



Board Report

File #: 2024-0377, File Type: Project

Agenda Number: 14.

PLANNING AND PROGRAMMING COMMITTEE
OCTOBER 23, 2024

SUBJECT: MARIACHI PLAZA JOINT DEVELOPMENT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer, or designee, to execute and enter into a Joint Development Agreement (JDA), ground lease (Ground Lease), and other related documents with East Los Angeles Community Corporation (ELACC) (Developer), for the construction and operation of an affordable housing project (Project) on two separate parcels, totaling approximately 33,000 square feet, of Metro-owned property located at the corner of Pennsylvania Avenue and North Vicente Fernández Street in Boyle Heights (Site) in accordance with the Summary of Key Terms and Conditions attached hereto as Attachment A and upon receipt of concurrence by the Federal Transit Administration (FTA);
- B. AUTHORIZING a 65%, or \$2,200,000, discount to the appraised fair market rental value of the Site under the Ground Lease;
- C. FINDING that the Project is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 21080(b)(9) and 21084 of the California Public Resources Code and Section 15332 (In-Fill Development Projects) of the CEQA Guidelines, consistent with the environmental studies and reports set forth in Attachment B and authorizing the Chief Executive Officer or designee to file the appropriate Notice of Exemption for the Project in accordance with said finding by the Board; and
- D. DECLARING the Site to be exempt surplus land, pursuant to the Surplus Land Act (SLA), Government Code Section 54220 *et seq*, based on the qualifying factors and criteria described herein.

ISSUE

Since 2018, staff and the Developer have collaborated under a Board-authorized Exclusive Negotiation Agreement and Planning Document (ENA) to conduct community outreach, refine the Project design, negotiate key terms and conditions for a JDA and Ground Lease, and study relevant CEQA issues. In order to advance the project into construction, staff recommends that the Board

authorize the CEO to execute a JDA and Ground Lease according to the negotiated terms and conditions presented in Attachment A; approve a \$2,200,000 (65%) discount on fair market value of the site; adopt environmental findings consistent with CEQA; and make determinations with respect to SLA.

BACKGROUND

Following a competitive solicitation process and Board approval, on March 15, 2018, an ENA was executed with the Developer for the Site. The ENA has allowed staff and the Developer to explore the feasibility of the proposed Project; conduct additional, project-specific community outreach; study relevant CEQA issues; and negotiate the key terms and conditions of the JDA and Ground Lease that will ultimately provide for the Project's construction and operation on the Site.

On December 3, 2020, the Board passed Motion 12.1 by Directors Solis and Dupont-Walker to ensure preservation of culture at Mariachi Plaza by developing a cultural preservation strategy for Mariachi Plaza, and to work with the Developer on strategies to meet the housing needs of the immediate neighborhood, especially people exploring homelessness (Attachment C).

In June 2021, the Board approved an update to the Joint Development Policy which allows flexibility to discount ground lease rent commensurate with the community benefits. However, under the Joint Development Policy in place at the time of the 2018 ENA, a discount that exceeds 30% of the FMV required Board authorization.

The Project and the Site

The Site is comprised of approximately 33,025 square feet on two separate Metro-owned properties separated by North Vicente Fernández Street running north-south, and street frontage along Pennsylvania Avenue running east-west. Parcel A contains approximately 27,025 square feet and "Parcel B" containing approximately 6,000 square feet (depicted in Attachment D). The Metro E Line Mariachi Plaza Station is adjacent to the south of the Site. This Site was originally purchased for the laydown and staging of the construction of the Metro E Line's Eastside Extension and is no longer needed for this purpose.

The Project contemplates 59 affordable rental apartments, with one unrestricted property manager's apartment, approximately 4,500 square feet of community space, 42 residential parking spaces, and a total of 55 bicycle parking stalls. The project will also provide 5,888 square feet of open space. A site plan and renderings for the Project are identified in Attachment D. The affordable rental apartments are made up of studio, one-, two-, and three-bedroom units with affordability levels ranging from 30% of area median income (AMI) to 60% of AMI for Los Angeles County. The Developer's initial proposal called for a maximum income limit of 50% of AMI. However, after further analysis it was determined that a broader range of affordability levels would ensure access to all available capital sources, as well as the financial feasibility of the project.

The community space will be located steps away from Mariachi Plaza facing 1st Street and a community garden will be located on the entirety of Parcel B on the corner of Pennsylvania Avenue and North Vicente Fernández Street in Boyle Heights. The spaces are envisioned as an amenity for

the residents, mariachi musicians and the greater neighborhood.

Execution of the JDA will provide the required documentation needed to apply for other funding sources, namely federal and state tax credits from the California Tax Credit Allocation Committee (TCAC). The anticipated total amount of equity that will be generated from the sale of the tax credits is approximately \$33,500,000 and represents 70% of total development cost.

Community Engagement

In 2018, the Developer initiated community outreach. This outreach consisted of 22 community meetings including outreach to the Mariachi community, quarterly stakeholder meetings, door-knocking within a 0.25 miles radius of the site and hosting Affordable Housing 101 workshops which have included updates on the Project.

Three of the meetings mentioned above occurred between July 2018 through February 2022 and were with the Boyle Heights Design Review Advisory Committee (DRAC), created by Metro in 2016. The Developer provided a project update with design review and received feedback that informed changes in the design. The most recent of these meetings concluded with the approval of the schematic design by the DRAC, which enabled the Developer to submit its entitlements package to the City of Los Angeles for consideration.

In March 2022 the Developer provided a Project update to the Boyle Heights Neighborhood Council Planning and Land Use Committee (PLUC). At this meeting, the Developer gave an overview of the Project, received input on community needs and concerns, and obtained feedback on proposed design elements. In October 2024, the Developer provided an update on the Project to the Boyle Heights Neighborhood Council and held a community meeting on October 2, 2024, to present a project update and a workshop on applying for affordable housing.

Outreach efforts will continue throughout the term of the JDA to keep the community informed of the Project's progress leading to the execution of the Ground Lease and eventual start of construction.

DISCUSSION

JDA and Ground Lease Terms

The terms of the JDA are focused on the Developer bringing the Project through full financing and construction readiness. Specifically, the JDA:

- Provides a Term of 18 months with an option to extend up to two additional 12-month periods.
- Requires a Holding Rent of \$2,500/month during the JDA term.
- Provides Metro with the right to review and approve the design of the Project as it progresses to completion.
- Recovers Metro's transaction-related and other support costs, including the cost of in-house staff time (except for Joint Development staff) and fees related to consultants and other third parties (except for in-house and outside legal counsel with respect to negotiation and

preparation of the JDA and Ground Lease); and

- Sets forth the conditions for execution of the Ground Lease including that project financing, governmental approvals, payment and performance bonds, and the completion guarantee are in place.

The unsubordinated Ground Lease will be executed once the conditions set forth in the JDA are met. Key terms of the Ground Lease include:

- A term of 75 years.
- Restrictions to ensure continued affordability for the full term of the Ground Lease including rent levels in compliance with Surplus Land Act Section 54221(f)(1)(F).
- Metro's receipt of a one-time capitalized rent payment of \$1,200,000 upon execution of the Ground Lease.
- Metro's receipt of 33% of all net refinancing proceeds and a 33% share of all net sales proceeds less accumulated Ground Lease payments not to exceed the FMV of the land.

The Ground Lease will provide language allowing the occupancy and rent restrictions to be modified to meet the debt service requirements of the Project so long as the rents stay affordable and units are available to tenants whose incomes are no greater than 80% of AMI, adjusted for household size. In no event shall the maximum affordable rent level be higher than 20 percent below the median market rents for the neighborhood in which the Site is located.

This would only be implemented in extreme cases to ensure the residual receipts loan(s) provided to the Project are fully paid with a zero balance at the end of the Project Term. This scenario would not be allowed to be contemplated until the end of the 15-year tax credit compliance period and only after Metro's independent review of the Project financials to confirm the need to create more revenue.

Attachment A provides a summary of key terms and conditions for the JDA and Ground Lease.

Ground Lease Rent Discount

Affordable housing development relies on multiple sources of funding such as tax credits, housing vouchers, bank debt, and investor equity to provide the capital necessary for development. Land costs, particularly when the site is owned by a public agency, may be discounted to reduce total development cost, and make the project economically feasible. The discounted land then becomes one of the sources of development capital. The amount of discount required depends on the overall project feasibility. Relative to this transaction, staff proposes a one-time prepaid ground rent of \$1,200,000, which is approximately a 65% discount from the Fair Market Value (FMV) rent of \$3,400,000.

Given the challenging economic environment, limited subsidies available, and the provision of 59 affordable units targeting extremely low, very low and low-income residents, staff recommends

approving this discount, which is equivalent to contributing approximately \$36,667 per unit to the Project. With a total development cost of \$47.9 million, Metro's land discount of \$2,200,000 represents 5.60% of the project's total capital sources. Over the course of the 75-year Lease, Metro's cost to ensure affordability represents a cost of \$489 per unit, per year. The completed Project will benefit qualified low-income residents in need of housing, increase ridership near transit and further activate the public plaza and station.

Summary Analysis of Financial Terms

On April 15, 2024, staff received a third-party consultant report describing the financial feasibility of the Project, the proposed discount to the ground lease payment and the overall financial offer to Metro. The summary findings are as follows:

- The November 2023 appraisal concluded that Metro's fair market value/leased fee interest in the subject property is valued at \$3.4 million.
- The Project design is sound, and the total development costs in the Developer-provided underwriting analysis are reasonable and supportable given current market construction cost data.
- The operating proforma is based on reasonable assumptions about rents, vacancies, and operating expenses.
- The Developer's proposed financing plan includes a mix of tax credit equity, Developer equity, assumed grants, and a conventional permanent loan. Upon reviewing the proforma and the proposed sources and uses and conducting an independent residual land value analysis, discounting the Metro land to \$1,200,000 is necessary to ensure Project feasibility.

Mariachi Cultural Center

The Developer provided Metro staff with a Cultural Preservation Plan with the objective to identify a strategy to preserve the culture of mariachi musicians who utilize the adjacent Mariachi Plaza and to increase opportunities for low-income mariachis in housing, employment, and related services. The Plan has informed the Mariachi Cultural Center (MCC).

The MCC will be located in a portion of the Project's first floor community space adjacent to Mariachi Plaza facing 1st Street. Through the MCC, the Developer will (a) support mariachis and mariachi culture; (b) ensure that the proposed MCC contributes to the preservation and cultural significance of Mariachi Plaza, including the ability of mariachis to perform and seek employment at this location; and (c) collaborate with stakeholders to ensure the launch, funding and continued operation of the proposed MCC. Prior to the end of construction, the Developer will release a Request For Proposal (RFP) seeking qualified organizations to manage and maintain programming activities in support of the creation and long-term management of the MCC. The successful applicant will contract with the Developer to provide day-to-day management of the MCC and serve as a key link between the mariachis, ELACC, the residents of the Project, and the community at-large.

The Ground Lease will include provisions to maintain the interests and cultural significance of the mariachis. For example, if the MCC is not operational for more than three consecutive months, the Developer shall be responsible for the maintenance, management and programming of the MCC until such time the Developer finds a new operator through an open and competitive process, i.e. RFP. During the Term of the Ground Lease, if it is determined the MCC is no longer a feasible activity, Metro will request the Developer to recommend an alternative community use for the space, which Metro will review and approve at its sole and absolute discretion.

Community Garden

A Community Garden is the designated programming for Parcel B. During the JDA phase, the Developer would conduct face-to-face meetings, surveys, and focus group sessions to ensure the spaces will be programmed and well-managed to fit current and future community needs. The Developer will maintain the Community Garden and keep it free from litter, weeds, debris and other visual blight. The garden shall be secured during hours of non-use and used solely to grow fruits and vegetables and to provide community education and related horticultural activities. If the Community Garden is not used or maintained as described or an alternative use approved by Metro is not in place, a monthly rent of Parcel B shall be assessed at the fair market value rental rate. In addition, fair market rent will be assessed if construction on Parcel B is not completed within 12 months following the close of construction on Parcel A.

Local Housing

In response to the community's desire to have the Project meet the housing needs of mariachis and local community residents, the Developer, in consultation and coordination with Metro, will implement the inclusion of a local preference to the general affordable units, to the extent feasible and permissible under relevant state and federal laws. This includes, but is not limited to, the Local Tenant Preferences to Prevent Displacement Act, California Government Code 7061 et seq. Before execution of the Ground Lease, the Developer will submit a Local Preference Plan for Metro's approval. If feasible and legally permissible, the parties shall incorporate the appropriate local preference requirements into the Ground Lease.

Notably, the Los Angeles City Council recently passed a motion which requests the Los Angeles Housing Department to work with the applicable Federal and State agencies to prepare a local preference policy for subsidized affordable housing units for tenant selection and leasing. This is notable since the Site is located in the City of Los Angeles.

Federal Transit Administration Review

The Site was acquired in 1999 using grant funding from the Federal Transit Administration (FTA). Metro has submitted the terms of the JDA and Ground Lease to FTA through their Joint Development Review process to ensure that FTA is aware of the proposed Term Sheet and has no objections to the overall deal structure, including the proposed rental discount for affordable housing. Execution of the JDA is subject to receipt of FTA concurrence.

CEQA Actions

Staff has reviewed the environmental studies and reports set forth in Attachment B which demonstrates the Project qualifies for a categorical exemption under Sections 21080(b)(9) and 21084 of the California Public Resources Code and Section 15332 (Class 32 - In-Fill Development Projects) of the CEQA Guidelines. None of the exceptions to the In-Fill exemption found in CEQA Guidelines Section 15300.2 apply to the Project.

The Project qualifies for the Class 32 exemption because of qualifying factors including: (a) the Project is consistent with the project site's RD1.5-1 RIO-CUGU (Restricted Density Multiple Dwelling Zone-Height District No. 1-River Implementation Overlay District-Clean Up Green Up: Boyle Heights) Zone designation and all applicable zoning regulations, as well as with the General Plan land use designation of Low Medium II Residential and all applicable general plan policies; (b) the Project site is less than five acres and within the municipal limits of the City of Los Angeles; (c) the Project is located in an urban area with no value as habitat for endangered, rare, or threatened species; (d) approval of the Project would not result in any significant effects relating to traffic, noise, or air or water quality; and (e) the Project can be adequately served by all required utilities and public services. Further details can be found in Attachment B, CEQA Exemption Summary of Details.

In acting as the governing body of a responsible agency for the Project, the Board's consideration of the documentation in Attachment B, and the Board's independent finding that the Project meets all criteria of the In-Fill Development categorical exemption and that the Project will not cause a significant impact on the environment, will satisfy the Board's CEQA responsibilities for the Project. Subject to and consistent with said findings, it is recommended that the Board authorize staff to file an appropriate Notice of Exemption with the Los Angeles County Registrar-Recorder/County Clerk and the State Clearinghouse of the Governor's Office of Planning and Research.

Surplus Land Act

It has been determined the Project Site, as presented, qualifies for Board declaration of the Site as exempt surplus land, pursuant to the Surplus Land Act (SLA), Government Code Sections 54221(f) (1)(F) of the SLA. This determination has been made based on qualifying factors and criteria including the following:

1. The surplus land was put out to open and competitive bid by Metro, and all entities pursuant to Government Code Section 54222(a) were invited to participate in the competitive bid process.
2. The Project Site will restrict 100 percent of the residential units to persons and families of low or moderate income, with at least 75 percent of the residential units restricted to lower income households, as defined in Health and Safety Code Section 50079.5, with an affordable rent as defined in Health and Safety Code Sections 50052.5 or 50053.
3. In no event will the maximum affordable rent level be higher than 20 percent below the median market rents for the neighborhood in which the Site is located.
4. Once completed, rental housing in the Project will be subject to an affordability covenant recorded against the land for a term of 75 years, which is longer than the minimum threshold of at least 55 years set forth in the SLA.

Upon the Board's declaration that the Site is exempt surplus land, Metro staff would then ensure completion of all related actions as required by Government Code Section 54221 *et seq.*, including but not limited to, providing appropriate notice to the California Department of Housing and Community Development (HCD) of the Board's declaration of the Site as exempt surplus land.

DETERMINATION OF SAFETY IMPACT

Approval of this item would improve safety and security conditions immediately around the Mariachi Plaza station by replacing the vacant fenced lot with a 24-hour presence of new residents and community organizations that will have eyes on the plaza. The Developer will pay for Construction Management staff to oversee the construction of the Project to ensure that it does not adversely impact Metro property or the continued safety of staff, contractors and the public. Project oversight will be conducted via existing Metro processes: the Developer will submit Construction Work Plans, Track Allocation Requests, and all other required documentation for review and approval by Metro staff. All safety measures and associated requirements to be met by the Developer and its construction contractor will be identified in the JDA and subsequent Ground Lease.

FINANCIAL IMPACT

Taking into account the land discount, which is consistent with the Board-adopted Joint Development Policy, financial compensation under the JDA and the Ground Lease is fair and reasonable as determined in the third-party financial feasibility study dated April 15, 2024.

Impact to Budget

Funding for activities related to the Project are included in the FY25 Budget under Project Code 401300 (Joint Development 10K Homes), Cost Center 2210. Furthermore, Metro staff, legal, and consultant costs (excluding JD staff and in-house counsel time, which are covered by the program budgets) would be recovered from the Developer via a nonrefundable fee of \$45,000. No Metro funds are used to entitle and construct the Project.

EQUITY PLATFORM

The proposed development at the Mariachi Plaza adjacent site is representative of Metro's Joint Development Policy goal to deliver as many homes as possible, as quickly as possible, for those who need it most. The proposed action will allow Metro to work with the Developer to secure financing, conduct additional outreach and obtain permits for 59 units of affordable housing, 4,566 square feet of community space, a community garden, enhanced public infrastructure, jobs and other transit-supportive amenities. The Project is one of several recent housing developments that Metro's Joint Development program has worked to authorize and/or complete in order to assist in addressing the local affordable housing crisis.

The completed Project will benefit qualified low-income residents in need of housing, as well as qualified households with disabilities who will be awarded one of the Americans with Disabilities Act (ADA) accessible units. The Project is located within an Equity Focused Community and offers housing for individuals earning 30% to 60% of LA County AMI, which are appropriate levels of

affordability accessible to the local Boyle Heights community. These income-restricted units will benefit Metro's ridership base by offering housing accessible to the majority of the 83% of Metro riders who reported household incomes under \$50,000 in the 2022 Customer Experience Survey. By offering affordable housing adjacent to the Mariachi Plaza E line station and the Metro 106 bus line, the project will enhance access to these modes of transportation and encourage transit use among the Project's residents. The Project will also benefit adjacent community members who may use the community space and community garden. The community space will be programmed to fit the needs of the local community, mariachis and Project residents.

Once completed, the 59 units of affordable housing will be protected by a long-term affordability restriction that will serve to address historical concerns regarding gentrification and economic dislocation expressed by residents and Community Based Organizations (CBOs) in Boyle Heights. Metro has been committed to working with community partners, collaborating with them for over eight years to design a unique tailored project that is responsive to this community's needs. This includes working with the Developer to implement the inclusion of a local preference policy for the general affordable units, to the extent feasible and permissible under relevant state and federal laws, which has never been implemented on past Metro developments.

Staff will evaluate and explore if implementing a local preference may serve as a model for future affordable housing projects on Metro sites. Further, the Project will offer a Mariachi Cultural Center to support mariachi musician and assist in preserving mariachi art and culture for the community at large at the historically significant Mariachi Plaza which is adjacent to the Project.

Since 2018, the Developer and Metro staff have conducted extensive outreach events to incorporate community input from the Boyle Heights Design Review Advisory Committee, Boyle Heights Neighborhood Council, CBOs, residents, and the business community. The Developer continues to actively engage with and be responsive to all of these stakeholders through a coordinated community outreach process that involves multiple public engagement opportunities. The Developer will continue building on the years of prior community outreach established for the Project in the upcoming JDA period. As in previous Joint Development outreach efforts, engagement will be conducted in English, Spanish, and other languages deemed appropriate to reach a broad audience of stakeholders

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Enhance communities and lives through mobility and access to opportunity, Initiative 3.2: Metro will leverage transit investments to catalyze transit-oriented communities and help stabilize neighborhoods where these investments are made

ALTERNATIVES CONSIDERED

The Board could choose not to authorize execution of the JDA and Ground Lease. Staff is not recommending this option because the proposed Project is the product of competitive solicitation and several years of extensive community engagement and is consistent with the goals of Metro's Joint Development Policy. Further, the terms of the proposed JDA and Ground Lease are fair and reasonable. Electing not to authorize execution of the JDA and Ground Lease would unnecessarily delay development of the Site and jeopardize- the build-out of 60, in-demand housing units, 59 of

which are covenanted to extremely low-, very low-, and low-income households.

NEXT STEPS

Upon approval of the recommended actions and necessary approval by FTA, staff would work to complete and execute the JDA file the Notice of CEQA Exemption with the County Clerk and State Clearinghouse and provide notice to the State HCD if the Board's exempt surplus land declaration. Staff and the Developer will work to satisfy the conditions under the JDA necessary to finalize the Ground Lease in preparation for the construction of the Project. The JDA, Ground Lease and related documents will be executed thereafter in substantial accordance with the terms and conditions set forth in Attachment A. In particular, the Developer will diligently attempt to secure all financing necessary for construction of the Project and staff and the Developer will work to advance the final design and construction documents to completion.

ATTACHMENTS

- Attachment A - Summary of Key Terms and Conditions
- Attachment B - CEQA Studies and Reports
- Attachment C - Motion 12.1
- Attachment D - Site Plan and Renderings

Prepared by: Olivia Segura, Senior Manager, Countywide Planning & Development, (213) 547-4203
Carey Jenkins, Senior Director, Countywide Planning & Development, (213) 547-4356
Wells Lawson, Deputy Executive Officer, Transit Oriented Communities, (213) 547-4204
Nicholas Saponara, Executive Officer, Transit Oriented Communities, (213) 922-4313
Holly Rockwell, Senior Executive Officer, Countywide Planning & Development, (213) 547-4325

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



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

**SUMMARY OF KEY TERMS AND CONDITIONS
OF
JOINT DEVELOPMENT AGREEMENT AND GROUND LEASE
FOR
THE MARIACHI PLAZA - LUCHA REYES APARTMENTS JOINT DEVELOPMENT SITE
(DATED: _____, 2024)**

*This non-binding Summary of Key Terms and Conditions (“**Term Sheet**”) outlines the proposed key terms and conditions of a development transaction by and between the Los Angeles County Metropolitan Transportation Authority (“**LACMTA**”) and Developer (defined below) with respect to certain real property described in this Term Sheet. LACMTA and Developer previously entered into that certain Exclusive Negotiation Agreement and Planning Document dated March 15, 2018, as amended (“**ENA**”). LACMTA and Developer now intend to negotiate, based on this Term Sheet, a set of legally-binding agreements to carry out the development transaction, which agreements will include (a) a joint development agreement between LACMTA and Developer (“**JDA**”), (b) a ground lease between LACMTA and Developer or an affiliate of Developer (“**Ground Lease**”), and (c) such other agreements as are necessary or convenient to carry out the intent of the terms outlined in this Term Sheet.*

GENERAL DESCRIPTION

- 1.1 DEVELOPER:** East Los Angeles Community Corporation (ELACC) (“**Developer**”), a California nonprofit public benefit corporation.
- 1.2 DEVELOPMENT SITE:** LACMTA is the fee owner of approximately 1.46 acres of real property located at the northeast corner of E. 1st Street and Vicente Fernández Street adjacent to Pennsylvania Avenue, in the City of Los Angeles and the County of Los Angeles, as depicted in Exhibit A (“**LACMTA Property**”). An approximately 0.70-acre (i.e., approximately 30,765-square-foot) portion within the LACMTA Property is currently improved with a public plaza and station entrance commonly known as the Mariachi Plaza E Line Station (“**Station**”), which improvements are part of the “**Public Transit Facilities**”. The LACMTA Property also contains two separate parcels bifurcated by North Vicente Fernández Street running north-south thereby creating two sub-areas for development. The area west of the street will be referred to as “Parcel A” containing approximately 27,025 square feet and the area east of the street will be referred to as “Parcel B” containing approximately 6,000 square feet. Combined, “Parcel A” and “Parcel B” are approximately 33,025 square feet (i.e., approximately 0.76 acres) and are collectively referred to as the Premises (“**Premises**”).

1.3 PROPOSED PROJECT: Lucha Reyes, the proposed development project (“**Project**”) will be constructed on the Premises by Developer at Developer’s sole cost and expense in accordance with the plans and specifications generally known as the Joint Development Agreement Package (“**JDA Package**”), August 9, 2024, as detailed and referenced in Exhibit B (“JDA Package Plans”), as such JDA Package Plans logically evolves and is modified and revised as set forth herein. The Project is currently anticipated to include, without limitation, fifty-nine (59) affordable rental apartments restricted to households earning no more than 60% of the LA County Area Median Income, and one (1) unrestricted property manager’s apartment, 4,556-square-foot community room, a residential lobby, additional community space (learning center, recreation room), and a manager’s office. The site plan and renderings for the currently proposed Project are attached in Exhibit C. Although Developer will endeavor to secure financing for Project as described in this Term Sheet, certain aspects of the Project, including affordability levels of the rental apartments, may be modified if required by the funding sources ultimately secured.

1.4 PHASED DEVELOPMENT: The Project will be constructed in a single phase.

GENERAL CONDITIONS

2.1 DEDICATIONS: LACMTA will not provide any dedications for the Lucha Reyes project.

**2.2 FEDERAL TRANSIT
ADMINISTRATION, STATE
AND LOCAL FUNDING
SOURCE APPROVAL:**

The parcels comprising the Premises were acquired by LACMTA using both Federal Transit Administration (“**FTA**”) funds and local funds. Therefore, the construction and operation of the Project, and the Ground Lease transaction, Dedications and other development-related matters contemplated in this Term Sheet are subject to: (a) applicable FTA, State, and bond holder approval/concurrence, and (b) LACMTA confirmation that such actions will not violate any bond funding related requirements or restrictions imposed on LACMTA or the LACMTA Property, (collectively, the “**Funding Approvals**”). Prior to execution of the JDA or Ground Lease, LACMTA shall have received approval of the terms and conditions set forth herein and in the Ground Lease by the appropriate funding agency(ies) that participated in LACMTA’s original acquisition of the Premises.

**2.3 DEVELOPMENT
ENTITLEMENTS AND OTHER
LEGAL REQUIREMENTS:**

Intentionally Omitted

2.4 AS-IS CONDITION:

Developer acknowledges and agrees that it shall accept the Premises “as is,” solely in reliance upon Developer’s own investigation, inspection, and research, and that no representations or warranties of any kind whatsoever, express or implied, have been made by LACMTA. Any information provided or disclosure made by LACMTA to Developer shall not constitute a representation or warranty regarding the condition or title to the Premises. Furthermore, Developer shall assume the cost and expense for the removal of any contaminated materials, toxic or hazardous substances, and asbestos on the Premises.

2.5 SITE REMEDIATION:

Developer shall perform any required remediation or abatement deemed necessary in accordance with environmental and soils studies to be performed, if any.

KEY JOINT DEVELOPMENT AGREEMENT (“JDA”) TERMS:

3.1 JDA - GENERALLY:

After (i) the LACMTA Board has approved and Developer has accepted this Term Sheet, (ii) Developer has met all CEQA requirements for the Project (as further described below in the Closing Conditions), and (iii) the LACMTA Board has made the requisite findings as a responsible agency pursuant to the CEQA requirements for the Project, then LACMTA and Developer will enter into a Joint Development Agreement (“**JDA**”) containing terms and conditions that are substantially consistent with those set forth in this Term Sheet, subject to any modifications as directed by the LACMTA Board. The JDA will address matters between Developer and LACMTA regarding the Project and the Premises during the JDA Term (defined in Section 3.3).

3.2 ESCROW:

Within fifteen (15) days after the JDA Effective Date (as defined in Section 3.3), Developer and LACMTA shall enter into an escrow (“**Escrow**”) with an escrow company mutually agreed upon by Developer and LACMTA (“**Escrow Holder**”) for the Ground Lease transaction contemplated in the JDA.

3.3 JDA TERM:

The JDA shall be effective upon execution by LACMTA and Developer (the “**JDA Effective Date**”) and will expire on the date that is eighteen (18) months thereafter (the “**JDA Initial Term**”) and, as may be extended pursuant to this Section 3.3, the “**JDA**

Term”). Notwithstanding the foregoing, provided that Developer is working in good faith to meet the Closing Conditions (as defined below) but is unable to satisfy all of the Closing Conditions due to a delay beyond the control of Developer, then upon receipt of a written request by Developer, LACMTA may, in its sole and absolute discretion, elect to extend the Initial Term for up to two consecutive twelve-month periods. During the JDA Term, LACMTA and Developer shall endeavor to close Escrow (the “**Closing**”), subject to satisfaction or waiver of certain conditions precedent to execution of the Ground Lease, as set forth in the JDA (the “**Closing Conditions**”). Notwithstanding the forgoing, LACMTA shall have the right to terminate the JDA for defaults that will be detailed in the JDA, subject to applicable notice and cure periods.

3.4 JDA CONSIDERATION/

HOLDING RENT:

As consideration for the rights granted to Developer during the JDA Term, commencing with the JDA Effective Date, and continuing throughout the JDA Term, Developer shall pay to LACMTA, in advance on a monthly basis, in immediately available funds, nonrefundable holding rent in the amount of \$2,500 (the “**Holding Rent**”). The Holding Rent is based on 1/12th of 0.91% of \$3,310,000, which is the appraised fair market value of the fee simple value of the Premise (as determined in that certain appraisal dated November 17, 2023, performed by CBRE). The Holding Rent shall be nonrefundable but shall be applied at Closing as a credit to the Capitalized Rent due under the Ground Lease, in the event the Ground Lease is executed by the parties.

3.5 CONDITIONS TO CLOSING: The Closing Conditions will require, among other things:

- (a) Developer has provided LACMTA assurances that Developer has the legal capacity to develop the Project through delivery of organizational documents and other proof reasonably requested by LACMTA;
- (b) Developer has delivered to LACMTA evidence and assurances demonstrating that Developer has the financial resources in place to design, construct and operate the Project, including financing, and that such resources are fully committed without reservation to the reasonable satisfaction of LACMTA;

- (c) All necessary CEQA Review for the Project has occurred and all related CEQA approvals, findings, determinations, and certifications have been made by the applicable governmental authorities, and all applicable statutes of limitation have run without a lawsuit having been timely filed (but if so filed, then final adjudication or dismissal with prejudice of such lawsuit has occurred, upholding the approvals, findings, determinations, and certifications).
- (d) Developer has applied for and received all governmental approvals necessary (including all LACMTA and City of Los Angeles approvals and entitlements) for the development, construction, and operation of the Project);
- (e) LACMTA has approved the final (100%) construction plans for the Project and any other design or technical documents necessary for the construction of the Project (the “**Approved Construction Documents**”);
- (f) Developer has received a “ready to issue” letter from the City of Los Angeles for all building permits necessary for the construction of the Project in accordance with the Approved Construction Documents and any changes to the Approved Construction Documents that appear in the “ready to issue” plans for the Project will be subject to LACMTA review and approval in accordance with LACMTA’s design review rights under the JDA;
- (g) Developer has executed and delivered all Closing Documents to Escrow;
- (h) Developer has provided LACMTA with Payment and Performance Bonds and a Completion Guaranty from East Los Angeles Community Corporation guaranteeing and securing completion of the Project, each in a form satisfactory to LACMTA;
- (i) All Funding Approvals have been received and adequate documentation has been submitted to LACMTA;

- (j) LACMTA has approved (with or without conditions) Developer's construction work plan;
- (k) Developer has completed a Local Preference Implementation Plan, and LACMTA has determined at its sole and absolute discretion whether or not to incorporate local preference provisions into the Ground Lease.

3.6 DESIGN

REVIEW/SEQUENCE:

During the JDA Term and the Construction Period (defined below) under the Ground Lease, LACMTA shall have the right to review and approve the design of the Project, including: any design elements of the Project that affect (a) the operations of LACMTA, (b) LACMTA's exercise of its Retained Rights (defined below), and (c) public health and safety (collectively, the "**LACMTA Development-Related Concerns**"). LACMTA's approval of Project plans that **are not** related to LACMTA Development-Related Concerns will be at LACMTA's reasonable discretion, except to the extent that the design of the Project depicted, described and specified on such plans does not represent a logical evolution of the design depicted, described and specified on plans approved by LACMTA at the preceding level of design development (a "**Logical Evolution**"). Approval of Project's plans that **are** related to LACMTA Development-Related Concerns or **are not** a Logical Evolution will be at LACMTA's sole and absolute discretion. LACMTA's design approval rights as set forth herein are, in part, intended to ensure that the Project meets LACMTA's Satisfactory Continuing Control Requirement (as defined in the *Retained Rights* subsection of the *Ground Lease – Other Terms and Conditions* section of this Term Sheet). LACMTA and Developer agree to work together in good faith to resolve any issues that may arise over design matters.

Except as otherwise approved in writing by LACMTA, Developer shall not proceed with preparation of the Project's Final Construction Documents until it has received LACMTA's written approval of the Project's Design Development Drawings and Schematic Design Drawings.

3.7 JDA/GROUND LEASE

CLOSING:

The Closing will occur when Developer and LACMTA have entered into the Ground Lease and other transaction documents necessary to complete the Closing as contemplated in the JDA

(the “**Closing Documents**”) after the Closing Conditions have been satisfied or waived by the applicable party. The JDA will contemplate a single Closing. At Closing, LACMTA will lease the Premises (defined in Section 4.4) to Developer, subject to the Retained Rights (defined below), in exchange for the payment of the Capitalized Rent and initial Fee to be paid under the Ground Lease. The Closing Documents, including, without limitation, the Ground Lease, will be executed by the parties as is necessary to properly effectuate the Closing.

**3.8 TRANSFERS, ASSIGNMENT
AND SUBLETTING:**

Except as otherwise approved in writing by LACMTA in its sole and absolute discretion, Developer shall not transfer or assign its rights or obligations under the JDA or any portion thereof.

KEY GROUND LEASE TERMS:

4.1 GROUND LESSEE:

East Los Angeles Community Corporation (ELACC) (“**Ground Lessee**”), a California nonprofit public benefit corporation, or its assignee as may be approved by LACMTA in its sole and absolute discretion.

**4.2 GROUND LEASE –
GENERALLY:**

At Closing, LACMTA, as ground lessor, and Ground Lessee, as ground lessee, will enter into a ground lease (the “**Ground Lease**”), which will provide for the construction and operation of the Project on the Premises (defined below). The Ground Lease will contain terms and conditions that are substantially consistent with those set forth in this Term Sheet, subject to any modifications as directed by the LACMTA Board.

On or before the Closing, both LACMTA and the Ground Lessee will have the opportunity to place Parcel B into a separate ground lease or similar agreement (“Parcel B Agreement”). This will occur to the extent it mutually benefits both parties and provides flexibility with the operations and programming of Parcel B and the financing or refinancing of the Project. The terms and conditions of the Parcel B Agreement binding LACMTA and the Ground Lessee to Parcel B will be subordinate to the Ground Lease contemplated for the Project and will in no way encumber or take precedence over Parcel A.

4.3 UNSUBORDINATED

GROUND LEASE: Neither LACMTA's interest in the LACMTA Property nor its rights under the Ground Lease (including the FTA's interest as a provider of funds for the Site's initial acquisition) nor LACMTA's Satisfactory Continuing Control Requirement (as defined in the *Retained Rights* subsection of the *Ground Lease – Other Terms and Conditions* section of this Term Sheet) shall be subordinated to any interest that Ground Lessee or its lenders or investors will have in the Premises.

4.4 GROUND LEASE

PREMISES: Consistent with the definitions in and provisions of this Term Sheet, the term "Premises" as may be used or referenced in the Ground Lease shall not be construed or interpreted to include any dedications ("**Dedications**").

4.5 GROUND LEASE TERM:

The Ground Lease shall commence on the date of the Closing in accordance with the terms of the JDA (such date being the "**Commencement Date**"). The term of the Ground Lease will be seventy-five (75) years (the "**Ground Lease Term**"), expiring on the day prior to that anniversary of the Commencement Date, which Ground Lease Term may be adjusted by LACMTA to be longer or shorter than seventy-five (75) years based on lender and investor underwriting requirements, in LACMTA's reasonable discretion.

4.6 LEASE RIDER:

LACMTA will reasonably cooperate with Ground Lessee to reach an agreement on the form of any separate rider(s) to the Ground Lease ("**Lease Rider(s)**"), as may be required of the Ground Lessee by public agencies which provide awards of tax credits or other financing to the Ground Lessee for the Project. Said public agencies which might require Lease Riders include, but would not be limited to, the California Tax Credit Allocation Committee ("**CTCAC**") or the California Department of Housing and Community Development ("**HCD**").

4.7 ESTOPPELS:

LACMTA will reasonably cooperate with lenders and investors to execute Ground Lease estoppels on LACMTA's standard estoppel form. Ground Lessee will reasonably cooperate with LACMTA to execute any such Ground Lease estoppels on LACMTA's standard estoppel form.

GROUND LEASE RENT & OTHER COMPENSATION

5.1 NET LEASE:

All rent to be paid under the Ground Lease shall be absolutely net to LACMTA, without offset, deduction or withholding. Ground Lessee shall be responsible for all capital costs and operating expenses attributable to the development, construction, operation, and maintenance of the Project, including all taxes and assessments levied upon the Project or any interest in the Ground Lease. Ground Lessee is aware that the Premises are also subject to possessory interest taxes, which shall be paid by Ground Lessee.

5.2 CAPITALIZED RENT:

Upon execution of the Ground Lease, Ground Lessee shall pay LACMTA a capitalized rent payment (the “**Capitalized Rent**”) of \$1,200,000 for the entire Ground Lease Term, which has been determined to be the residual value of the \$3,400,000 appraised fair market value of the leasehold interest of the Premises (for a 75-year lease), as determined by CBRE and set forth in that certain appraisal dated November 17, 2023 (the “**Appraised FMV**”). All Holding Rent received by LACMTA under the JDA shall be applied as a credit to the Capitalized Rent due under the Ground Lease upon execution of the Ground Lease by the parties.

5.3 PERCENTAGE RENT:

Intentionally Omitted. (no commercial uses)

5.4 SALE/REFINANCING PROCEEDS:

Ground Lessee shall pay LACMTA an amount equal to: (a) 33% of all Refinancing Net Proceeds received by Ground Lessee for the refinancing of the Project, where “**Refinancing Net Proceeds**” shall mean the gross principal amount of the refinancing, less (i) the amount of any then-existing debt consummated pursuant to a financing event approved by LACMTA or permitted by the terms of the Ground Lease and secured directly or indirectly by any portion of the beneficial interest in the Premises, the Project, and/or Ground Lessee’s leasehold interest under the Ground Lease, that is paid from the refinancing proceeds and for which any lien is reconveyed or released, (ii) amounts for repairs or capital improvements to the Project to be made within twenty-four (24) months after the closing date of the refinancing, and (iii) the following transaction costs and expenses paid by Ground Lessee to any non-affiliate of Ground Lessee in connection with the consummation of any such refinancing, to the extent such costs are commercially reasonable: escrow fees, title charges, lender fees or charges, recording costs, brokerage commissions and attorneys’ fees; and (b) upon the consummation of any sale of the Project to an unaffiliated third party (a “**Sale**”), Ground Lessee

shall pay LACMTA, an amount equal to 33% of all Sale Net Proceeds received by Ground Lessee for the Sale of the Project, where “**Sale Net Proceeds**” means with respect to each Sale, the total consideration less (i) the amount of any then-existing debt consummated pursuant to a financing event approved by LACMTA or permitted by the terms of the Ground Lease and secured directly or indirectly by any portion of the beneficial interest in the Premises, the Project, and/or Ground Lessee’s leasehold interest under the Ground Lease that is satisfied out of such total consideration, and (ii) the following transaction costs and expenses paid by Ground Lessee to any non-affiliate of Ground Lessee in connection with the consummation of the sale, to the extent such costs are commercially reasonable: escrow fees, title charges, lender fees or charges, recording costs, brokerage commissions, and attorneys’ fees. Notwithstanding the foregoing, the total amount of Refinancing Net Proceeds and/or Sale Net Proceeds to be paid by Developer to LACMTA shall not exceed the Appraised FMV less the Capitalized Rent paid by Developer upon the execution of the Ground Lease.

GROUND LEASE – OTHER TERMS AND CONDITIONS

6.1 DESIGN REVIEW:

Developer shall not make any changes to the Approved Construction Documents without the prior consent of LACMTA. During the Construction Period, LACMTA will have design review rights with respect to any changes to the Approved Construction Documents desired by Ground Lessee as set forth in the *Design Review/Sequence* subsection of the *Key Joint Development Agreement (“JDA”) Terms* section of this Term Sheet. Approval of such changes that represent Logical Evolutions of the design and are not related to LACMTA Development-Related Concerns will be at LACMTA’s reasonable discretion. Approval of such changes that are related to LACMTA Development-Related Concerns or are not a Logical Evolution of the design will be at LACMTA’s sole and absolute discretion. LACMTA will retain the same design approval rights for any substantive Project changes or improvements later sought by Ground Lessee at any time during the Ground Lease Term. LACMTA’s design approval rights as set forth herein are, in part, intended to ensure that the Project meets LACMTA’s Satisfactory Continuing Control Requirement (as defined in the Retained Rights subsection of the Ground Lease – Other Terms and Conditions section of this Term Sheet). Notwithstanding the foregoing, LACMTA and the Developer will work in good faith to process all requests leading to completion of

the Approved Construction Documents, any changes to the Approved Construction Documents during the Construction Period as well as during the Ground Lease Term.

**6.2 CONSTRUCTION
COMPLETION:**

The Ground Lease will require commencement of construction within 30 days after the Commencement Date. The Project's construction period ("**Construction Period**") will commence on the Commencement Date and terminate upon the earlier of (1) substantial completion of construction of the Project improvements as described in the Ground Lease, which shall be evidenced by a temporary certificate of occupancy for substantially all of the Project improvements described in the Ground Lease or (2) twenty-four (24) months after the Commencement Date.

**6.3 MAINTENANCE AND
OPERATIONS:**

During the Ground Lease Term, Ground Lessee shall maintain and operate all portions of the Project and the Premises at its sole cost and expense pursuant to maintenance and operations standards that shall be mutually agreed between the parties and set forth in the Ground Lease.

**6.4 DEMOLITION/DEMOLITION
SECURITY:**

If required by LACMTA, Developer shall, at Developer's sole cost and expense, (a) demolish and remove the Project and any improvements then located on the Premises (or such portion thereof as indicated by LACMTA in writing), exclusive of any LACMTA improvements and/or transportation-related amenities and facilities then located on the Premises, (b) return the Premises to LACMTA in its otherwise original condition (the "**Demolition**") at the expiration or earlier termination of the Ground Lease and (c) provide reasonable assurances to LACMTA near the end of the Ground Lease Term that the Demolition shall be completed.

**6.5 FINANCING AND
ENCUMBRANCES:**

Subject to LACMTA's reasonable approval, Ground Lessee may encumber its leasehold estate with mortgages, deeds of trust or other financing instruments; provided, however, in no event shall LACMTA's Satisfactory Continuing Control Requirement (as defined in the *Retained Rights* subsection of the *Ground Lease – Other Terms and Conditions* section of this Term Sheet), LACMTA's fee title interest, or rent payable to LACMTA under the Ground Lease, be subordinated or subject to Ground Lessee's

financing or other claims or liens (except as set forth below for certain affordable housing and other covenants). Such encumbrances and financings shall be subject to LACMTA's reasonable approval, except with respect to certain "permitted financing events" meeting specific criteria to be set forth in the Ground Lease, which shall not require LACMTA's approval. Said "permitted financing events" in the Ground Lease may include (i) such financing as is required to convert from construction to permanent financing and (ii) such financing as is required to maintain the financial feasibility of the project in the event of the loss or reduction of any subsidies provided for the operation of the project.

6.6 COVENANTS:

Ground Lessee shall encumber its leasehold estate with affordable housing and other covenants reasonably required by Ground Lessee's affordable housing funding sources or the City of Los Angeles as a condition to granting Project approvals, entitlements and building permits, which covenants shall be subject to LACMTA's review and reasonable approval. LACMTA will reasonably consider the encumbrance of its fee title interest with certain restrictive covenants if required by Ground Lessee's affordable housing funding sources or the City of Los Angeles as a condition to granting Project approvals, entitlements and building permits; provided that Ground Lessee agrees to perform all obligations under said covenants during the Ground Lease Term and to indemnify LACMTA for all claims and losses resulting from Ground Lessee's failure to do the same. Notwithstanding the affordability requirements placed on the property by affordable housing funding sources, LACMTA shall require that all units designated as affordable at the time of the Ground Lease execution remain so for the duration of the Ground Lease Term in accordance with the terms and conditions set forth in the most restrictive affordable housing covenants and/or restrictions in place at time of Ground Lease execution except that the Ground Lease will provide language allowing the occupancy and rent restrictions to float up to a level that is high enough to meet the residual analysis (otherwise known as the true debt test) required for low income housing tax credits based on LACMTA commissioned independent financial review. In no event shall tenant income levels exceed 80% of area median income ("AMI"), adjusted for household size, and in no event shall the maximum affordable rent level be higher than 20 percent below the median market rents for the neighborhood in which the LACMTA Property is located.

Additionally, pursuant to Section 54221(F)(1) of the Surplus Land Act (Government Code Section 54200 *et seq.*), all residential units shall be restricted to lower income households, as defined in Health and Safety Code Section 50079.5, with an affordable rent as defined in Health and Safety Code Sections 50052.5 or 50053 for a minimum of 55 years for said rental housing, and in no event shall the maximum rent level be higher than 20 percent below the median market rents for the neighborhood in which the site is located. Ground Lessee shall encumber its leasehold estate with said affordable housing covenants as required by Section 54221(F)(1) of the Surplus Land Act.

6.7 FEDERAL CIVIL RIGHTS COVENANTS:

Ground Lessee shall comply with all applicable Federal nondiscrimination requirements, including applicable sections of Title 49 of the Code of Federal Regulations.

6.8 TRANSFERS, ASSIGNMENT, AND SUBLETTING:

Except for limited permitted exceptions to be set forth in the Ground Lease, Ground Lessee shall not transfer, assign, or sublet (except for the typical subleasing of the apartments and retail space within the Project) its rights or obligations under the Ground Lease, or beneficial interests in Ground Lessee (each, a “**Transfer**”):

- a. Prior to completion of construction of the Project; and
- b. After completion of construction of the Project, other than in accordance with reasonable transfer criteria to be set forth in the Ground Lease, including, without limitation, criteria regarding (a) applicable FTA approval, (b) the creditworthiness, history and experience of any proposed transferee and its affiliates, and (c) FTA and State requirements, as applicable, concerning debarment, suspension, etc. stemming from FTA and State funding related to acquisition of the LACMTA Property.

6.9 RETAINED RIGHTS:

LACMTA shall retain from the Ground Lease and the Premises certain rights as shall be further described in detail in the Ground Lease, relating to the following: (1) the right to install, construct, inspect, operate, maintain, repair, expand and replace public transit facilities under and adjacent to the Premises as LACMTA may deem necessary, provided that such installation, construction, inspection, operation, maintenance, repair,

expansion and replacement does not interfere with the quiet use and enjoyment of the Project, its construction by Ground Lessee or its subtenants (2) the right to enter upon and inspect the Premises, with reasonable notice to Ground Lessee, and anytime during normal business hours, for purposes of conducting normal and periodic inspections of the Premises and the Project and to confirm Ground Lessee's compliance with the terms and conditions of the Ground Lease; (3) the right to install, use, repair, maintain, and replace along the perimeter of the Premises abutting the public streets, sidewalks or rights-of-way (including, without limitation, on the exterior of the Project) informational, directional and way-finding signs for the purpose of directing the public to, from and between LACMTA and other public transit options in the area; provided, however, LACMTA shall not install any such signage on the Premises or the Project without Ground Lessee's prior written approval, which shall not be unreasonably withheld, conditioned or delayed; and (4) all rights not explicitly granted to Ground Lessee in the Ground Lease (the "**Retained Rights**"). The Retained Rights shall, among other things, ensure that the LACMTA Property remains available for the transit purposes originally authorized by the FTA ("**LACMTA's Satisfactory Continuing Control Requirement**").

6.10 SUPERSEDURE:

This Term Sheet supersedes the parties' understanding of key terms and conditions relating to the Premises, the Project or any joint development agreement or ground lease related thereto which may have existed prior to the date of this Term Sheet.

6.11 OTHER:

Other customary provisions contained in recent LACMTA ground leases will be included in the Ground Lease, including, without limitation, provisions relating to (a) Ground Lessee's assumption of risk related to the Project's proximity to transit operations, (b) insurance, and (c) indemnity.

6.12 TENANT MIX:

Developer will seek to address concerns of gentrification and displacement of local Boyle Heights community members, including mariachi musicians. In consultation and coordination with LACMTA, the Developer will implement the inclusion of a local preference to the general affordable units, to the extent feasible and permissible under relevant state and federal laws, including but not limited to the Local Tenant Preferences to Prevent Displacement Act, California Government Code 7061 *et seq.*

As part of the process of addressing said concerns of gentrification and displacement of mariachi musicians and other local community members, the Developer will submit to LACMTA, no fewer than 120 days prior to the anticipated Closing date, a Local Preference Implementation Plan. LACMTA will have the authority to review and approve the Plan at its sole and absolute discretion.

6.13 MARIACHI CULTURAL CENTER

Through the Mariachi Cultural Center, the Developer will (a) support mariachis and mariachi culture, (b) ensure that the proposed MCC contribute to the preservation and cultural significance of Mariachi Plaza, including the ability of mariachis to perform and seek employment at this location and (c) collaborate with stakeholders to ensure the launch, funding and continued operation of the proposed MCC. No later than 90 days after the execution of the JDA, the Developer will provide a detailed plan to implement the MCC.

No later than 12 months prior to the end of construction, the Developer will release an RFP seeking qualified organizations to manage and maintain programming activities in support of the creation and long-term management of the MCC. The successful applicant will contract with the Developer to provide day-to-day management of the MCC and serve as a key link between the mariachis, ELACC, the residents of the Project and the community, at large.

If the MCC is not operational for more than three consecutive months, the Developer shall be responsible for the maintenance, management and programming of the MCC until such time the Developer finds a new operator through an open and competitive process, i.e. RFP.

During the Term of the Ground Lease, if it is determined the MCC is no longer a feasible activity, Metro will request the Developer to recommend an alternative use for the space, which Metro will review and approve at its sole and absolute discretion.

6.14 COMMUNITY GARDEN RENT:

A Community Garden is the designated programming element for Parcel B. Developer shall maintain the Community Garden on a regular basis and keep it free from litter, weeds, debris and other visual blight. The Community Garden shall be secured during hours of non-use and used solely to grow fruits and vegetables, provide community education and related horticultural activities. If Community Garden is not used or maintained as per the above, or an alternative use approved by LACMTA at its sole discretion is

not in place, LACMTA shall assess monthly rent on Parcel B at the then fair market rental rate. In addition, fair market rent will be assessed if construction on Parcel B is not completed within 12 months following the close of construction on Parcel A.

LACMTA TRANSACTION COSTS

7.1 LACMTA TRANSACTION

COSTS:

Developer and Ground Lessee acknowledge and agree that LACMTA will incur certain actual costs (the “**LACMTA Transaction Costs**”) related to (a) the design, development, planning, and construction of the Project (including costs related to construction methods and logistics), and (b) negotiation of the terms and conditions of the transactions contemplated under the JDA and the Ground Lease. The LACMTA Transaction Costs shall include, without limitation, the actual cost of in-house staff time (including LACMTA overhead and administrative costs) and third party consultation fees (including, but not limited to, fees related to consultants, engineers, architects, and advisors) for financial analyses, design review (including reviewing plans and specifications for the Project), negotiations, appraisals, document preparation, services related to development, planning, engineering, construction safety, construction management, construction support, and construction logistics and inspection, and other reasonable services related to the Project and the transactions contemplated under the JDA and Ground Lease, *but shall exclude* the cost of LACMTA Joint Development staff, and LACMTA’s in-house and outside legal counsel with respect to negotiation and preparation of the JDA, Ground Lease and related transaction documents.

7.2 JDA FEE:

Developer shall provide a fee to LACMTA for LACMTA to apply to LACMTA Transaction Costs (whether accruing prior to or after the JDA Effective Date). On the JDA Effective Date, Developer shall pay LACMTA an initial fee in the amount of \$45,000 (the “**JDA Initial Fee**”); provided, however, upon any extension of the JDA Term, Developer shall pay LACMTA an additional fee in the amount of \$2,500, per month until the ground lease is executed, the JDA expires, or is terminated. (“**JDA Extension Fee**” and together with the Initial Fee, the “**JDA Fee**”).

7.3 GROUND LEASE DEPOSIT: On the Commencement Date, Developer shall pay LACMTA an initial deposit in the amount of Fifty Thousand Dollars (\$50,000) (the “**Ground Lease Deposit**”), which represents the LACMTA

construction management and related inspection costs that LACMTA is anticipated to incur during the Construction Period. During the Ground Lease Term, if the remaining balance of the Ground Lease Deposit falls below the amount of \$10,000, then, upon receiving written notice from LACMTA, Developer or Ground Lessee (as applicable) shall replenish the Ground Lease Deposit to the initial amount of \$50,000. If Developer or Ground Lessee (as applicable) fails to replenish the Ground Lease Deposit as set forth herein, LACMTA may decline to provide the services that are to be covered by the Ground Lease Deposit and/or terminate the Ground Lease. LACMTA will provide documentation of the LACMTA Transaction Costs to Ground Lessee upon Ground Lessee's written request.

**Exhibit A
LACMTA Property**



LACMTA Property



Size: 1.46 acres
Entire LACMTA property

**Public Transit Facilities /
Station**



Size: 0.70 acres
Mariachi Plaza E Line Station

Premises



Parcel A
Size: 0.63 acres
Proposed Use: 59 units of affordable housing
up to 4,500 square feet of community space



Parcel B
Size: 0.13 acres
Proposed Use: community garden

Exhibit C

Site Plan and Renderings



LUCHA REYES APARTMENTS – MARIACHI PLAZA

EAST LA COMMUNITY CORPORATON

Project: 135 N. BAILEY ST & 1722 PENNSYLVANIA
LOS ANGELES, CA 90033

Developer: 2817 E. 1ST ST, #101
LOS ANGELES, CA 90033



ATTACHMENT B

CEQA Studies and Reports

<https://www.dropbox.com/scl/fi/2uv3lbiamoyon090rl96m/Class-32-Exemption-Lucha-Reyes-Apt-Studies.pdf?rlkey=01is1j8cruzokg3kqolqxeara&st=2r9ett46&dl=0>



Board Report

File #: 2020-0816, File Type: Motion / Motion Response

Agenda Number: 12.1.

**REGULAR BOARD MEETING
DECEMBER 3, 2020**

Motion by:

DIRECTORS SOLIS AND DUPONT-WALKER

Related to Item 12: Mariachi Plaza Joint Development

Cultural Preservation at Mariachi Plaza

Metro and the East Los Angeles Community Corporation (ELACC) are currently parties to an Exclusive Negotiations Agreement and Planning Document (ENA) for the development of a mixed-use, affordable housing project located in Boyle Heights adjacent to Mariachi Plaza. The current proposal includes 60 units for homeless transitional aged youth and households earning between 30% and 50% of the area median income, as well as retail space, a mariachi cultural center, and a community garden. ELACC was engaged in 2018 following an extensive outreach process led by Metro which resulted in development guidelines for the Metro-owned properties.

Since the last extension to the ENA was approved by the Metro Board of Directors in August 2020, stakeholders have raised concerns about preserving Mariachi Plaza as a performance space and ensuring that mariachis can maintain their livelihoods after construction of the project. Concerns were also raised about the maintenance and operations of Mariachi Plaza itself, part of which is located on Metro property with the remaining portion located in City of Los Angeles right-of-way. To address these concerns, Metro should prioritize cultural preservation as part of all joint development projects proposed near Mariachi Plaza, explore strategies to comprehensively manage Mariachi Plaza, and engage Boyle Heights stakeholders such as nearby business owners, property owners, tenants, and local organizations including the Mariachi Plaza Festival Foundation.

SUBJECT: CULTURAL PRESERVATION AT MARIACHI PLAZA

RECOMMENDATION

APPROVE Motion by Directors Solis and Dupont-Walker that the Board direct the Chief Executive Officer to report back at the May 2021 Planning and Programming Committee meeting with:

- A. Recommendations to streamline the management of Mariachi Plaza as it relates to event

programming and maintenance. Metro should collaborate with the City of Los Angeles and Boyle Heights stakeholders to identify potential management frameworks.

- B. A cultural preservation strategy for Mariachi Plaza developed in partnership with the City of Los Angeles, and local Boyle Heights stakeholders. The strategy should consider data on the use of the plaza, including the number of artists and musicians that utilize the plaza for performances, in order to ensure that the history and cultural significance of Mariachi Plaza is preserved, celebrated and uplifted.

WE FURTHER MOVE that the Board direct the Chief Executive Officer to collaborate with the East Los Angeles Community Corporation to explore strategies to meet the housing needs of the immediate neighborhood, especially people experiencing homelessness, and to report back at the May 2021 Planning and Programming Committee prior to execution of any further extension options.





We're supporting thriving communities.

MARIACHI PLAZA JOINT DEVELOPMENT

Planning & Programming Committee | October 23, 2024

Legistar File# 2024-0377



Metro

Recommendation

A. AUTHORIZING the Chief Executive Officer, or designee, to execute and enter into a Joint Development Agreement (JDA), ground lease (Ground Lease), and other related documents with East Los Angeles Community Corporation (ELACC) (Developer), for the construction and operation of an affordable housing project (Project) on two separate parcels, totaling approximately 33,000 square feet, of Metro-owned property located at the corner of Pennsylvania Avenue and North Vicente Fernández Street in Boyle Heights (Site) in accordance with the Summary of Key Terms and Conditions attached hereto as Attachment A and upon receipt of concurrence by the Federal Transit Administration (FTA); and

B. AUTHORIZING a 65%, or \$2,200,000, discount to the appraised fair market rental value of the Site under the Ground Lease; and

C. FINDING that the Project is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 21080(b)(9) and 21084 of the California Public Resources Code and Section 15332 (In-Fill Development Projects) of the CEQA Guidelines, consistent with the environmental studies and reports set forth in Attachment B and authorizing the Chief Executive Officer or designee to file the appropriate Notice of Exemption for the Project in accordance with said finding by the Board; and

D. DECLARING the Site to be exempt surplus land, pursuant to the Surplus Land Act (SLA), Government Code Section 54220 et seq, based on the qualifying factors and criteria described herein.



Mariachi Plaza / Lucha Reyes Overview

Developer:

- East Los Angeles Community Corporation

Project Size:

- 33,025± square feet (Parcel A & B)

Units:

- 59 affordable units (30% to 60% AMI) for families and for Transitional Aged Youth
- One (1) manager's unit

Parking:

- 42 residential parking spaces
- 55 bicycle parking stalls

Public Amenities:

- Community Garden
- 4,500 SF Community Space, inclusive of Mariachi Cultural Center



LACMTA Property



Size: 1.46 acres
Entire LACMTA property

Public Transit Facilities / Station



Size: 0.70 acres
Mariachi Plaza E Line Station

Premises



Parcel A
Size: 0.63 acres
Proposed Use: 59 units of affordable housing up to 4,500 square feet of community space



Parcel B
Size: 0.13 acres
Proposed Use: community garden



Community Engagement

- Over 22 community outreach meetings
- Design Review Advisory Committee meetings (3) including approval of design prior to entitlement process
- Boyle Heights Neighborhood Council Planning and Land Use Committee updates (3)
- Since 2022 quarterly Affordable Housing 101 workshops which included project updates



Lucha Reyes Site Rendering

Key Terms of the JDA and Ground Lease

Key JDA Terms

- Provides a Term of 18 months with an option to extend up to an additional two, 12-month periods.
- Requires a Holding Rent of \$2,500/month during the JDA term.
- Provides Metro with the right to review and approve the design of the Project as it progresses to completion.
- Recovers Metro's transaction-related and other support costs, including the cost of in-house staff time (except for Joint Development staff) and fees related to consultants and other third parties (except for in-house and outside legal counsel with respect to negotiation and preparation of the JDA and Ground Lease); and
- Sets forth the conditions for execution of the Ground Lease including that project financing, governmental approvals, payment and performance bonds, and the completion guarantee are in place.

Key Ground Lease Terms

- A term of 75 years.
- Restriction to ensure continued affordability for the full term of the Ground Lease.
- Metro's receipt of a one-time capitalized rent payment of \$1,200,000 upon execution of the Ground Lease.
- Metro's receipt of 33% of all net refinancing proceeds and a 33% share of all net sales proceeds less accumulated Ground Lease payments not to exceed the FMV of the land.



Next Steps

Upon Board Approval

- Staff will execute the JDA in accordance with the terms and conditions
- Developer will pursue financing
- Developer will submit design development and construction drawings for Metro review
- Developer will submit Local Preference Implementation Plan for Metro consideration
- Upon satisfying closing conditions under the JDA, the parties will execute the Ground Lease and construction of the Project will commence

