Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2026-0470, **File Type:** Agreement **Agenda Number:** 36.

**EXECUTIVE MANAGEMENT COMMITTEE
JULY 16, 2026**

SUBJECT: METRO WORKFORCE HOUSING

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. AUTHORIZING the Chief Executive Officer (CEO), or designee, to negotiate and enter into a loan agreement and other related documents (“Loan Documents”) with Treehouse Leimert or affiliated entity, a joint venture between Leimert PropCo LLC (Treehouse) and The Apex Collaborative LLC (collectively, “Developer”), to provide up to $25,000,000 in development financing in support of the construction of The Nathaniel, a 97-unit workforce housing development located at 4421-4437 Crenshaw Boulevard, Los Angeles, CA 90043 (the “Project”);

B. AUTHORIZING the CEO, or designee, to negotiate and execute a recorded regulatory agreement establishing a Metro employee housing preference for 100% of the Project units, to be acknowledged by the senior lender; and

C. FIND that the Project is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15332 (Class 32 - Infill Development) pursuant to the findings in Attachment A.

ISSUE

In May 2025, Metro received an unsolicited proposal from Treehouse to provide a construction loan in support of The Nathaniel, a 97-unit workforce housing development located 500 feet (a 3-4-minute walk) from Metro’s Leimert Park K Line Station. Treehouse proposed that in exchange for Metro’s investment, 100% of the units at the Project would be subject to a recorded Metro employee housing preference, the first such preference secured by Metro at any housing development. At its January 2026 meeting, the Board approved an Exclusive Negotiation Agreement (ENA) with Treehouse. To advance the Project, staff recommends that the Board authorize the CEO to execute a loan agreement and related documents consistent with the negotiated terms described in this report and authorize a recorded regulatory agreement to secure the employee housing preference.

BACKGROUND

The high cost of housing across Los Angeles County has made it increasingly difficult for Metro's own workforce to live near the system they operate, maintain, and build. As of April 2026, the median home price in Los Angeles County stood at $845,410 (California Association of Realtors, April 2026). Rental costs have followed a similar trajectory: median gross rent in Los Angeles County reached $2,058 in 2024, and Los Angeles County has the highest rate of rent cost burden in the Southern California region (U.S. Census Bureau, American Community Survey 2024 1-Year Estimates, as reported by the Southern California Association of Governments (SCAG), October 2025). Regionwide, 45.8% of Los Angeles County households were cost-burdened in 2024 - spending 30% or more of household income on housing - a rate exceeding both the statewide (39.1%) and national (32.0%) averages (SCAG, 2025).

Many of Metro's frontline employees, like much of the region's essential workforce, fall within the income bands that make finding affordable housing difficult across Los Angeles, and would qualify for income-restricted units. The 2026 LAHD 80% AMI ("lower income") threshold for the City of Los Angeles is approximately $93,280 for a one-person household, $106,640 for a two-person household, and $119,920 for a three-person household. Based solely on individual Metro salary data, approximately 2,000 of Metro's frontline workforce would likely fall within these income bands.

Given Metro's role as one of the region's largest employers and its unique position as a landholder through the joint development program, the Board has identified workforce housing as a strategic tool to address this affordability gap directly for Metro's own employees, ensuring that the people who keep the transit system running are not priced out of the communities they serve. The ability to access workforce housing could also serve as a recruitment tool to attract future employees. Specifically, employer-provided housing is increasingly recognized as a powerful, strategic benefit for attracting and retaining talent, especially in competitive labor markets and high-cost areas.

Why Housing Matters

- **Attracts top talent**: In industries facing labor shortages (e.g., construction, energy, healthcare), offering housing can be a decisive factor. Surveys show that **33% of employees would prioritize housing support over a pay raise**, and **25% would consider switching jobs for better housing** (Source: livinsoft.com <https://www.bing.com/ck/a?!&&p=
);
- **Builds loyalty and retention**: Stable, employer-provided housing signals investment in employees' well-being, fostering long-term commitment. Companies report **lower turnover rates** when housing is offered, as workers feel valued and secure;
- **Improves productivity**: Reducing commute stress, housing search burdens, and relocation hassles allows employees to focus on their work; and
- **Enhances work-life balance**: Proximity to the workplace, affordable rent, and quality amenities help employees manage time and finances more effectively.

Prior Board Actions

At its April 2023 meeting, the Board approved an amendment by Director Solis to Item 8, the board action that adopted strategies to accelerate progress toward Metro's previously established 10,000-unit housing goal, of which at least 5,000 will be income-restricted. The amendment directed staff to report back on opportunities to designate new housing units for Metro workforce housing through the Metro joint development program or other appropriate mechanisms.

As staff advance Metro's transit-oriented communities' goals, including the target of developing 10,000 housing units, projects developed on Metro property are generally structured with a mix of subsidies, including grants from local and state governments and tax credits, to ensure units are reserved for low- and very-low-income households. Because of this deal structure, Metro is not able to reserve units for its own workforce: tax credit and other forms of commonly-used public financing requirements prohibit employer-restricted occupancy (with limited exceptions, i.e. for public school teachers).
As a result, despite ongoing interest in advancing this policy objective, Metro has to date been unable to incorporate workforce housing units into any of its joint development projects. The Project is therefore proposed as an opportunity to test the concept and evaluate the benefits of a workforce housing preference: if this approach proves successful and generates strong interest from Metro employees, staff could pursue similar workforce housing preferences at future developments.

The Nathaniel Metro Workforce Housing Project
Treehouse was founded by Prophet Walker, who has developed or managed the construction of more than 800 housing units and over $350 million in multifamily, retail, industrial, and mixed-use assets. The Apex Collaborative is led by Tyler Monroe and Brian D'Andrea, who collectively have over four decades of experience developing over 5,500 housing units.

In May 2025, Treehouse submitted an unsolicited proposal to Metro under the agency's Unsolicited Proposals Policy, proposing a 100-unit development at 4427 Crenshaw Boulevard, near the Leimert Park K Line Station, with 80 units proposed to be restricted to households earning 30-80% of AMI and reserved primarily for Metro employees in exchange for $25 million of loan financing. Through subsequent negotiations between Metro and the Developer, the unit count was refined to 97 units dedicated for Metro employees, as reflected throughout this report.

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 at key milestones post Phase One.

As a result, at its July 2025 meeting, the Board received and filed the Landmark Unsolicited Proposal submitted by Treehouse for the Project and authorized the CEO to proceed with a Phase Two evaluation of the Landmark Unsolicited Proposal to develop Metro Workforce Housing adjacent to the Leimert Park K Line Station.
In January 2026, following completion of the Phase Two evaluation, the Board authorized the CEO to enter into an ENA with Treehouse. The Phase Two evaluation identified five key issues for negotiation - developer fees, treatment of sunk costs, Metro's preferred financing structure, the form of Metro's investment, and proposed unit rents relative to market as issues to resolve during the ENA period.

The Proposed Project

In 2021, the Developer filed an entitlement application with the City of Los Angeles for a mixed-use project at 4421-4437 S. Crenshaw Blvd. As originally proposed, the Project, with density bonus, was a 93-foot-tall mixed-use building with 89,694 square-feet of Floor Area, including 100 dwelling units, 1 accessory dwelling unit, and 10,439 square feet of commercial space at the ground floor and roof level. In June 3, 2022, the City determined that the developer's then-proposed development qualified for a Class 32 CEQA exemption and approved the Project, including the density bonus (Case Nos. DIR-2021-7732-TOC-DRB-SPPHCA / ENV-2021-7733-CE).

Since the City's determination, the proposed development has changed in the following ways: the number of residential units has been reduced from 100 to 97, the number of studio units has been reduced, the number of 1- and 2-bedroom units has been increased, there are no longer any 3- or 4-bedroom units, the commercial space and the vehicle parking have been eliminated, and the building height and number of stories have both been reduced. Developer intends to re-entitle the Project with the City to reflect these changes.

Leimert Park Location

The Project presents an advantageous location for the proposed workforce housing pilot due to its proximity to the Leimert Park Station, and its position within Metro's rail network. The proposed development is located near three rail divisions and one bus division: Division 16 (K Line), Divisions 14 and 21 (E Line), and Bus Division 5. A total of approximately 1,143 Metro employees are assigned to or support these divisions, including bus drivers, other frontline staff, and custodial, facilities maintenance, and mechanical/way maintenance personnel.

Beyond this concentration of frontline staff, the station's position in the rail network also provides broader connectivity benefits. The K Line's northern terminus at Expo/Crenshaw Station provides an existing transfer to the E Line and, by extension, one-transfer access to Downtown Los Angeles and the broader east-west rail corridor. Proximity to the station would also give resident employees a realistic option to live car-free, and the resulting transportation cost savings would further contribute to household financial stability.

Because the loan for the Project is structured as a long-term agreement, the long-term evolution of Metro's rail network is directly relevant to the value of this location for resident employees. This locational benefit would increase when the K Line Northern Extension ("KNE") advances in the future. KNE is currently in the environmental review phase and, when approved and funded, would extend the K Line underground from Expo/Crenshaw to the D Line at Wilshire Boulevard and the B Line at Hollywood/Highland Station. Should KNE be completed as proposed, residents of a workforce housing development at Leimert Park Station would gain efficient access to three of Metro's six rail lines, a level of system connectivity not currently available at most other Metro station sites.

The neighborhood surrounding Leimert Park has undergone significant demographic change over the past two decades. Rent burden, defined by the U.S. Department of Housing and Urban Development as spending more than 30% of household income on rent and utilities, has been a persistent and worsening condition in the neighborhoods surrounding the Project site. 64% of residents in Leimert Park, View Park-Windsor Hills, Baldwin Hills/Crenshaw, and West Adams neighborhoods are considered rent burdened by this measure. With over 90% of occupied housing in the immediate area renter-occupied, most residents are directly exposed to this cost pressure.

A workforce housing development anchored by an income-restricted, employee-preference structure would provide a countervailing source of housing stability for Metro employees in an area at the center of the Metro system that is experiencing significant cost escalation

DISCUSSION

Over the past six months, Metro has vetted and further negotiated the proposed deal terms, which are described further below.

Proposed Terms

The total development cost for the Project is currently estimated at approximately $55.8 million. Metro's contribution would represent approximately 45% of total development cost. Metro's construction financing would be disbursed over a 3 year period. Metro would receive priority repayment of its loan principal and accrued interest at a disposition event, ahead of Treehouse's return of capital. Key proposed terms include:

- **Loan amount**: up to $25,000,000, subordinate to senior construction and permanent financing.
- **Interest Rate**: 3% simple interest, accruing during construction
- **Term**: 55 years from issuance of the certificate of occupancy, matched to the term of the regulatory agreement. Outstanding balance and accrued interest due and payable at maturity.
- **Revenue Sharing:** Split of residual receipts, refinancing proceeds, and disposition proceeds: 60% to Metro / 40% to Treehouse.
- **Developer Fee:** $2,500,000 (approximately 4.6% of total development cost, aligned with industry practice)
- **Sunk Costs:** Approximately $12,049,000 in predevelopment and land-carry costs incurred to date, the Developer has agreed that costs not reimbursable from Project financing sources will be covered by Sponsor capital or other non-Metro sources, rather than from Metro's loan proceeds.
- **Units:** 97 units, comprised of 9 studios, 65 one-bedroom units and 23 two-bedroom units.
- **Affordability Restrictions:** 100% of units restricted at 80% AMI. Underwriting reflects rents at the lesser of the 80% AMI rent or a minimum 10% discount to market as established by market study (current average discounts: ~10.6% for 1BR units and ~10.1% for 2BR units). The regulatory agreement will include a "hold harmless" mechanism to preserve debt-sizing assumptions in the event future AMI adjustments or market shifts would otherwise reduce rents below underwritten levels. Up to 20% of units may be made available to households at up to 120% AMI (moderate income) if additional philanthropic capital can be raised to offset the impact of the forfeiture of the welfare property-tax exemption on the senior loan.
- **Employee Eligibility:** Actual eligibility for the Project's units would depend on household size and total household income, including any income earned by other adult household members, and would be determined during the formal application process.
- **Administration of Metro Employee Lease-Up Preference:** Waitlist maintained by the property manager at the property level, with Metro access and regular reporting. Metro shall confirm employment status/eligibility; the property manager handles income qualification and

background screening. When a unit becomes available, Metro would have a defined identification window (up to 30 days) to refer income-qualified employees before the unit may be offered to the general public, consistent with the recorded regulatory agreement, which would be acknowledged by the senior lender.

- **Monitoring and Audits:** Metro would establish an ongoing monitoring program for the Project, including annual documentation and periodic audit of compliance with the employee housing preference and affordability restrictions.
- **General Plan/Zoning Consistency**: The project, as re-entitled, must be consistent with the City’s existing applicable general plan designation, general plan policies, zoning designation and zoning regulations.
- **Regulatory Compliance Measures**: The project, as re-entitled, must comply with all applicable City of Los Angeles Regulatory Compliance Measures, including without limitation RC-AQ-1 (Demolition, Grading and Construction Activities), RC-GEO-1 (Seismic); and RC-N0-1 (Demolition, Grading, and Construction Activities).

<u>Considerations</u>

Staff identified the following considerations during negotiation of the proposed terms:

- **Subordination risk.** Consistent with traditional real estate finance structures, the Project's institutional senior lender will likely require that Metro's loan, and the recorded employee housing preference restricting a portion of units to Metro's workforce, be subordinated to the senior lien. This is standard practice for a construction/permanent loan stack and reflects the senior lender's priority claim on the property in exchange for the Project's debt financing.

  To mitigate the risk this subordination poses to Metro's programmatic interest, staff will condition Metro's loan on the senior lender's written acknowledgment of Metro's workforce housing preference, ensuring the preference program is recognized as an operating requirement of the Project throughout the life of the loan. As a result, the risk of impairment to Metro's preference program would only materialize in the event of a default or foreclosure by the Developer - an outcome in which the senior lender could, in enforcing its rights, extinguish subordinate interests, including Metro's loan and the recorded preference.

  To protect Metro's interest in this scenario, staff will seek to include, as part of the final loan agreement, a right for Metro to step into the property management role in the event of default or foreclosure. This would allow Metro to assume operational control of the Project, including preservation of the workforce housing preference, rather than relying solely on the senior lender to maintain that programming after taking possession. In addition to the step-in right, staff will explore negotiating a right of first refusal or right of first offer in favor of Metro, allowing Metro the opportunity to acquire the Project, or the senior lender's interest in the Project, in the event of a proposed sale, a Developer default, or foreclosure. Unlike the step-in right, which would allow Metro to assume operational control while preserving its workforce housing preference, a purchase right would provide Metro a path to permanent ownership of the asset, offering a stronger long-term safeguard for the Project's affordability and workforce housing programming.

- **Financial Subsidy.** Many of the affordable housing developments Metro pursues through its Joint Development program require significant subsidy from both Metro, commonly in the form of discounted or donated ground lease value, and other public funding sources, including state housing programs and federal low-income housing tax credit equity, in order to achieve financial feasibility. Metro has helped offset this gap by discounting the value of the land contributed to each Joint Development project. These projects typically do not generate a return for Metro until they are refinanced or sold. On a per-unit basis, this Project development proposes a higher than average per-unit financial contribution from Metro in comparison to traditional Joint Development projects. Based on an underwriting analysis prepared by Keyser Marston Associates, the Project's $28.0 million total public subsidy contribution (a $25,000,000 Metro loan and an approximately $3,000,000 state appropriation) equates to approximately $288,660 per unit subsidy ($257,731 of Metro per-unit contribution), compared to standard tax-credit financed affordable housing projects, which frequently require significantly more public subsidy per unit. While Metro's average per-unit financial contribution of approximately $50,744 per unit (primarily in the form of discounted ground rent) for general affordable housing projects is less than the proposed contribution to this Project, due to their tax-credit financing structure, those projects are unable to facilitate dedicated workforce housing for Metro employees. In addition, based on the Project's pro-forma and negotiated partnership structure, 55 years into the project, Metro's earnings would have a net present value of $7.2M.

DETERMINATION OF SAFETY IMPACT

Approval of this item would have a positive impact on the safety of Metro's workforce. By providing housing options within walking distance of the workplace, the Project would reduce employees' reliance on vehicle commutes, thereby potentially mitigating their exposure to traffic-related accidents and other commute-related safety risks.

FINANCIAL IMPACT

Adoption of the recommended actions would commit up to $25,000,000 in Metro funds toward the Project. No funds would be expended during the current fiscal year; disbursements would begin in FY2028 (starting July 2027), and the initial payment will be included in next year's proposed budget. Because this is a multi-year funding commitment, the Chief People Officer will budget over the remaining term. Future payments will be funded through the respective departmental cost centers based on anticipated services, and Cost Center Managers will be responsible for budgeting funds in future fiscal years.

Impact to Budget
The source of funds for this action will be the General Fund, likely joint development lease and advertising revenues. These fund sources are eligible to fund bus and rail operations.

EQUITY PLATFORM

The Project advances Metro's Equity Platform by potentially delivering income-restricted workforce

housing in a high need, transit-rich area to support economic stability for lower-income Metro employees earning not more than 80% of AMI.
The project also aligns with Metro's place-based equity approach by directing investment into a community with documented environmental and health vulnerabilities, including an average CalEnviroScreen score of 76 and widespread designation as disadvantaged under state and regional indices. Consistent with Metro's Equity Platform principles of meaningful outcomes and community benefit, the proposed workforce housing model seeks to reduce displacement risk, shorten commutes for qualified lower wage workers, and reinforce the long-term benefits of transit investment for historically marginalized communities. Key areas for consideration during the next phase include developing a process necessary to ensure equitable access to workforce housing for eligible employees, ensuring alignment with Metro's commitments to racial equity, accessibility, and inclusive economic opportunity.

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.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT by supporting a housing development in a high need, transit-rich area near the Leimert Park K Line Station encouraging transit ridership, ridesharing, and active transportation. 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 addresses numerous Vision 2028 goals, including:

- 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 5.2 (Good Public Policy and Fiscal Stewardship): The Project carefully leverages Metro funding to provide an essential benefit to Metro employees.

- Goal 5.5 (External Partnerships): The project expands Metro's capacity to work with 'nontraditional business partners' to develop a new workforce housing product.
- 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 could choose not to approve moving forward with this workforce housing development and instead direct staff to decline to advance the Landmark Unsolicited Proposal to implementation. Staff do not recommend this alternative, as it would forgo a unique workforce housing opportunity aligned with Metro's workforce housing goals at a scale and location that aligns with Metro's needs.

The Board could alternatively direct staff to pursue one or more Request For Information (RFI)-identified projects in lieu of the Project. In parallel to the ENA negotiations, Metro issued a RFI in December 2025 to the broader housing development community to gauge interest in alternative approaches to an employee housing set-aside program. Metro received 11 responses identifying 19 discrete projects, collectively containing approximately 2,438 units, of which approximately 1,785 units could potentially be made available to income-qualifying Metro employees. Of these, only nine projects match the Project's scale (more than 95 units), and only six are located adjacent to a Metro rail station rather than a bus-only site. Only two projects meet both thresholds: a 295-unit project at 2300 S. Hill Street adjacent to the Grand/LATTC Station (A Line), and a 271-unit project at 225 S. Grand Avenue adjacent to the Grand Ave Arts/Bunker Hill Station (A Line), both proposed for acquisition by the Housing Authority of the City of Los Angeles. Neither offers the same level of connectivity to Metro's operations and maintenance facilities as the Project. In addition, other responses proposed a master lease structure rather than fee ownership or a long-term ground lease with equity participation. Under a master lease, Metro would secure unit set-asides for employees but would hold no ownership interest in the property and would have no ability to recoup or share in any appreciation of its investment over time. This structure does not align with Metro's objective of building potential long-term equity through its workforce housing investments. Staff do not recommend pursuing an RFI-identified project as a substitute at this time, as none combines the Project's specific transit connectivity profile and ownership structure with its scale. Should this opportunity prove successful, staff notes that pursuing RFI-identified projects and other options remain available to Metro as a complementary, non-exclusive path to expand workforce housing beyond this Project.

NEXT STEPS

The Project has cleared CEQA review via categorical exemption. Should the Loan Agreement be authorized, staff will finalize and execute the loan documents and the recorded regulatory agreement establishing the Metro employee housing preference. The Developer will not require any additional source of public subsidy and will proceed to secure a construction loan from a conventional lender. The Developer anticipates completing any remaining ministerial reviews and finalizing design within 12 months of Metro's approval, with a groundbreaking targeted for Summer/Fall 2027 and construction expected to take approximately two to two-and-half years.

ATTACHMENTS

Attachment A - CEQA Findings
Attachment B - Frequently Asked Questions

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Attachment A

CEQA FINDINGS FOR CATEGORICAL EXEMPTION

In approving Developer's application for entitlements for the Project, the City determined that the Project as originally proposed qualified for a categorical exemption under CEQA Guidelines Section 15332 (Class 32 - Infill Development). The recent changes to the Project have either had no impact on or lessened the intensity of use of the Project. We have reviewed the information and reports previously provided to the City to evaluate the suitability of a Class 32 Exemption for the proposed action and conclude that the exemption applies.

A project qualifies for a Class 32 Categorical Exemption if it is developed on an infill site and meets the following criteria:

a. The Project is consistent with the applicable general plan designation and all applicable general plan policies as well as with the applicable zoning designation and regulations.

The subject site is located within the West Adams - Baldwin Hills - Leimert Community Planning Area and is designated for Community Commercial, with corresponding zones of CR, C1 .5, C2, C4, R3, R4, RAS3, and RAS4 zones. The site is zoned C2-2D-SP and located in the Subarea E of the Crenshaw Corridor Specific Plan.

The City found that the Project as originally proposed (a nine-story, 93-foot-tall mixed-use building with 89,694 square-feet of Floor Area, including 100 dwelling units, 1 accessory dwelling unit and 10,439 square feet of commercial space at the ground floor and roof level on an approximately 20,639 square foot lot, and with 15 automobile spaces on-site and one hundred and fifty-eight (158) bicycle parking spaces) was consistent with the applicable West Adams - Baldwin Hills - Leimert Community Planning Area designation and policies and all applicable zoning designations and regulations.

Developer intends to seek modifications to the entitlements previously received from the City that would conform to the current proposal, which would reduce the number of units, eliminate the commercial component, eliminate vehicle parking, and reduce the height of the Project. However, the proposed deal terms include a requirement that the Project as re-entitled be consistent with the City's existing applicable general plan designation, general plan policies, zoning designation and zoning regulations. Accordingly, this criterion is met.

b. The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses.

The subject site consists of a level, rectangular site measuring 1.105 acres and is wholly within the City of Los Angeles. The property adjacent to the north is zoned C2-2D-SP and is developed with a single-story, commercial building. Properties to the east across Crenshaw Boulevard are zoned C2-1-SP and are developed with single-story commercial buildings. The property adjacent to the south is zoned C2-2D-SP and is paved with a commercial parking lot. Properties to the west across the alley include a parking lot serving nearby commercial uses and a multi-family residential building.

c. The Project site has no value as habitat for endangered, rare or threatened species.

The subject site is currently developed with a commercial structure proposed to be demolished. Further, the subject site is surrounded by existing commercial and residential properties, and there are no existing trees on the subject site. Therefore, the subject site is not, and has no value as a habitat for endangered, rare, or threatened species.

d. Approval of the Project would not result in any significant effects relating to traffic, noise, air quality, or water quality.

As originally approved by the City, the Project was subject to Regulatory Compliance Measures (RCMs), which require compliance with the City of Los Angeles Noise Ordinance, pollutant discharge, dewatering, stormwater mitigations; and Best Management Practices for stormwater runoff. More specifically, RCMs include, without limitation:

- Regulatory Compliance Measure RC-AQ-1 (Demolition, Grading and Construction Activities): Compliance with provisions of the SCAQMD District Rule 403. The project shall comply with all applicable standards of the Southern California Air Quality Management District, including the following provisions of District Rule 403:

    - All unpaved demolition and construction areas shall be wetted at least twice daily during excavation and construction, and temporary dust covers shall be used to reduce dust emissions and meet SCAQMD District Rule 403. Wetting could reduce fugitive dust by as much as 50 percent.
    - The construction area shall be kept sufficiently dampened to control dust caused by grading and hauling, and at all times provide reasonable control of dust caused by wind.
    - All clearing, earth moving, or excavation activities shall be discontinued during periods of high winds (i.e., greater than 15 mph), so as to prevent excessive amounts of dust.
    - All dirt/soil loads shall be secured by trimming, watering or other appropriate means to prevent spillage and dust.
    - All dirt/soil materials transported off-site shall be either sufficiently watered or securely covered to prevent excessive amount of dust.
    - General contractors shall maintain and operate construction equipment so as to minimize exhaust emissions.

    - Trucks having no current hauling activity shall not idle but be turned off.

- Regulatory Compliance Measure RC-GEO-1 (Seismic): The design and construction of the project shall conform to the California Building Code seismic standards as approved by the Department of Building and Safety.

- Regulatory Compliance Measure RC-N0-1 (Demolition, Grading, and Construction Activities): The project shall comply with the City of Los Angeles Noise Ordinance and any subsequent ordinances, which prohibit the emission or creation of noise beyond certain levels at adjacent uses unless technically infeasible.

Compliance with these RCMs will reduce any potential impacts to less than significant and will ensure the Project will not have significant impacts on noise and water. The proposed deal terms require that the Project, as re-entitled, must comply with these RCMs.

As noted in the Los Angeles Department of Transportation (LADOT) Assessment form dated December 14, 2021, the Project as originally proposed would not exceed the threshold criteria established by the LADOT for preparing a traffic study, and thus would not have any significant impacts to traffic. As revised, the Project would have fewer units than originally proposed, eliminate the commercial component, and eliminate vehicle parking, all of which would reduce vehicle trip generators and thus further reduce the Project's vehicle miles traveled and impacts to traffic.

The City also found that the originally proposed project would not have significant impacts on air quality based on interim thresholds were developed by the Los Angeles Department of City Planning staff based on California Emissions Estimator Model (CalEEMod) runs relying on reasonable assumptions, consulting with AQMD staff, and surveying published air quality studies for which criteria air pollutants did not exceed the established SCAQMD construction and operational thresholds. The revised Project's reduction of vehicle trip generators would further reduce operational air quality impacts.

Accordingly, the proposed action would not result in any significant effects relating to traffic, noise, air quality, or water quality

e. The site can be adequately served by all required utilities and public services.

The Project site is currently developed. The City previously found that the Project would be adequately served by all public utilities and services given that the Project is in a highly urbanized area with existing utilities and public services and is on a parcel zoned for the proposed use and density. The revised Project reduces the number of units and eliminates the commercial component, further reducing demand for utilities and public services. Accordingly, this criterion is met.

For all of the above reasons, the proposed action would meet the requirements of the Class 32 Exemption.

Exceptions Narrative for Class 32 Categorical Exemption

There are five (5) Exceptions which must be considered in order to find a project exempt under Class 32:

a. Cumulative Impacts. *All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.*

Staff has identified two projects of the same type within a 500-foot radius of the Project site:

- Crenshaw Lofts: Recent construction of a residential building including 195 rental units and 110 parking spaces within seven-story building. Construction fully complete.

- 4345-4357 S. Crenshaw Affordable Housing: Proposed project includes a five-story mixed-use development containing 56 multi-family residential dwelling units situated above 1,961 square-feet of ground floor restaurant and a 11-stall automobile parking facility.

Construction of the Crenshaw Lofts project is already complete. The proposed 4345-4347 S. Crenshaw project is smaller than the proposed Treehouse Project. The development schedule of that project, if it were to be approved, is unknown, though there is a potential that the construction schedules of the two projects could overlap. However, there is no evidence that the impacts of constructing the two projects concurrently would be cumulatively significant. There is also no evidence that these three residential buildings, located in a highly urbanized area, would have any operational impacts that would be cumulatively significant

b. Significant Effect Due to Unusual Circumstances. *A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.*

The proposed project is for the construction of a residential building with 97 dwelling units. All surrounding properties are developed with commercial and residential buildings. There are no known unusual circumstances which may lead to a significant effect on the environment.

c. Scenic Highways. *A categorical exemption shall not be used for a project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway.*

The only State Scenic Highway within the City of Los Angeles is the Topanga Canyon

State Scenic Highway, State Route 27, which travels through a portion of Topanga State Park. The portion of State Route 27 which travels through the Los Angeles city limits is approximately 22 miles from the subject site. Therefore the subject site will not create any impacts within a highway designated as a state scenic highway.

d. Hazardous Waste Sites. *A categorical exemption shall not be used for a project located on a site which is included on any list complied pursuant to Section 65962.5 of the Government Code*

According to Envirostor, the State of California's database of Hazardous Waste Sites, neither the subject site, nor any site within a 1,000-foot radius of the subject site, is identified as a hazardous waste site.

e. Historical Resources. *A categorical exemption shall not be used for a project which may cause a substantial adverse change in the significance of a historical resource*

The project site is developed with a commercial property and has not been identified as a historic resource by local or state agencies, and the project site has not been determined to be eligible for listing in the National Register of Historic Places, California Register of Historical Resources, the Los Angeles Historic-Cultural Monuments Register, and/or any local register. Further, the project site was not found to be a potential historic resource based on the City's Historic Places LA website or Survey LA, the citywide survey of Los Angeles. Neither the State nor the City have chosen to treat the site as a historic resource, therefore, the proposed project cannot cause a substantial adverse change in the significance of a historical resource and this exception does not apply.

FREQUENTLY ASKED QUESTIONS

Workforce Housing Development

Project	97-unit workforce housing development
Location	4421–4437 Crenshaw Boulevard, Los Angeles, CA 90043
Transit access	500 feet / 3–4 minute walk to Leimert Park K Line Station
Metro's action	$25,000,000 construction loan
Employee benefit	100% of units carry a recorded Metro employee housing preference
Affordability	All units restricted at 80% AMI
Unit mix	9 studios · 65 one-bedrooms · 23 two-bedrooms
Loan terms	55 years; Metro receives 60% of residual receipts, refinancing, and disposition proceeds
Groundbreaking	Targeted Summer / Fall 2027
Developer	Treehouse + The Apex Collaborative

WHY THIS LOCATION

Why Leimert Park Station specifically?

Proximity to Metro operations facilities. The Project presents an advantageous location for the proposed workforce housing pilot due to its proximity to the Leimert Park Station, and its position within Metro's rail network. The proposed development is located near three rail divisions and one bus division: Division 16 (K Line), Divisions 14 and 21 (E Line), and Bus Division 5. A total of approximately 1,143 Metro employees are assigned to or support these divisions, including bus drivers, other frontline staff, and custodial, facilities maintenance, and mechanical/way maintenance personnel.

Existing system connectivity. The station is near the K Line's northern terminus at Expo/Crenshaw, which provides an existing transfer to the E Line and one-transfer access to Downtown Los Angeles and the broader east-west corridor.

Future connectivity via the K Line Northern Extension. Given the 55-year term of this agreement, future system expansion is a relevant consideration in evaluating long-term value. The KNE is currently in environmental review, and when completed, would extend the K Line underground from Expo/Crenshaw to direct transfers with the D Line at Wilshire Boulevard and the B Line at Hollywood/Highland. When the KNE moves forward, Metro employee residents would gain access to three of Metro's six rail lines, a level of connectivity not currently available at most other Metro station sites.

THE EMPLOYEE BENEFIT

Who is eligible to live at The Nathaniel?

Any active Metro employee whose household income is at or below 80% of Area Median Income (AMI) for Los Angeles County would be income-eligible. Staff estimates that approximately 2,000 Metro frontline employees would likely qualify.

How does the employee housing preference work in practice?

The employee preference will be secured through a recorded regulatory agreement that runs with the land. The mechanism works as follows:

- Upon completion of the agreement, Metro will open an interest list for employees.
- Pre-leasing and promotion to active Metro employees begins six months before project completion.
- When a unit becomes available (at initial lease-up or upon vacancy), Metro has a defined identification window (up to 30 days) to refer an income-qualified employee to the unit.
- If no eligible employee is referred within that window, the unit may be offered to the general income-qualifying public.
- Metro maintains access to the waitlist and receives regular reporting from the property manager to track employee occupancy and upcoming vacancies.

Income qualification and background screening will be handled by the property manager. Metro's role is to confirm employment status and refer eligible employees from its maintained waitlist.

What is the financial benefit to Metro employees who live there?

Rents at The Nathaniel would be set at the lesser of the 80% AMI rent or a minimum 10% discount to comparable market-rate rents in the immediate area. Beyond the rent savings, the project's location gives employees a realistic path to living car-free, further contributing to household financial stability.

METRO'S INVESTMENT

Does Metro get repaid?

Metro's loan is structured as a residual receipts loan, meaning annual distributions to Metro come from cash flow remaining after operating expenses and senior debt service are paid. Annual distributions are expected to be modest during the stabilized operating period.

Metro's strongest path to full repayment of its principal and accrued interest, along with its 60% share of any appreciation in the property's value, is at a refinancing or disposition event. Over 55 years, Metro's projected distributions have a net present value of $7.2 million.

RISK MANAGEMENT

What happens to Metro's preference if the Developer defaults or the property is foreclosed?

The senior lender will hold first lien position on the property, consistent with standard real estate finance practice. Metro's loan and the recorded employee housing preference will be subordinate to the senior lender's claim. In the event of a developer default followed by foreclosure, the senior lender could, in enforcing its rights, extinguish subordinate interests. Staff will seek two specific protections in the final loan agreement to address this risk:

- **Step-in right.** Metro will seek a right to assume the property management role in the event of default or foreclosure, allowing Metro to maintain operational control and preserve the workforce housing preference even if the senior lender takes possession.

- **Right of first refusal / first offer.** Metro will seek a purchase right allowing it to acquire the project, or the senior lender's interest in the project, in the event of a proposed sale, a developer default, or foreclosure.

Why is Metro acting as the first investor, before a senior lender is committed?

Board authorization of the loan agreement is the necessary first step that enables the developer to approach conventional lenders with a committed capital stack.

The developer does not anticipate requiring any additional source of public subsidy beyond Metro's loan and the state appropriation already identified.

How is Metro's loan protected during construction?

Metro's loan documents will include standard construction-period protections, including milestone-based disbursement conditions, rights to inspect the project and review draw requests, and cure rights in the event of a developer default.

How do we know that the senior lender will honor Metro’s housing preference?

Staff will condition Metro's loan on the senior lender's written acknowledgment of Metro's workforce housing preference, ensuring the preference is recognized as a continuing operating requirement of the project throughout the life of the loan.

POLICY & PROCUREMENT

Why can't Metro just include workforce housing units in its existing Joint Development projects?

Metro's existing Joint Development projects are financed using federal low-income housing tax credits (LIHTC) and other public subsidy tools, which prohibit employer-restricted occupancy. A developer cannot legally require that LIHTC-financed units be reserved for employees of a specific employer, with very limited exceptions that do not apply to transit agencies.

As a result, despite the Board's 2023 direction to pursue workforce housing options through the Joint Development program, Metro has been unable to incorporate an employee preference into any of its existing joint development projects. The Nathaniel is located on private land, does not use federal tax credits, and is therefore not subject to those restrictions.

The Nathaniel

Workforce Housing Loan Agreement

WHAT IS THE NATHANIEL?

A proposed 97-unit, 100% income-restricted apartment community — and Metro's first workforce housing development.

Location: 4421–4437 Crenshaw Boulevard — 500 feet from Metro's Leimert Park K Line Station.

Developer:
Treehouse + The Apex Collaborative

Entitlement:
Entitled; CEQA categorical exemption (Class 32 Infill)

Employee preference:
100% of units reserved for Metro employees first — recorded for 55 years.

Affordability:
All 97 units restricted at 80% AMI.

Timeline:
Groundbreaking Summer/Fall 2027 · 2-2.5 years of construction.

9 Studios

65 One-Bedrooms

23 Two-Bedrooms

WHY WORKFORCE HOUSING MATTERS

Employer-provided housing is an increasingly powerful, strategic benefit for attracting and retaining talent.

Attracts Top Talent

In labor markets facing shortages, offering housing can be a decisive factor in recruiting frontline workers.

33% of employees would prioritize housing support over a pay raise; 25% would switch jobs for better housing.

Builds Loyalty & Retention

Stable, employer-provided housing signals investment in employees' well-being and fosters long-term commitment.

Companies offering employer housing report lower turnover, as workers feel valued and secure.

Improves Productivity

Reducing commute stress, housing search burdens, and relocation hassles allows employees to focus on their work.

Rail proximity gives resident employees a realistic car-free commute to Metro's operations divisions.

Enhances Work-Life Balance

Proximity to the workplace, affordable rent, and quality amenities help employees manage time and finances.

Car-free commute savings further contribute to resident employees' household financial stability.

Source: livinsoft.com; The Nathaniel Board Report, July 2026.

BENEFITS OF PILOT WORKFORCE PROJECT NEAR LEIMERT PARK STATION

Three factors unique to this location justify it as the site for Metro's first workforce housing pilot.

Proximity to Metro Operations

The site sits near three rail divisions and one bus division — Division 16 (K Line), Divisions 14 & 21 (E Line), and Bus Division 5 — home to ~1,143 Metro employees.

Existing System Connectivity

The station's proximity to the K/E Line transfer at Expo/Crenshaw gives residents one-transfer access to Downtown LA and the broader east-west corridor today.

K Line Northern Extension

When complete, KNE adds underground transfers to the D Line (Wilshire Blvd) and B Line (Hollywood/Highland) — three rail lines, no above-ground transfers. Unique in Metro's JD pipeline.

POLICY & PROCUREMENT

Why Can't Metro Use JD Projects?

LIHTC regulations prohibit employer-restricted occupancy in tax-credit-financed housing. This prevents Metro from reserving Joint Development units for its own employees — with very limited exceptions that do not apply to transit agencies.

The Nathaniel is on private land and uses no LIHTC financing, making it the first legal pathway to an agency-wide employee preference.

How Was This Project Vetted?

May 2025	Unsolicited proposal received from Treehouse
Jul 2025	Board authorizes Phase 2 supplementary review
Dec 2025	RFI issued — 11 responses, 19 projects, ~2,438 units
Jan 2026	Board authorizes Exclusive Negotiation Agreement
Jan–Jun 2026	Continued vetting and negotiations
Jul 2026	Board authorization requested

RFI RESPONSE SUMMARY

19	9	6	2	0
Total projects identified	Meet 95+ unit scale threshold	Adjacent to a Metro rail station	Meet BOTH thresholds (HACLA)	Match Leimert Park ops connectivity

THE EMPLOYEE BENEFIT

~2,000

Metro frontline employees, **bus operators, rail operators, mechanics, maintenance staff** estimated to be income-eligible

80% AMI threshold:

~$93,300 1-person household

~$106,600 2-person household

~$119,950 3-person household

Rents:
80% AMI rents for Los Angeles County as defined by HUD or 10% discount to market

HOW THE PREFERENCE WORKS

1. **Interest list opens**

   Upon agreement execution, Metro opens an employee interest list.

2. **Pre-leasing**

   Six months before completion, Metro promotes to eligible employees.

3. **30-day window**

   When a unit opens, Metro has 30 days to refer an income-qualified employee.

4. **Public fallback**

   If no employee is referred within 30 days, unit opens to general public at ≤80% AMI.

5. **Permanent covenant**

   The preference is recorded, runs with the land, and is binding for all 55 years.

METRO'S LOAN

PROJECT CAPITAL STACK

Total Development Cost: ~$55.8M

Senior Construction Loan 49% · ~$27.3M

Metro Subordinate Loan 45% · $25.0M

State Appropriation 6% · ~$3.5M

LOAN TERMS

Loan amount	$25,000,000
Interest rate	3% simple, accruing during construction
Term	55 years from certificate of occupancy
Lien position	Subordinate to senior construction & perm loan
Revenue share	60% Metro / 40% Developer (residual receipts, refi proceeds, disposition proceeds)
Developer fee	$2.5M (~4.6% of TDC)
Metro's NPV	$7.2M (projected 55-yr distributions)

RISK MANAGEMENT

Subordination

Risk: Senior lender holds first lien — Metro's loan and preference are subordinate.

Mitigation: Senior lender must acknowledge Metro's workforce preference in writing as a continuing operating requirement.

Developer Default

Risk: In foreclosure, senior lender could extinguish subordinate interests.

Mitigation: Step-in right: Metro may assume property management role to preserve the program if senior lender takes possession.

Long-Term Ownership

Risk: Future sale could remove Metro's ability to enforce the preference.

Mitigation: Right of first refusal / first offer: Metro can acquire the project at any proposed sale, default, or foreclosure.

Construction Period

Risk: Metro is the first committed funder; senior lender not yet selected.

Mitigation: Milestone-based disbursements, draw inspection rights, and cure rights protect Metro's capital during construction.

Staff Recommends the Board Authorize:

1. AUTHORIZING the Chief Executive Officer (CEO), or designee, to execute and enter into a loan agreement and other related documents ("Loan Documents") with Treehouse Leimert or affiliated entity, a joint venture between Leimert PropCo LLC (Treehouse) and The Apex Collaborative LLC (collectively, "Developer"), to provide up to $25,000,000 in development financing in support of the construction of The Nathaniel, a 97-unit workforce housing development located at 4421–4437 Crenshaw Boulevard, Los Angeles, CA 90043 (the "Project");

2. AUTHORIZING the CEO, or designee, to negotiate and execute a recorded regulatory agreement establishing a Metro employee housing preference for 100% of the Project units, to be acknowledged by the senior lender; and

3. FIND that the Project is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15332 (Class 32 – Infill Development), as previously determined by the City of Los Angeles under Case No. DIR-2021-7732-TOC-DRB-SPP-HCA;