

**Board Report**

File #: 2020-0410, **File Type:** Agreement**Agenda Number:** 19.

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

AUTHORIZE the Chief Executive Officer (CEO) to execute an Exclusive Negotiations Agreement and Planning Document (ENA) with the Walter J Company (Proposer) for the joint development of Metro-owned property at the Westlake/MacArthur Park Station (Site) for a period of eighteen (18) months, with an option to extend up to twelve (12) additional months.

ISSUE

In June 2020, the Proposer submitted a revised Phase 2 unsolicited joint development proposal (Revised Phase 2 Proposal) for the development of the Site and adjacent property owned by the Proposer. In response to Planning and Programming Committee input, the Revised Phase 2 Proposal increases the percentage of income-restricted units (up to 80% of AMI) provided from 18% to 25% and dedicates another 10% to workforce housing. The Revised Phase 2 Proposal also strengthens community outreach through a Project Advisory Task Force to ensure a mechanism for continued feedback on the project. An ENA will allow further due diligence and community engagement to negotiate terms for a potential Joint Development Agreement (JDA) and Ground Lease.

BACKGROUND

Metro received an unsolicited joint development proposal (Initial Proposal) from the Proposer in December 2017. In accordance with the Joint Development Unsolicited Proposals Policy (JD UP Policy), an evaluation committee composed of Metro staff from Joint Development, Operations, and Program Management reviewed the Initial Proposal and determined that it warranted additional consideration.

Consequently, the Proposer was invited to submit a more detailed proposal, which was received in August 2018 (Phase 2 Proposal). The Phase 2 Proposal was brought to the Planning and Programming Committee in February 2020. At the meeting, several Directors expressed a desire to see an increase in the number of affordable housing units and ensure there was robust community engagement. The Proposer acknowledged the Directors' concerns and addressed them in the

Revised Phase 2 Proposal, which was submitted to Metro in June 2020.

DISCUSSION

The Revised Phase 2 Proposal includes redevelopment of the existing Metro plaza in conjunction with the construction of two high-rise buildings on two adjacent lots owned by the Proposer (see Attachment A). The plaza improvements would enhance connectivity and transit access throughout the block. The following table outlines the changes from the Phase 2 Proposal that the Board considered in February 2020.

	Phase 2 Proposal Feb 2020	%	Revised Phase 2 Proposal June 2020	%
Total Apartments	665	100%	668	100%
Market Rate Apartments	545	82%	434	65%
Income-Restricted Apartments	120	18%	234	35%
Very Low (30 - 50% AMI*)	0	--	66	10%
Low (50 - 80% AMI)	120	18%	66	10%
Workforce (120% - 150% AMI)	0	--	66	10%
Section 8 (0 - 50% AMI)	0	--	36	5%
Hotel Rooms	252		300	
Commercial SF	67,791		124,058	
Open Space SF	75,679		no change	
Parking Spaces	896		775	

*Area Median Income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, as determined annually by the Department of Housing and Urban Development (HUD), and adjusted for actual household size.

Findings

Upon completing the review of the Revised Phase 2 Proposal, the evaluation committee recommends that it be advanced for the following key reasons:

- 1. The inclusion of adjacent land enables a more substantial development project to overcome the challenges of the Site.** The Site is constrained by two station portals, an elevator, vent shafts, and a shallow station box that runs diagonal below the Site. These physical constraints make it challenging to build above the station and deliver transit-supportive densities. Prior proposals for the Site were unsuccessful due, in part, to the difficulty of development above the Site's transit infrastructure. The Proposer's two adjacent properties combined with the Metro-owned property create a unique opportunity to span the station box and provide a mixed-use project with a significant number of housing units adjacent to transit.
- 2. The project would provide more income-restricted units than could be developed by Metro on its own.** The Revised Phase 2 Proposal considers 168 affordable units (25% of total housing units) for residents earning between 0-80% of AMI spread throughout the two towers. In addition, the revised proposal introduces 66 workforce housing units (10% of total

housing units) targeting households earning between 120-150% of AMI. A prior proposal for the Metro property contemplated an 82-unit affordable housing development. Including Metro's property allows the Proposer to provide more income-restricted units across the entirety of the project than could likely be built on Metro property alone.

3. The project commits to supporting existing street vendors and small businesses by continuing and expanding the existing street vendor pilot program, and also setting aside (1) at least 10% of all retail spaces for minority-owned businesses and (2) at least 20% of the commercial or retail floor area for businesses that are owned and operated by Westlake/MacArthur Park residents. In addition, through its partnership with New Economics for Women, the project would include a cooperative marketplace focused on supporting the work of women artists, producers, and local artisans.

4. The Proposer's team has deep ties and experience working with the Westlake/MacArthur Park community. The Proposer's family has been a long-time business and property owner in the Westlake/MacArthur Park community. They recently obtained entitlements to develop the Lake on Wilshire project, which includes a 41-story tower with 478 apartments including 39 affordable units, a 220-room boutique hotel, and a performing arts center located one block east of the Site.

As noted above, the Proposer's team includes New Economics for Women (NEW), a Westlake non-profit established in 1984 that focuses on community development. NEW will provide property management services for the affordable units and operate a Business/Family Resource Center (Center) within the project. The Center would provide counseling, training, mentoring, and business development resources to community members.

Equity Platform

Partnering to build a transit-oriented development with affordable units falls into Pillar III, Focus and Deliver, of the Equity Platform by supporting affordable units in an Equity Focused Community (as defined in the Values Framework of the Long-Range Transportation Plan update). There is immense development pressure from Koreatown to the west and downtown Los Angeles to the east of the Site that have caused displacement of low-income residents in both neighborhoods. Though Westlake/MacArthur Park is just beginning to experience development pressure, Metro is setting an early example of maximizing the provision of affordable units at diverse income levels to protect residents around the Westlake/MacArthur Park Metro station.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Pursuant to the ENA, certain staff and consultant costs are reimbursed through a developer deposit, and the execution of a JDA and Ground Lease will provide a source of revenues going forward. No new capital investment or operating expenses are anticipated to implement the Project.

Impact to Budget

Work under this ENA is included in the proposed FY21 budget under Cost Center 2210, Project 401038. Staff and consultant costs are proposed in the FY21 budget to negotiate the proposed transaction and review design and other projects documents.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to seek new development options for the Site via a competitive process. Staff does not recommend proceeding with these alternatives as the Revised Phase 2 Proposal, which includes adjacent parcels, would yield greater income-restricted housing and TOC benefits than Metro would be able to achieve with its property alone.

NEXT STEPS

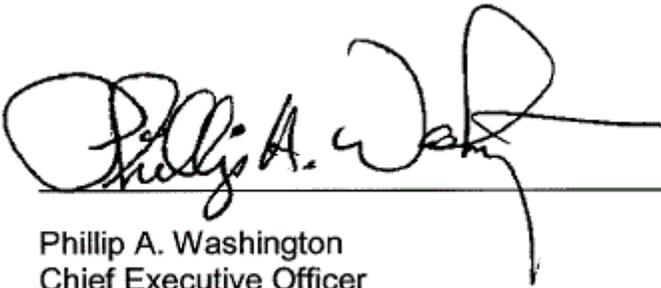
Upon Board approval of the recommended action, staff would execute the ENA and begin more intensive review of the Revised Phase 2 Proposal including design, financials, and other terms. In parallel, the Proposer would lead the community outreach process with a staff-approved outreach plan to conduct meaningful community engagement. Upon satisfactory completion of this deeper due diligence process, staff would begin negotiations of a JDA and Ground Lease while the Proposer seeks project entitlements and environmental approvals from the City of Los Angeles. Once the requisite approvals are obtained and parties have reached agreement with respect to terms, staff would return to the Board to request to enter into a JDA and Ground Lease.

ATTACHMENTS

Attachment A - Site Map

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Attachment A

Site Map

