401046 (Little Tokyo/Arts District Station Joint Development). In addition, the ENA will require a nonrefundable fee of \$50,000 as well as a \$50,000 deposit to cover third party expenses during the negotiation.

Impact to Budget

Metro project planning activities and related costs will be funded from local right-of-way lease revenues. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact FY 2020 bus and rail operating and capital budget, Propositions A and C, TDA, Measure R or M administration budget.

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, income-restricted housing and new commercial/community space.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to continue clarification talks with the Developer outside of an ENA, or prepare and release a new

solicitation for joint development of the Site. Staff does not recommend proceeding with these alternatives because the recommended action will ensure the most transparent process with the community and other stakeholders, and appropriately builds upon the significant community input and procurement process that has transpired thus far. A new solicitation process would delay the development of the Site, and Metro may fail to take advantage of currently favorable conditions in the real estate market. Further, if the outcome of the discussion during the ENA process does not create a project proposal suitable to Metro, other options could still be considered. Finally, pursuing joint development of the Site is required as a mitigation measure for the Regional Connector Transit Project.

NEXT STEPS

Upon Board approval of the recommended action, the ENA will be executed, and Metro staff and the Developer will commence preliminary negotiations in parallel with design review. Additionally, staff will form the Little Tokyo/Arts District Station Joint Development Design Review Advisory Committee to serve as the formal means for the community to advise on the design of the Project. Securing a commitment to address the design challenges and identifying a local CBO partner in the first six months of the ENA will be a condition for proceeding with further negotiations.

ATTACHMENTS

- Attachment A - Site Map
- Attachment B - Procurement Summary
- Attachment C - Site Plan and Rendering

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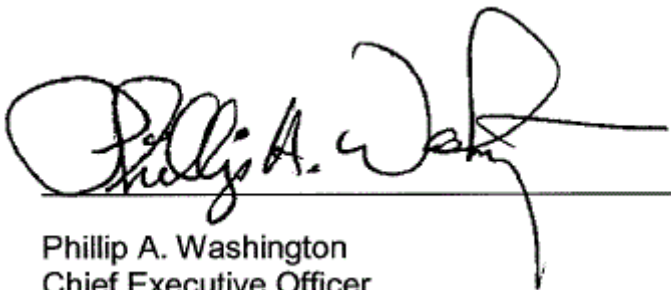
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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A
SITE MAP



 Little Tokyo/Arts District Station Site

 Station Portal Entrance

PROCUREMENT SUMMARY

LITTLE TOKYO/ARTS DISTRICT STATION JOINT DEVELOPMENT
OPPORTUNITY/PS63932

1.	RFP Number: PS63932	
2.	Recommended Vendor: Innovative Housing Opportunities	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order <input checked="" type="checkbox"/> Joint Development	
4.	Procurement Dates:	
	A. Issued: June 20, 2019	
	B. Advertised/Publicized: June 20, 2019	
	C. Pre-Proposal Conference: N/A	
	D. Proposals Due: August 19, 2019	
	E. Pre-Qualification Completed: N/A	
	F. Conflict of Interest Form Submitted to Ethics: February 10, 2020	
	G. Protest Period End Date: March 23, 2020	
5.	Solicitations Picked up/Downloaded: 4	Proposals Received: 4
6.	Contract Administrator: Gina Romo	Telephone Number: (213) 922-7558
7.	Project Manager: Nicole V. Avitia	Telephone Number: (213) 922-7439

A. Procurement Background

This Board Action is to approve an Exclusive Negotiation Agreement and Planning document (ENA) for development of the Metro-owned Regional Connector Little Tokyo/Arts District Station (Site). Board approval of agreements are subject to resolution of protest(s).

A two-step procurement process was used in order to obtain the broadest competition for this Joint Development opportunity which is more complex than typical Joint Development sites.

Step one, or Request for Interest and Qualifications (RFIQ) No. PS55542, was issued on August 27, 2018, for the selection of potential developers based on qualifications, financial capacity, preliminary conceptual design, and project delivery strategy. A pre-submittal conference was held on September 26, 2018. A total of 8 submittals were received for the RFIQ and 4 developers were selected to proceed to step two.

Step two, or Request for Proposals (RFP) No. PS63932, required the developers selected from step one to provide a site development plan along with a financial proposal and phasing schedule.

This RFP was issued in accordance with Metro's Acquisition Policy and Procedures.

A total of four amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on July 29, 2019 extended the due date of the RFP to August 19, 2019;
- Amendment No. 2, issued on October 21, 2019, after receipt of proposals, clarified the page limit of the required narrative document as 3 pages and extended the due date of the narrative documents to December 2, 2019;
- Amendment No. 3, issued on October 31, 2019, after receipt of proposals, increased the page limit of the required narrative document to 4 pages;
- Amendment No. 4, issued on November 12, 2019, after receipt of proposals, extended the due date of the required narrative document to December 9, 2019 to allow for additional community engagement.

A total of four proposals were received on August 19, 2019.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Joint Development Department, City of Los Angeles Planning department, and local businesses and organizations 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 | 25 percent |
| • Public Benefits | 20 percent |
| • Financial Information | 40 percent |
| • Public Workshop & Community Engagement | 10 percent |
| • Project Timeline | 5 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other Joint Development opportunity procurements. Several factors were considered when developing these weights, giving the greatest importance to financial information, which includes the developers' financial capability to build and fund the project through fruition.

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

1. Centre Urban Real Estate Partners
2. Ekibashi Project Team
3. Innovative Housing Opportunities, Inc.
4. LTSC Community Development Corporation

On October 17, 2019, Metro sponsored an Open House at the Nishi Hongwanji Buddhist Temple in the Little Tokyo/Arts District community. The Open House provided each of the developers with two opportunities to give an overview of their vision for the Site and to answer questions from community stakeholders.

As part of the RFP, developers were required to prepare a written narrative response to questions and comments generated from the presentations given at the Open House and feedback received after, specifically addressing any negative feedback and how they would overcome it. The written narrative responses to the comments and questions received after completion of the Open House were evaluated by the PET as part of the Public Workshop & Community Engagement.

Qualifications Summary of Firms within the Competitive Range:

Innovative Housing Opportunities, Inc. (IHO)

IHO is a California non-profit public benefit organization formed in 1976 to address the lack of low-to-moderate income housing in the City of Irvine. The development team also includes Western Pacific Housing (co-developer), LA Commons (community engagement and cultural partner), Safe Place for Youth (service provider), Dahlin (architect), Kal Krishnan Consulting Services (Metro certified SBE engineer), Enterprise (financial partner), and FPI Management (property manager). IHO's portfolio includes housing communities in suburban, urban infill, low-income, and high-cost neighborhoods throughout southern California. The IHO proposal includes approximately 78 residential rental units, serving a variety of tenants and households earning from 30% of Area Median Income (AMI) to 120% AMI. The non-residential program includes supportive service space, incubator/job training space, an art gallery and commercial space, some of which will be reserved for local businesses.

Centre Urban Real Estate Partners (Centre)

Centre, originally founded in 1999, is a privately-held commercial real estate investment, development, advisory, and asset management company. The development team also includes Stantec (design), Kritzing & Rao (architecture and urban planning), McCormick-Busse, Inc (community outreach), and Enrique Ramirez and Don Tahara (business partners of Senor Fish, Sake Dojo, and Far Bar). The Centre proposal consisted of a food hall concept with modular restaurant space, conventional restaurant, bar, coffee shop, mobility hub, and creative office space.

Ekibashi Project Team (Ekibashi)

Ekibashi is led by Kaji & Associates, a family-owned and managed commercial developer founded in Little Tokyo. The development team also includes Gruen Associates (planning, urban design, and landscape architecture), Kengo Kuma and Associates (architect), Murakawa Communications (outreach), and HR&A Advisors

(economics). Ekibashi proposed a 180-room four-star hotel with a coffee shop, restaurant, retail, co-working, and art gallery space.

LTSC Community Development Corporation (LTSC)

LTSC is a 501(c)(3) nonprofit community development corporation. The development team also includes FSY Architects (design and engineering), Fehr & Peers (transportation), and Morena Strategies (project consultant). The LTSC proposal included space for a small business incubator, community rooms/visitor center, a restaurant, offices, gallery and a 130-space parking structure.

Summary

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

Development Programs¹

	Centre	Ekibashi	IHO	LTSC
Residential Units (#)	0	0	78 rent-restricted units: <ul style="list-style-type: none"> • 40 units at 30-50% AMI • 30 units at 80% AMI • 7 live/work at 120% AMI • 1 manager unit 	0
Hotel Units (#)	0	180	0	0
Retail/Commercial (SF)	18,283	14,273	6,590	10,450
Open Space (SF)	13,595	28,187	14,200	26,600
Mobility Hub (SF)	515	2,350	1,250	1,000
Office (SF)	21,705	4,075	740	2,750
Auto Parking (on-site spaces)	0	0	18	130
Bicycle Spaces (#)	37	100	In mobility hub	In mobility hub
Cultural/Art Gallery (SF)	0	1,801	2,800	2,500
Community Room (SF)	0	1,675	Included in Cultural/Art Gallery above	5,000

¹ The Development Program is based on proposal submissions. The IHO proposal is preliminary and subject to change during the transaction negotiation.

The following table summarizes the final scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	IHO				
3	Vision, Scope and Design	56.00	25.00%	14.00	
4	Public Benefits	71.00	20.00%	14.20	
5	Financial Information	62.00	40.00%	24.80	
6	Public Workshop & Community Engagement	62.00	10.00%	6.20	
7	Project Timeline	62.00	5.00%	3.10	
8	Total		100.00%	62.30	1
9	Centre				
10	Vision, Scope and Design	63.00	25.00%	15.75	
11	Public Benefits	67.00	20.00%	13.40	
12	Financial Information	56.00	40.00%	22.40	
13	Public Workshop & Community Engagement	50.00	10.00%	5.00	
14	Project Timeline	64.00	5.00%	3.20	
15	Total		100.00%	59.75	2
16	Ekibashi				
17	Vision, Scope and Design	70.00	25.00%	17.50	
18	Public Benefits	75.00	20.00%	15.00	
19	Financial Information	32.00	40.00%	12.80	
20	Public Workshop & Community Engagement	58.00	10.00%	5.80	
21	Project Timeline	65.00	5.00%	3.25	
22	Total		100.00%	54.35	3
23	LTSC				
24	Vision, Scope and Design	38.00	25.00%	9.50	
25	Public Benefits	52.00	20.00%	10.40	
26	Financial Information	29.00	40.00%	11.60	
27	Public Workshop & Community Engagement	53.00	10.00%	5.30	
28	Project Timeline	64.00	5.00%	3.20	
29	Total		100.00%	40.00	4

C. Background on Recommended Developer

The recommended firm, IHO, is a nonprofit entity that has been serving the local southern California affordable housing community for almost 45 years. IHO is working with Western Pacific Housing, LLC, a consortium of real estate development veterans, on this project.

D. DEOD Summary

Metro strongly encourages partnerships with Community-Based Organizations (CBO) that provide affordable housing and other community serving programs and uses to its joint development sites as part of the development team.

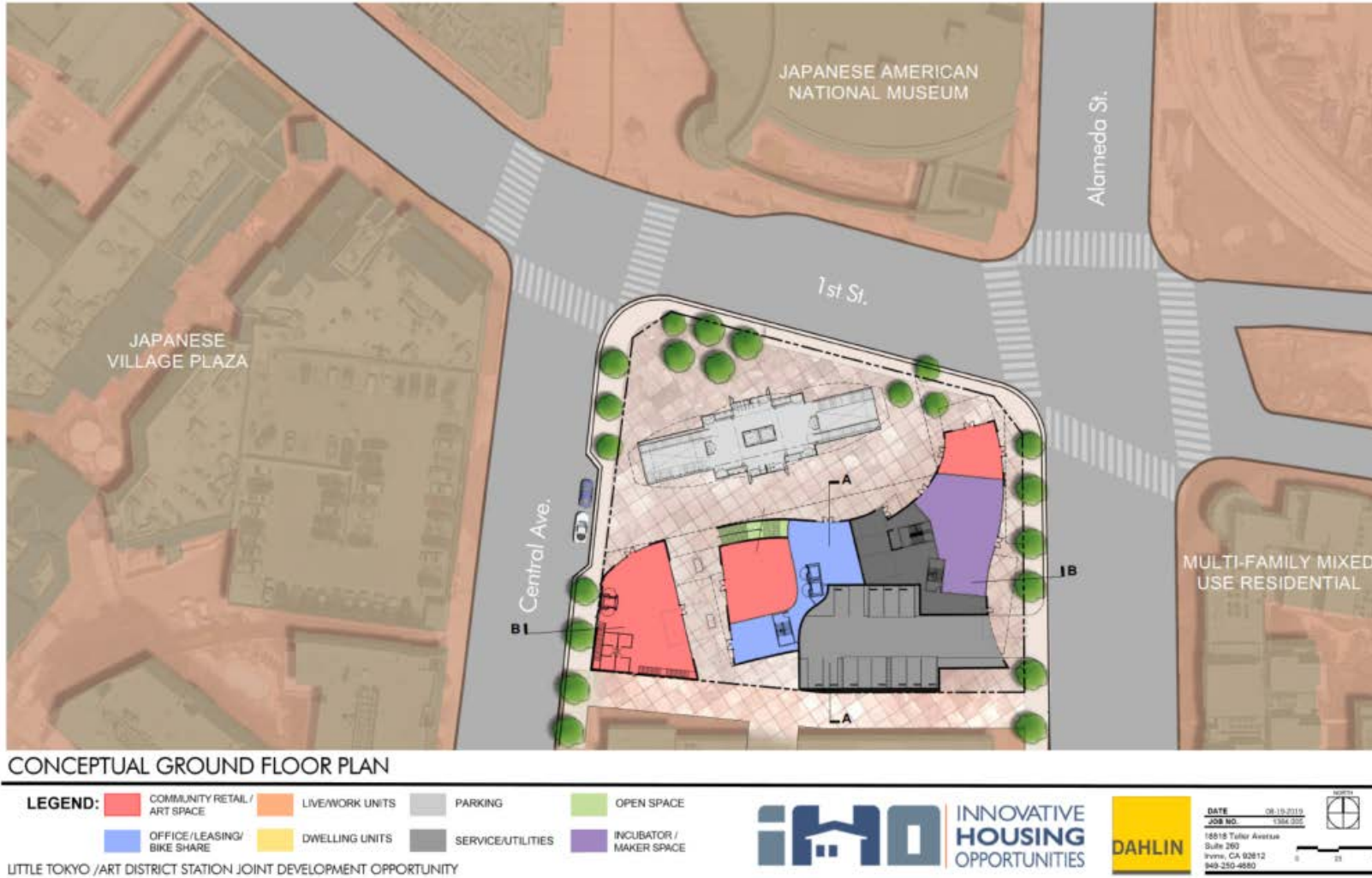
Metro also encouraged development teams to create opportunities to include Metro-certified DBE/SBE and DVBE firms in their projects, through professional or construction services. IHO committed to utilize one Metro certified DBE/SBE engineering firm, Kal Krishnan Consulting Services, as part of its development team.

E. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy (PLA/CCP) will be applicable on this Joint Development project. IHO has committed to meeting the applicable PLA/CCP requirements.

ATTACHMENT C

SITE PLAN AND RENDERING¹



Site Plan

¹ Subject to change during the ENA period.

ATTACHMENT C (CONT.)



Aerial View (facing south from E 1st Street)



Next stop: vibrant communities.

Little Tokyo/Arts District Station Joint Development

Planning and Programming Committee
April 15, 2020



Recommendation

- > **AUTHORIZE** CEO to enter into an 18-month Exclusive Negotiation Agreement (ENA) with Innovative Housing Opportunities, Inc., with option to extend up to 30 months.

Little Tokyo/Arts District Station Site

- > Site: 1.2 acres
- > Bounded by Central Avenue, 1st Street, Alameda Street, and privately-owned property



Stakeholder Priorities for the Site

- > Create a safe, vibrant, and transit-supportive project
- > Provide community-oriented uses and programming
- > Integrate community preferences for design and character
- > Support existing local businesses and draw new visitors to the area
- > Incorporate strategies for environmental and financial sustainability

Evaluation and Selection

Date	Process
August 2018	Request for Interest/Qualifications released
January 2019	8 submittals received
June 2019	Request for Proposals (RFP) to 4 shortlisted developer teams
August 2019	RFP responses due
October 2019	Open House
January 2020	PET concluded scoring

Innovative Housing Opportunities – Proposal Strengths

- > Demonstrated capacity and experience to deliver project proposal
- > Responsive to community goals outlined in Opportunity Overview
- > Offers a number of community benefits

Proposed Project

- > 78 residential units:
 - 40 affordable units at 30-50% of Area Median Income (AMI) including 21 units for transition age youth
 - 30 affordable units at 80% AMI
 - 7 live/work units at 120% AMI
 - 1 manager unit
- > 10,000 sq. ft. commercial space with discount for local businesses
- > Activation of Metro plaza with cultural programming
- > Transit-supportive amenities, including passes for residents



Aerial View (facing south from E. 1st Street)

Next Steps

- > Upon Board approval of recommended action, ENA will be executed and Metro and the developer will start negotiations and design review.
- > Metro staff will form the Little Tokyo/Arts District Station Joint Development Design Review Advisory Committee to serve as the formal means for the community to advise on the design of the project.
- > Developer will identify Community Based Organization to participate in the Project.