



Board Report

File #: 2017-0741, File Type: Contract

Agenda Number: 18.

PLANNING AND PROGRAMMING COMMITTEE JANUARY 17, 2018

SUBJECT: CHAVEZ AND FICKETT JOINT DEVELOPMENT

ACTION: AUTHORIZE EXECUTION OF AN EXCLUSIVE NEGOTIATION AGREEMENT AND PLANNING DOCUMENT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and execute an 18-month Exclusive Negotiation Agreement and Planning Document (“ENA”) with Abode Communities (“Abode”) for the development of 1.56 acres of Metro-owned property at Cesar E. Chavez Avenue and Fickett Street (“Site”) in the Boyle Heights community of Los Angeles, subject to resolution of protests, if any.

ISSUE

In March 2017, Metro released a Request for Proposals for joint development of the Site (See Attachment A - Site Map.) On June 29, 2017, Metro received five proposals, and following evaluation of these proposals by the Proposal Evaluation Team, staff recommends entering into the ENA with Abode, the highest scoring firm (Attachment B, Procurement Summary, details the proposal evaluations.) During the ENA period, Abode will work with Metro staff to engage with the community regarding the project, further refine the development scope and design, seek entitlements and California Environmental Quality Act clearance for the project, negotiate the key terms and conditions of a Joint Development Agreement and a Ground Lease for the project (the “Term Sheet”), and ultimately seek Metro Board Authority to execute the Joint Development Agreement.

DISCUSSION

Background

As part of the construction of the then-proposed Red Line Eastside Extension, numerous parcels were acquired by Metro to build stations and do construction staging along Cesar E. Chavez Avenue, including the properties at the Site. When the Red Line extension was re-scoped and realigned to 1st Street to be part of the Gold Line Eastside Extension, the Site was used for construction staging of the rail project. These uses ceased in 2010 and staff began working with a development team that was chosen to develop the Site via a competitive process. Over time the scope of the development and the make-up of the development team changed so drastically that staff terminated its pursuit of this development, and in spring 2016, reinitiated the joint development process, commencing with extensive community outreach and engagement in order to create new development guidelines for

the Site. This process led to the Chavez Fickett Development Guidelines (“Development Guidelines”), which were adopted by the Board in January 2017 and were subsequently integrated into a Request for Proposals for development of the Site issued on March 20, 2017.

Site Description

The Site is situated along Cesar E. Chavez Avenue, a historic commercial corridor dating back to the 1870s. Today, this corridor is a thriving, eclectic, major commercial thoroughfare and serves as an important shopping area for the residents of Boyle Heights. The Site is located a quarter-mile northeast and within walking distance of the Gold Line’s Soto Station. It is also served by numerous bus lines that run along the Cesar E Chavez and Soto Street corridors. The Site totals 68,000 square feet (1.56 acres) of developable land on two development parcels separated by an alley: Parcel A (42,500 square feet) and Parcel B (25,500 square feet), as indicated on Attachment A.

Through the community engagement and Development Guidelines process, the Boyle Heights community vocalized their vision for the Site and this vision was captured in the Development Guidelines. Key among the elements of the Development Guidelines was the requirement that the project be a mixed-use development with at least 40 to 60 units of affordable housing, an approximately 20,000 to 25,000 square foot community-serving grocery store, an approximately 2,000 square foot community room and a public park and recreation space. The Development Guidelines required that the affordability range for the affordable housing be between 30% and 50% of the Area Median Income, but encouraged proposals to provide units in the low and very low income restricted categories as are financially feasible.

Developer Proposal

The recommended proposal was submitted by Abode, a nonprofit social enterprise that has been involved in community development since 1968. Since its inception, the organization has developed more than 40 residential and mixed-use communities with 2,707 apartment homes impacting nearly 8,000 low-income residents. Today, Abode owns and operates 35 residential communities that are home to 6,200 low-income residents.

Abode’s proposal successfully achieves the community-driven vision for development of the Site. The project clearly meets the goals and objectives outlined in the Development Guidelines and the Request for Proposals by offering 60 units of affordable housing for families earning between 30% and 50% of the Area Median Income, a 25,000 sq. ft. community-serving grocery store, a 6,500 sq. ft. community park and associated parking. The project does not provide a community room, but will make its 2,700 square feet of meeting space available to the community for meetings. Additionally, the project’s dynamic design will bring vitality to the area, while respecting and complementing the adjacent residential community in terms of its form, shape and size. (See Attachment C - Conceptual Site Plan and Renderings.) Named Chavez Gardens, the project has two orientations - “East Gardens” to be constructed and operated on Parcel A, and “West Gardens” to be constructed and operated on Parcel B. East Gardens will consist of a 40-unit apartment building for low-income families, the community-serving grocery store and project parking. West Gardens will consist of a 20-unit apartment building, also for low-income families, together with a 6,500 sq.ft. community park and project parking. The two buildings are joined by an elevated pedestrian bridge over the alley that separates them. The project will include 69 residential bike parking spaces and 26 commercial bike parking spaces.

The residential component is a mixture of 1-, 2- and 3-bedroom apartments and includes a community room for the residents. In terms of affordability, 41 units will be reserved for families earning 50% of the Area Median Income, 6 units will be reserved for families earning 40% of the Area Median Income and 12 units will be reserved for families earning 30% of the Area Median Income. One unit will be a market-rate manager's unit. This 100% affordable project supports Metro's goal of achieving 35% affordable units on Metro-owned land, bringing the total affordable units in Metro's overall portfolio that are either completed, in construction and/or in negotiations to 34%.

The community park, located on Parcel B, is easily accessed from Mathews Street and will offer much needed open green space for Boyle Heights, which has one of the lowest ratios of green space per resident in the City of Los Angeles. Amenities will include seated areas nestled under shade structures and trees with flexible space for outdoor enrichment programs.

Financial Offer

The Metro Joint Development Policy has a number of objectives and goals, one of which is fiscal responsibility and a fair return to Metro. The proposal contemplates the following Ground Lease payments to Metro: (a) a \$3,570,000 lump sum payment (based on a \$75 per square foot value of the Site, discounted at 30%) to be provided at execution of the Ground Lease, (b) 25% of all gross income generated by both the residential and commercial components of the project, paid on an annual basis, and (c) 20% of Abode's share of any refinancing or sale proceeds. In addition, Metro will receive a \$75,000 lump sum Holding Fee upon execution of the Joint Development Agreement, and a \$50,000 lump sum fee and a \$50,000 deposit upon execution of the ENA. The deposit will be used to cover certain Metro costs incurred in analyzing and reviewing the project. During the ENA term, staff will engage a financial consultant to support further analysis and ongoing financial negotiations with Abode regarding their financial offer.

The ENA

The ENA term is 18 months, with the option to administratively extend up to 30 months. Key activities during the term of the ENA include:

- Additional community engagement, led by Abode and closely supported by Metro staff for project scoping and refinement;
- Completion of the project entitlement and California Environmental Quality Act review processes; and
- Negotiation of the Term Sheet, which staff will present to the Board for approval.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. Metro's operations staff will review and comment on the design of the proposed development to ensure that the proposal will have no adverse impact or safety issues on any public serving areas of Metro's property or any adjacent transit stops.

FINANCIAL IMPACT

Funding for the joint development activities related to the ENA and the proposed project is included in the FY18 budget in Cost Center 2210, Project 401037. In addition, the ENA will require a non-

refundable fee of \$50,000 as well as a \$50,000 deposit to cover certain Metro staff and third-party expenses incurred during the term of the ENA.

Impact to Budget

Metro project planning activities and related costs will be funded from General Fund local right-of-way lease revenues and any deposits secured from Abode, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to (a) not enter into an ENA with Abode; (b) evaluate whether to enter into an ENA with a different proposer; or (c) not proceed with the project and seek new development options via a new competitive process. Staff does not recommend proceeding with these alternatives because the recommended action and proposed project reflect the vision of the community determined through a robust community engagement process and thorough an evaluation process that produced a clear recommendation. A new Request for Proposals process would delay the development of the Site.

NEXT STEPS

Upon approval of the recommended action, Metro will enter into an ENA with Abode, and Abode, with staff support, will continue to (i) solicit community input to refine the project, and (ii) further the project's design and complete the project's environmental clearance and entitlement processes. The parties, with support from a financial consultant and County Counsel, will also negotiate the Term Sheet and the specific terms of the Joint Development Agreement. If negotiations prove successful and the project is cleared under the California Environmental Quality Act prior to the end of the ENA term, staff will return to the Board with the Term Sheet, along with a request to authorize execution of the Joint Development Agreement and the Ground Lease in accordance therewith.

ATTACHMENTS

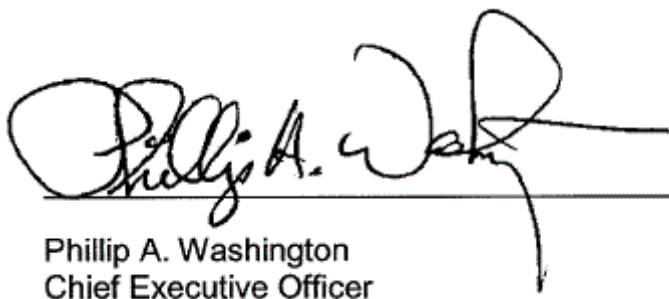
Attachment A - Site Map

Attachment B - Procurement Summary

Attachment C - Conceptual Site Plan and Renderings

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Phillip A. Washington
Chief Executive Officer

Attachment A

Site Map



Chavez Fickett Joint Development Site

Parcel A: 42,500 sq. ft.

Parcel B: 25,500 sq. ft.

* La Veranda is a neighboring Joint Development site, with an executed Joint Development Agreement, that will provide 76 units of affordable family housing.

PROCUREMENT SUMMARY

CHAVEZ AND FICKETT JOINT DEVELOPMENT PROJECT/PS3972200

1.	RFP Number: PS39762	
2.	Recommended Vendor: Abode Communities	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP- Joint Development <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: March 20, 2017	
	B. Advertised/Publicized: March 20, 2017	
	C. Pre-proposal/Pre-Bid Conference: April 6, 2017	
	D. Proposals/Bids Due: June 29, 2017	
	E. Pre-Qualification Completed: N/A	
	F. Ethics Declaration Forms Received: June 29, 2017	
	G. Protest Period End Date: January 19, 2018	
5.	Solicitations Picked up/Downloaded: 62	Bids/Proposals Received: 5
6.	Contract Administrator: Walter Sparkuhl	Telephone Number: (213) 922-7399
7.	Project Manager: Greg Angelo	Telephone Number: (213) 922-3815

A. Procurement Background

This Board Action is to approve an Exclusive Negotiation Agreement and Planning Document ("ENA") with Abode Communities ("Abode") for the development of 1.56 acres of Metro-owned property at the corner of Cesar E. Chavez Avenue and Fickett Street. Board approval of contract awards are subject to resolution of any properly submitted protest(s).

The Request for Proposals ("RFP") was issued in accordance with Metro's Acquisition Policy and will result in an 18-month ENA.

A pre-proposal conference for this RFP was conducted on April 6, 2017 and was attended by 14 people representing 10 firms. One question was asked and a response was provided prior to the proposal due date.

A total of five proposals were received on June 29, 2017.

B. Evaluation of Proposals

A Proposal Evaluation Team ("PET") consisting of staff from Metro, City of Los Angeles and Boyle Heights community members, 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 | 35 percent |
| • Development Team Experience
& Financial Capacity | 30 percent |
| • Financials | 20 percent |
| • Implementation | 15 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other, similar joint Development procurements. Several factors were considered when developing these weights, giving the greatest importance to Vision, Scope and Design, and Development Team Experience and Financial Capacity.

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

1. Abode
2. Chelsea Investment Corporation
3. East LA Community Corporation (“ELACC”)
4. Linc-Core
5. Skid Row Housing Trust

On October 5, 2017, the PET met and interviewed the three proposers with the most competitive proposals (i.e.; Abode, ELACC and Skid Row Housing). The firm’s project managers and key team members had an opportunity to present each teams’ qualifications and respond to the PET’s questions. In general, each team’s presentation addressed the requirements of the RFP, experience with all aspects of the required tasks, and stressed each firm’s commitment to the success of the project. Also highlighted were work plans and perceived project issues. Each team was asked questions relative to each firm’s proposed alternatives and previous experience.

Qualifications Summary of Firms within the Competitive Range

ABODE

Abode Communities is a nonprofit social enterprise that has been involved in community development since 1968. Since its inception, the organization has developed more than 40 residential communities that are home to 6,200 low-income people.

CHELSEA INVESTMENT CORPORATION

Chelsea’s core business is the financing, development, and operation of affordable multifamily rental housing and mixed-use developments. Since 1986, Chelsea has developed about 100 affordable rental communities, including inclusionary, special

needs, senior mixed-use, rural, and supportive housing. The total number of rental units developed is over 10,000 affordable housing units.

ELACC

ELACC is a 501(c)(3) nonprofit organization founded in 1995. ELACC provides affordable housing, community services, community organizing, and wealth building services to over 2,000 residents. Since 1995, ELACC has developed and now owns 731 units of affordable rental housing with 504 units in the pipeline.

LINC-CORE

This is a partnership between LINC Housing Corporation and National Community Renaissance. Founded in 1984, LINC Housing Corporation is a 501(c)(3) nonprofit public benefit corporation with a 33-year history of providing affordable housing and community investment throughout California. Through the years, they have built 7,500 units and currently manage 5,500 and have a pipeline of 445 units. CORE was established in 1992 as a 501(c)(3) non-profit public benefit corporation. Over the past two decades CORE has grown to include management of 9,000 units in four states, of which 6,700 units are located in Southern California.

SKID-ROW HOUSING TRUST

Skid Row Housing Trust is a 501(c)(3) nonprofit corporation. Since 1989, it has completed over 30 developments of permanent supportive housing, including mixed-use-mixed-population, and mixed-income projects. They have provided over 2,282 affordable housing units to those who have experienced homelessness, extreme poverty, poor health, disabilities, mental illness and/or addiction.

Summary of Proposed Development Programs

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

Residential

	ABODE	CHELSEA	ELACC	LINC-CORE	SKID ROW
Residential Units (#)	60	87	60	101	56
# units 30% AMI	12	10	36	50	14
# units 35% AMI		5		Unspecified	
# units 40% AMI	6	5	12	Unspecified	
# units 45% AMI		5		Unspecified	19
# units 50% AMI	41	61	11	Unspecified	22

Manager's unit	1	1	1	1	1
Bedrooms					
0-			19		36
1	15	19	24	50	12
2	30	54	9	26	8
3	15	14	8	25	

Non-Residential Uses

	ABODE	CHELSEA	ELACC	LINC CORE	SKID ROW
Retail/Grocery (sq. Ft.)	25000	15491	36000	20000	18800
Other Commercial (sq. ft.)	0			0	900
Community Room (sq.ft.)	2000		2186	5000	Yes, size not indicated
Total Project Parking (on-site spaces)	82	157	118	131	119
Bicycle Spaces	95	87	90	Yes, but no amount provided.	700
Public Park (sq. ft.)	6500	0	0	0	12000
Other public space (sq. ft.)	0	Covered arcade, size not specified	6000	0	8300

Summary of Proposed Funding and Financial Terms

Each proposer was required to submit the anticipated sources of proposed project funding. Proposers were also required to submit financial offers to Metro, which included key financial information such as ENA fee, lease period, rents at all stages of development, and any other terms proposers would like to offer. To further evaluate each proposal, financial projections were calculated to assess the value of each offer and are summarized below.

Permanent Funding Sources

	ABODE	CHELSEA	ELACC	LINC CORE	SKID ROW
LIHTC Equity	22,848,101	17,892,812	15,538,702	28,661,159	11,153,261
NMTC Equity	4,310,505	0	3,198,995	0	3940,120
Other Equity	4,048,487	0	100	0	5,085,837
Other Public Sources	600,000	17,961,752	6,591,750	7,500,000	14,305,643
Conventional Debt	8,311,838	7,172,116	6,591,750	5,342,169	7,199,000
Developer Fee Deferral/Contribution	0	3,460,090	12,480,000	49,026	550,000
Other	1,530,000	0	0	0	0
TOTAL	41,648,931	46,486,770	37,809,547	41,552,354	42,233,861

Financial Terms (Metro)

	ABODE	CHELSEA	ELACC	LINC CORE	SKID ROW
Ground Lease Rent	\$3.57 Million capitalized payment	25% of cash flow for first 13 years; 50% of cash flow thereafter	\$1.2 Million capitalized payment; plus \$159,827 per year during construction and thereafter: \$449,424 annual rent for the commercial component, escalating annually at 2.5% and \$25,000 annual rent for the residential component, escalating annually at 2%	\$51,000 annual rent. Escalating annually at 2.5%	\$3,808,000 capitalized payment
Additional Ground Lease Rent	25% of gross revenue	None	33% of residual cash flow on the commercial component	None	None
Additional Ground Lease Compensation	20% of Abode's share of sale & refinancing proceeds	None	33% of net sale & refinancing proceeds	None	None
Ground Lease Term	65 years	65 years	55 years + one 10-year option	55 years	99 years
ENA Fee	\$50,000	\$50,000	\$50,000	\$25,000	\$50,000
Joint Development Agreement Holding Fee	\$75,000	\$1	\$159,827 per year	None	\$36,000 per year

A summary of the PET's scores is below.

1	Abode Communities	Average Score	Factor Weight	Weighted Average Score	Rank
2	Vision, Scope and Design	89.07	35.00%	31.17	
3	Development Team Experience and Financial Capacity	83.13	30.00%	24.94	
4	Financials	84.14	20.00%	16.83	
5	Implementation	83.75	15.00%	12.56	
6	Total	85.50	100.00%	85.50	1
7	Skid Row Housing Trust				
8	Vision, Scope and Design	78.16	35.00%	27.36	
9	Development Team Experience and Financial Capacity	80.64	30.00%	24.19	
10	Financials	75.83	20.00%	15.17	
11	Implementation	80.00	15.00%	12.00	
12	Total	78.71	100.00%	78.72	2
13	East LA Community Corporation				
14	Vision, Scope and Design	82.06	35.00%	28.72	
15	Development Team Experience and Financial Capacity	77.50	30.00%	23.25	
16	Financials	62.93	20.00%	12.59	
17	Implementation	82.50	15.00%	12.38	
18	Total	76.93	100.00%	76.94	3
19	Linc-Core				
20	Vision, Scope and Design	74.09	35.00%	25.93	
21	Development Team Experience and Financial Capacity	77.20	30.00%	23.16	
22	Financials	70.40	20.00%	14.08	
23	Implementation	80.00	15.00%	12.00	
24	Total	75.17	100.00%	75.17	4
25	Chelsea				
26	Vision, Scope and Design	73.15	35.00%	25.60	
27	Development Team Experience and Financial Capacity	75.95	30.00%	22.79	
28	Financials	71.25	20.00%	14.25	
29	Implementation	81.25	15.00%	12.19	
30	Total	74.83	100.00%	74.83	5

C. Background on Recommended Developer

Abode Communities is an affordable Housing Finance 2016 Top 50 developer. They are a leading provider of Leadership in Energy and Environment Design (LEED) Platinum units in the State of California for the sixth consecutive year. They are the longest established affordable housing provider in Southern California. Abode Communities has experience with multi-family housing. They currently own and operate 35 residential communities with 2,354 homes for 6,200 low income residents (including but not limited to Selma Community housing, Rio Vista Apartments, and Ivy Terrace). Abode Communities also has experience in mixed-use developments (Casa Dominguez in East Rancho Dominguez, CA) and aligning affordable housing with transit completed two transit oriented developments (TOD) with 143 homes for 500 low-income people.

Abode Communities has a presence within the Boyle Heights Community as a result of their engagement and outreach activities for the planning of La Veranda, a mixed use community adjacent to Cesar Chavez. Key personnel have been involved in affordable housing for an average of 15 years. Abode Communities' President has been part of Abode Communities for 20 years and the project manager has 20 years of experience in affordable housing development.

Metro strongly encourages developer's to partner with Community-Based Organizations ("CBOs") to provide affordable housing and other community serving programs and uses at its joint development sites. Abode is a non-profit organization that is committed to community-driven projects and design, and providing community serving programs and has committed to collaborate with CBOs for the Chavez Gardens project. Currently, Abode's consultant team includes one CBO, the Los Angeles Neighborhood Initiative, who is providing planning and programming expertise for the project's proposed public park and public art components.

D. DEOD Summary

Metro encouraged Development Teams to create opportunities to include Metro-certified SBE/DBE and DVBE firms in their projects, through professional and/or construction services. Abode Communities committed to collaborate with SBE/DBE and DVBE firms for the Chavez Gardens project.

Attachment C

Conceptual Site Plan and Renderings



CHAVEZ GARDENS
Metro - Cesar E. Chavez / Fickett RFP
Los Angeles, CA

June 29, 2017

**SITE PLAN - LANDSCAPE / MASSING
PRECEDENT STUDIES**

K.7

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Attachment C (cont.)

Conceptual Site Plan and Renderings



Attachment C (cont.)

Conceptual Site Plan and Renderings



Attachment C (cont.)

Conceptual Site Plan and Renderings

