



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

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**March 17, 2014**

**TO: BOARD OF DIRECTORS**

**THROUGH: ARTHUR T. LEAHY** *AL*  
**CHIEF EXECUTIVE OFFICER**

**FROM: MARTHA WELBORNE, FAIA,** *MW* *CFD*  
**CHIEF PLANNING OFFICER**

**SUBJECT: WESTLAKE/MACARTHUR PARK JOINT DEVELOPMENT**

**ISSUE**

Late last week, we were informed by McCormack Baron Salazar (MBS) that they and MacArthur Park Metro, LLC, an affiliated development entity, would not be proceeding with the development of the second phase (Phase B) of their two-phased development project at the Westlake/MacArthur Park station (see Attachment A). The Phase B project would have included 81 affordable apartments, an unrestricted property manager's apartment, 6,000 to 12,000 square feet of retail space at the station site, and the relocation of one of the station's two existing subway portals. This relocation was necessary to accommodate the proposed residential and retail development. MBS's right to construct at Westlake/MacArthur Park will terminate with their decision not to proceed with Phase B.

**DISCUSSION**

The prime reason for MBS's decision not to proceed with construction of Phase B had to do with a substantial funding gap for the project that could not reasonably be resolved prior to a March 24<sup>th</sup> deadline to close their project financing and protect their low income housing tax credit allocation. The funding gap emerged during a recent round of bids they received for the project's construction. These bids were higher than those previously received, reflecting the general increase in construction costs throughout the construction industry and costs related to the subway portal relocation that were not fully appreciated in MBS's earlier project budgets, including the difficulty in completing the substitute portal prior to closing the existing North portal. The extremely short time period remaining for MBS to resolve a number of budget and construction issues on the project made it impossible for them to commit to the project at this time.

**NEXT STEPS**

MBS has requested the right to explore developing a smaller scale project on the Phase B site that does not require the portal relocation. They have requested that

we continue to work with them to develop such a project. We have indicated that such a continuation would require Board approval and we would consider their request as we evaluate the best approach to future development of the station site. In the meantime, they are free to present conceptual designs for their scaled down proposal, but would be doing so without any development commitment from us, as their current development rights will have expired.

MBS is an experienced affordable housing developer and, to date, has successfully completed two projects on Metro property: (a) Phase A of the subject development located across Westlake Avenue from the Phase B site (see Attachment A) and providing 89 affordable apartments, an unrestricted property manager's apartment and approximately 20,000 square feet of retail space; and (b) an affordable housing/retail project at the Wilshire/Western Red Line station. In addition, MBS is constructing two affordable housing projects in Taylor Yard and has a development agreement with us regarding an affordable housing/retail project across the street from the Mariachi Plaza Gold Line station. The Board has also authorized the execution of an Exclusive Negotiation Agreement and Planning Document that will allow MBS and us to look at the possibility of developing a grocery store at the corner of Cesar E. Chavez Avenue and Fickett Street in Boyle Heights.

Please contact Calvin E. Hollis, Managing Executive Officer, Countywide Planning & Development at (213) 922-7319 with any questions you may have.