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Agenda Number: 28.

### EXECUTIVE MANAGEMENT COMMITTEE JANUARY 15, 2026

**SUBJECT: UPDATE ON LANDMARK UNSOLICITED PROPOSAL FOR METRO WORKFORCE HOUSING**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZING the Chief Executive Officer (CEO) or their designee to enter into an Exclusive Negotiation Agreement (ENA) with Treehouse Leimert PropCo LLC to negotiate key terms and conditions for a period of six months with an option for an additional six-month extension.

#### **ISSUE**

At its July 2025 meeting, the Board authorized the CEO to proceed with the Supplementary Review (Phase Two) evaluation of the Landmark Unsolicited Proposal to develop Metro Workforce Housing in the vicinity of the Leimert Park K Line Station.

This Board Report provides a progress update on the Unsolicited Proposal evaluation and, based on technical findings, recommends Metro enter into an Exclusive Negotiation Agreement in order to further test viability of the project.

#### **BACKGROUND**

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

On June 6, 2025 Metro received an unsolicited proposal from Treehouse Leimert PropCo LLC titled *The Nathaniel Metro Workforce Housing Project*. The initial proposal requested an investment of \$25 million from Metro in exchange for up to 80 units, located less than 500 feet from the Leimert Park K Line Station, reserved primarily for Metro employees. Staff recommended requesting detailed technical and financial information from the Proposer to fully understand and evaluate the proposal, known as the “Supplementary Review” phase in the Unsolicited Proposal Policy.

In July 2025, the Board approved advancing the unsolicited proposal to a Supplementary Review. The Proposer worked with staff to provide additional documentation and responses to questions to test the Proposal’s feasibility and viability. Of note, as is typical for real estate projects, the Proposed

Project evolved during staff's analysis from a six-story, 100-unit building to a five-story, 107-unit building, with reduced commercial space, and changes to the unit sizes and mix, including an increased number of units set aside for Metro employees. The Proposed Project includes 42 studio units (350 sq ft), 5 one-bedroom units (501 sq ft), 34 one-bedroom units (550 sq ft), 21 two-bedroom units (750 sq ft), and 5 live/work units (750 sq ft).

## **DISCUSSION**

Staff, with support from financial consultants and legal counsel, evaluated the technical and financial merits of the Proposal as well as any legal constraints or requirements for its implementation. Criteria for evaluating the Proposal included those described in the Unsolicited Proposals Policy and those outlined to the Board in July 2025, as follows:

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

As a result of the analysis, the review committee was able to explore and verify certain elements necessary for the Proposed Project to proceed including: the Proposer's key personnel appear to be qualified to carry out a development similar to the Proposed Project; the Proposer has site control over the development site; and the Proposer has clarified its entitlement and permitting strategy. In addition, the review committee has determined that Metro has legal authority to invest in a Metro employee housing project which is (a) functionally related to transit facilities and (b) is supported by factors demonstrating that the project facilitates Metro's operational needs. The review team analyzed the different financing models suggested by the Proposer, and identified which model(s) would be both most efficient and legally permissible.

Relative to the costs and benefits of the Proposal as well as the Proposed Project costs and financial capacity of the Proposer, the review team identified five key issues that require negotiation with the Proposer. Negotiation is needed to ensure a better investment for Metro, deeper understanding of the Proposed Project's risk profile, and to make sure that the project will result in substantial benefits to Metro's workforce. Specifically, these issues are related to: 1) proposed developer fees, 2) proposed inclusion of sunk costs, 3) Metro's preferred financing model and associated costs, 4) structure of a proposed Metro investment and 5) proposed unit rents relative to market rents.

To seek further clarification on the issues outlined above, staff seek to enter into an Exclusive Negotiation Agreement with the Proposer to further explore and negotiate potential terms for this proposed investment opportunity for Metro. Entering into an Exclusive Negotiation Agreement with the Proposer does not commit Metro to any investment or action, and staff would return to the Board with refined details before entering into any agreement.

## **DETERMINATION OF SAFETY IMPACT**

No safety impacts are associated with proceeding into this negotiation phase.

## **FINANCIAL IMPACT**

Participating in the negotiations outlined in this Report is estimated to cost \$50,000 for consultant and legal support. Funding for this contract will be covered in Cost Center 2031, Office of Strategic Innovation, under Project Number 405701 (P3, UPs, Pilots & Other). During the term of the Exclusive Negotiating Agreement, staff would further assess the financial viability of the Proposal and advantageousness of its value to Metro.

### **Impact to Budget**

These funds are not eligible for bus or rail operating and capital expenses.

## **EQUITY PLATFORM**

The Proposed Project advances Metro's Equity Platform by potentially delivering income-restricted workforce housing in a high need, transit-rich area to support economic stability for lower-income Metro employees earning not more than 80% of Area Median Income.

By prioritizing housing near the Leimert Park K Line Station, the project will support Metro's Equity Platform goals to reduce cost burdens, improve access to opportunity, and address systemic inequities tied to housing and transportation access.

The project also aligns with Metro's place-based equity approach by directing investment into a community with documented environmental and health vulnerabilities, including an average CalEnviroScreen score of 76 and widespread designation as disadvantaged under state and regional indices. Consistent with Metro's Equity Platform principles of meaningful outcomes and community benefit, the proposed workforce housing model seeks to reduce displacement risk, shorten commutes for qualified lower wage workers, and reinforce the long-term benefits of transit investment for historically marginalized communities. Key areas for consideration during the next phase include developing a process necessary to ensure equitable access to workforce housing for eligible employees, ensuring alignment with Metro's commitments to racial equity, accessibility, and inclusive economic opportunity.

## **VEHICLE MILES TRAVELED OUTCOME**

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

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This

item supports Metro's systemwide strategy to reduce VMT by supporting a housing development in a high need, transit-rich area near the Leimert Park K Line Station encouraging transit ridership, ridesharing, and active transportation. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

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

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The proposal addresses numerous Vision 2028 goals, including:

- **Goal 3.2 (Transit Oriented Communities):** The Project will enable Metro to “implement effective solutions” to address “quality of life issues, such as equity, economic opportunity, gentrification, displacement, affordable housing.”
- **Goal 3.3 (Genuine Engagement):** The Proposer has indicated that there has been robust community engagement in the advancement of the Project, which has built upon numerous other outreach efforts in the surrounding community.
- **Goal 4.1 (Community Development):** The Project will enable Metro to “implement effective solutions” to address “quality of life issues, such as equity, economic opportunity, gentrification, displacement, affordable housing” to support the goals of the Vision 2028 Plan.
- **Goal 5.2 (Good Public Policy and Fiscal Stewardship):** The Project carefully leverages Metro funding to provide an essential benefit to Metro employees.
- **Goal 5.5 (External Partnerships):** The project expands Metro’s capacity to work with ‘non-traditional business partners’ to develop a new workforce housing product.
- **Goal 5.7 (Workforce/Affordable Housing):** The project will create income-restricted homes with a preference for Metro employees to “build and nurture a diverse, inspired, and high-performing workforce”.

## **ALTERNATIVES CONSIDERED**

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

## **NEXT STEPS**

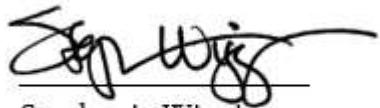
Upon Board approval, staff will execute an Exclusive Negotiation Agreement to negotiate the issues outlined in the Discussion section of this report. Should the Proposed Project prove to be viable in accordance with a set of proposed terms agreeable to both parties, staff will return to the Board with a summary of the proposed terms and a recommendation to advance the project through the

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Unsolicited Proposals Policy.

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# Landmark Unsolicited Proposal for Metro Workforce Housing

Executive Management Committee - January 15, 2026

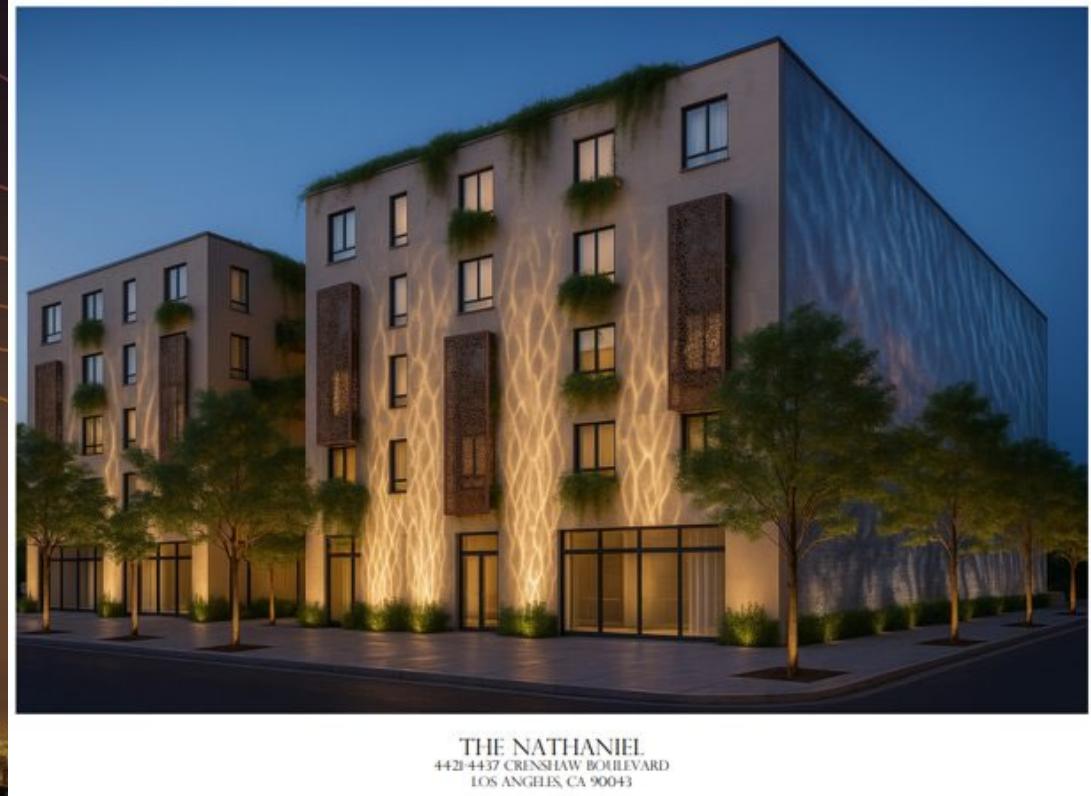
# Recommendation

AUTHORIZING the Chief Executive Officer (CEO) or their designee to enter into an Exclusive Negotiation Agreement (ENA) with Treehouse Leimert PropCo LLC to negotiate key terms for a period of six months with an option for an additional six-month extension.

# Timeline of Treehouse Workforce Housing Unsolicited Proposal

- April 2023: Board requesting staff report back on opportunities to designate new housing units for Metro workforce housing
- June 2024: Board approved establishment of “landmark” Unsolicited Proposals (UP)
- June 2025: Metro receives Treehouse Workforce Housing Unsolicited Proposal
- July 2025: Board approved Supplementary Review of this Unsolicited Proposal
- July-December 2025: Supplementary Review and Additional Analysis by staff and consultants
- January 2026: Staff seeks to enter into an Exclusive Negotiation Agreement on Treehouse Workforce Housing project

# Proposal Summary



**Proposer:** Treehouse and Community Labs

**Title:** Nathaniel Metro Workforce Housing Project  
(4421-4437 Crenshaw Blvd, Los Angeles, CA)

## Revised Scope

- 107 housing units across from Leimert Park K Line Station
- 91 income-restricted units reserved for qualified Metro employees earning 80% AMI or below, 11 units for very low-income general public, 4 units unrestricted
- 2,400 SF commercial or cultural space

## Funding

- Proposer requesting \$25M Metro investment with conversion to residual receipts loan

# Project Details

Unit Mix	Number of Units	% of Total Units	Unit Sizes (Sf)
Studio Units	42	39%	350
One-Bedroom Units (A)	5	5%	501
One-Bedroom Units (B)	34	32%	550
Two-Bedroom Units	21	20%	750
Live/Work Units	5	5%	750
<b>Total / Average</b>	<b>107</b>	<b>100%</b>	<b>518</b>

Gross Building Area	Square Feet
Residential Living Area	55,405
Community Space / Offices	1,500
Commercial Space	2,400
<b>Common Area / Circulation</b>	<b>10,645</b>
<b>Total Gross Building Area</b>	<b>69,950</b>

# Outstanding Issues to be discussed in Exclusive Negotiation Agreement

## Issues for Further Exploration in an Exclusive Negotiating Agreement:

1. Proposed Developer Fees
2. Proposed Inclusion of Sunk Costs
3. Metro's Preferred Financing Model and Associated Costs
4. Structure of a Proposed Metro Investment
5. Proposed Unit Rents Relative to Market Rents

## Upon Board Approval:

- Staff will draft an Exclusive Negotiation Agreement and enter into negotiations with Treehouse Leimert PropCo LLC regarding the project at 4421-4437 Crenshaw Blvd
- Entering into an Exclusive Negotiation Agreement with the Proposer does not commit Metro to any investment or action, and staff would return to the Board with refined details before entering into any agreement or implementation of this unsolicited proposal

# Thank you

Office of Strategic Innovation