



Board Report

File #: 2025-0566, File Type: Project

Agenda Number: 28.

EXECUTIVE MANAGEMENT COMMITTEE JULY 17, 2025

SUBJECT: LANDMARK UNSOLICITED PROPOSAL FOR METRO WORKFORCE HOUSING

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. RECEIVING AND FILING a Landmark Unsolicited Proposal to develop Metro Workforce Housing; and
- B. AUTHORIZING the Chief Executive Officer (CEO) to proceed with Phase Two evaluation of the Landmark Unsolicited Proposal to develop Metro Workforce Housing adjacent to the Leimert Park K Line Station.

ISSUE

At its April 2023 meeting, the Board approved an amendment by Director Solis requesting staff report back on opportunities to designate new housing units for Metro workforce housing by the Metro joint development program or other appropriate mechanisms.

Treehouse Leimert PropCo LLC (the Proposer) submitted a Landmark Unsolicited Proposal to Metro for the Nathaniel Metro Workforce Housing Project (the Proposed Project or Proposal), a proposed affordable housing and mixed-use development at 4427 Crenshaw Boulevard in South Los Angeles. Located less than 500 feet from the Leimert Park K Line Station, the Proposed Project would create up to 100 apartments reserved primarily for Metro employees.

The Joint Development Unsolicited Proposals focus solely on projects on Metro-owned property. Because the project is not on Metro property, it is proceeding through the Unsolicited Proposals process in the Office of Strategic Innovation, and because the request is in excess of \$10 million, it qualifies as a “landmark” proposal requiring Board consultation. Staff determined that early consultation with the Board would benefit this type of proposal rather than waiting until staff has determined that it should advance to implementation as the Unsolicited Proposals process typically contemplates more conventional reverse pitches that would result in a procurement.

BACKGROUND

Since 2016, Metro's UP Policy has been a nimble, industry-accepted procurement tool for new ideas to be received, explored, and implemented to advance Metro's mission and priorities.

In June 2025, the Board adopted updates to the UP Policy to ensure continued alignment with Metro's policies, programs and priorities. The policy was specifically updated to define "landmark" proposals as ones which would require Board notification, following completion of the Phase One process, based on either of the following thresholds:

- Any Unsolicited Proposal recommended to "Advance to Implementation" that introduces a new mode of mobility and/or transit guideway systems that require Metro funding, project management, call for Metro to serve as lead agency in the development of an EIR/EIS, and/or falls under a project subject to CPUC Code 130252; or
- Any Unsolicited Proposal recommended to "Advance to Implementation" that would require Metro to allocate more than \$10 million to fulfill a solicitation.

Metro received the Proposal on June 6, 2025. Pursuant to the process prescribed in the UP Policy, staff determined that the Proposal met the threshold requirements for review. Staff assembled an evaluation team comprised of technical and financial subject-matter experts who completed an initial evaluation of the proposal and recommended that it advance to a negotiation phase allowing for additional discovery.

Pursuant to the UP Policy, achieving this milestone in no way binds Metro to proceeding with implementation of this Proposal.

DISCUSSION

The Proposal envisions that Metro participate as an equity partner in the development and financing of the Proposed Project, which would create workforce housing for Metro employees, potentially under Metro ownership, at a location that is transit-accessible and at rents that are affordable to the majority of Metro's workforce.

Project Description

The Proposed Project is designed as a six-story structure that would provide 100 units (comprised of studios, one, two, and three-bedroom units) with common areas and flexible commercial space on vacant and blighted property acquired by the Proposer in 2020. Eighty of the units are proposed to be restricted to households earning between 30% and 80% of Area Median Income, while 20 units would be offered at market-rate to ensure financial viability and long-term affordability of the development.

Approximately 5,000 square feet of adaptable commercial and cultural space would host a neighborhood café and rotating exhibition areas that celebrate Black arts and culture, aligning with

Leimert Park's legacy as LA's cultural epicenter.

Entitlements and Community Engagement

The proposed project is entitled under the City of Los Angeles' Transit Oriented Communities Program (DIR-2021-7732-TOC- DRB-SPP-HCA) and has been determined to be categorically exempt from the California Environmental Quality Act. The Proposer has indicated that extensive community engagement was completed during this process, and the proposed project was received with broad community support.

The Proposer asserts that if a partnership with Metro can be memorialized by the Fall of 2025, a ground-breaking could occur by Q2 2026, with a targeted completion in Q2 2028, which would be optimally timed to support Metro's workforce needs.

Sustainability Features

The Proposed Project's all-electric design, combined with a Title 24/LEED-aligned envelope, smart heat-pump HVAC, and energy-efficient fixtures, targets over 300 metric tons of annual CO₂-equivalent reductions. Low-VOC materials and water-conserving fixtures are proposed to improve indoor air quality and reduce water use, while native shade trees and drought-tolerant plantings in street-front setbacks and landscaped terraces are utilized to mitigate heat-island effects and manage stormwater on site. Collectively, these features are anticipated to not only lower utility costs but also support neighborhood health and climate resilience.

Developer Team

The development team is comprised of Treehouse and Apex Collaborative. Treehouse, led by Prophet Walker, has delivered over 800 housing units and managed more than \$350 million in multifamily, retail, and mixed-use projects. Tyler Monroe and Brian D'Andrea of Apex Collaborative, have collectively overseen over 4,500 affordable homes totaling more than \$2 billion, including complex public-private partnerships. Together, the development team brings deep expertise in equitable, catalytic real estate that has been designed to uplift underserved communities.

Financial Proposal

An approximately \$25 million capital commitment by Metro (which would leverage an additional \$30 million in private financing) is proposed to enable the development, which could be structured as either an annual payment structure or a direct, secured debt investment structure.

Under either scenario, the Proposed Project would be fully funded without relying on Low-Income Housing Tax Credits or private activity bonds, both of which feature "public use" limitations that would preclude a preference for Metro employees.

Under the annual payment option, Metro could utilize either (a) a tax exempt "essential function" bond structure whereby the asset would be owned by a Metro affiliate and developed by the Proposing Entity (or affiliate thereof) acting as Project Administrator, or (b) a private ownership

structure whereby Metro's annual payments would support the issuance of taxable municipal bonds and execution of the project by the Proposer.

There is a significant difference between the cost of capital of these scenarios: the essential function bond scenario is a more cost-effective option (with projections of annual payments ranging from \$3-\$3.5 million annually for a 10 year term to \$1.6-\$1.9 annually for a 30-year term - depending on whether the tax-exempt bonds are rated or unrated), in comparison to the private ownership structure (with projections of annual payment costs ranging from \$4 million annually for a 10 year term to \$3.1 annually for a 30-year term).

It is expected that by year 20, the property would be in a positive equity position.

Alignment with Metro's Workforce Housing Needs & Housing Goals

The proposed affordability mix is well-aligned with the majority of Metro's employee base, creating an affordable housing option for many Metro employees, including frontline operators, custodians, service attendants, security officers, and administrative assistants, among others, who have increasingly been priced out of local housing markets. The Proposed Project would create a housing resource located at the center of the Metro system, thereby providing efficient access to get to and from work.

Furthermore, in 2021, the Board established a goal of expanding the agency's housing portfolio to 10,000 homes by 2031, with 5,000 of the units to be restricted at affordable rents for lower and moderate-income households. The Proposed Project is aligned with this goal and could serve as an opportunity to pilot a new financing tool that could potentially be utilized for future investment.

Evaluation

The evaluation team found that while the Proposal offered a resource that Metro had not intended to procure or provide through the normal contracting process, it would offer direct benefits to the agency, is consistent with Metro's objectives and goals, and satisfies a need that can be reasonably accommodated in Metro's annual long-term capital and operating budgets without displacing other planned expenditures or placing other committed projects at risk. The evaluation committee recommended proceeding to Phase Two of the Unsolicited Proposal vetting process.

DETERMINATION OF SAFETY IMPACT

No safety impacts are associated with proceeding into a discovery and negotiation phase.

FINANCIAL IMPACT

None at this time. During the next phase of review, staff would further assess the financial viability of the proposal and, if determined to be viable, will return to the Board to confirm Metro's capacity to enter into a contract under its current debt, along with recommendations on key financial terms for proceeding with implementation.

EQUITY PLATFORM

The proposed project aligns with Metro's equity goals by proposing to deliver income-restricted housing for Metro employees with lower incomes, supporting a historically marginalized community with community-serving uses, and supporting the resiliency and economic stability of Metro's workforce. Key areas for consideration during the next phase include the opportunity for future outreach related to the commercial and community uses envisioned and the process necessary to ensure equitable access to workforce housing for eligible employees.

VEHICLE MILES TRAVELED OUTCOME

Vehicles Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

This item supports Metro's systemwide strategy to reduce VMT by locating supporting housing located near sustainable transportation modes. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The proposal directly addresses numerous Vision 2028 goals including:

- Goal 1 (Less Time Traveling): The Project's location leverages Metro's existing investment in the Crenshaw Corridor and provides high quality workforce housing resulting in less time traveling for Metro employees.
- Goal 3.2 (Transit Oriented Communities): The Project will enable Metro to "implement effective solutions" to address "quality of life issues, such as equity, economic opportunity, gentrification, displacement, affordable housing".
- Goal 3.3 (Genuine Engagement): The Proposer has indicated that there has been robust community engagement in the advancement of the Project, which has built upon numerous other outreach efforts in the surrounding community.
- Goal 4.1 (Community Development): The Project will enable Metro to "implement effective solutions" to address "quality of life issues, such as equity, economic opportunity, gentrification,

displacement, affordable housing” to support the goals of the Vision 2028 Plan.

- Goal 5.7 (Workforce/Affordable Housing): The project will create income-restricted homes with a preference for Metro employees to “build and nurture a diverse, inspired, and high-performing workforce”.

ALTERNATIVES CONSIDERED

The Board may direct staff to decline to further pursue this proposal. This alternative is not recommended as the proposal provides potentially significant benefits for the agency, as described above, and has been determined to be worthy of further assessment.

NEXT STEPS

As part of the proposal review process, Metro staff, supported by financial and technical consultants, as deemed necessary, will complete the Unsolicited Proposal evaluation process and make a recommendation to the Chief Executive Officer (CEO). The evaluation process will include further assessment of:

- The viability of the proposed project and schedule, as well as Metro’s ability to meet activities required;
- The qualifications, capabilities and experience of key personnel who are critical in achieving the proposal’s objectives;
- The relative costs and benefits of the proposal;
- The project costs and financial capacity of the Proposer; and
- Metro’s capacity to enter into a contract under its current debt authorization.

Should staff find the proposal to be financially sound and advantageous to Metro and the CEO concurs with a recommendation to implement the proposed project, the Board will be presented with a proposed contractual and financial structure for review and consideration.

Prepared by: Seleta Reynolds, Chief Innovation Officer, (213) 922-4656

Reviewed by: Ray Sosa, Chief Planning Officer, (213) 922-2920



Stephanie Wiggins
Chief Executive Officer



Landmark Unsolicited Proposal for Metro Workforce Housing

Executive Management Committee - July 17, 2025



Metro

Definition of Landmark Unsolicited Proposal

- In June 2024, Board approved establishment of “landmark” Unsolicited Proposals (UP)
- A landmark UP meets or exceeds at least one of the following:
 - Introduces a new mode of mobility and requires Metro funding, project management, and/or calls for Metro to serve as lead agency in the development of an EIR/EIS; and/or
 - Requires Metro to allocate more than \$10 million to fulfill a solicitation
- Board input typically sought for landmark UPs that “advance to implementation”

Proposal Summary

Proposer: Treehouse and Community Labs

Title: Nathaniel Metro Workforce Housing Project
(4421-37 Crenshaw Blvd, Los Angeles, CA)

Scope

- 100 mixed-income housing units (80% affordable/20% market rate) across from Leimert Park Station
- 80 income-restricted units reserved for qualified Metro employees
- 5,000 SF commercial or cultural space

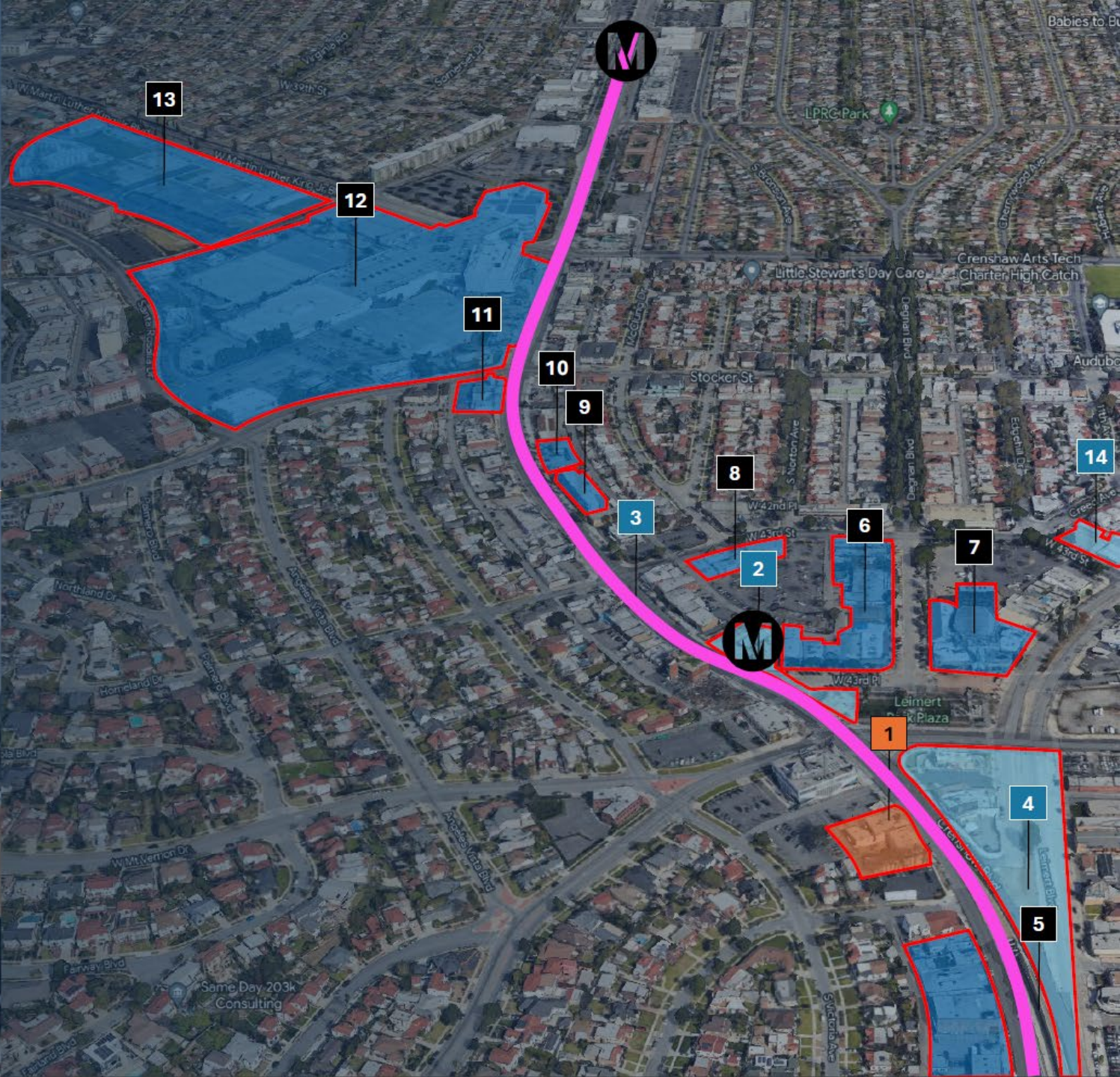
Funding

- Proposer requesting \$25M Metro investment, direct and/or via bond proceeds

Schedule

- Anticipated start: Q1 2026
- Anticipated completion: Q1 2028

- 1) **The Nathaniel**
- 2) **Leimert Park Station.** Los Angeles Metro's newly-opened underground light rail station on the K-line, directly connecting LAX & South LA.
- 3) **METRO K Line.**
- 4) **Destination Crenshaw.** 1.3-mile open-air museum dedicated to preserving & celebrating African American culture.
- 5) **LA Metro Transition to Above Ground.**
- 6) **Leimert Park Plaza.** Redevelopment of Leimert Park's artistic & cultural hub, located in the geographic center of Los Angeles.
- 7) **Vision Theater.** Renovation of the historic Vision Theater, a centerpiece of the Leimert Park Village.
- 8) **3450 W 43rd A** 5-story mixed-use project with 56 units & 3,000 SF of ground-floor retail space.
- 9) **4252 Crenshaw.** A 4-story, 111-unit multifamily project, built using modular construction. (Completed)
- 10) **4242 Crenshaw.** A mixed-use project with 6,000 SF of commercial space & 124 residential units.
- 11) **3600 Stocker.** A mixed-use project with 5,000 SF of commercial space & 64 residential units.
- 12) **Baldwin Hills/Crenshaw Plaza.**
- 13) **Marlton Square.**
- 14) **The Garden.** A 20,000 SF commercial campus that includes a food hall, organic grocery store, and member space.



Next Steps

- Currently in Concept Review. Upon Board approval, conduct Supplementary Review with Review Team (OSI, Finance, Joint Development, Chief People Office) and continue evaluation based on:
 - Cost
 - Benefit
 - Feasibility
 - Reception
 - Risk
 - Redundancy
 - Equity

Thank you | Office of Strategic Innovation