



December 8, 2000

TO: BOARD OF DIRECTORS

FROM: JAMES L. de la LOZA, EXECUTIVE OFFICER
CAPITAL PROGRAMMING AND DEVELOPMENT

SUBJECT: EXTENDING HOLLYWOOD/WESTERN PHASE II GROUND
LEASE AGREEMENT WITH McCORMACK BARON

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

ISSUE

At its May, 2000 meeting, the MTA Board of Directors authorized the CEO to enter into a ground lease agreement with McCormack Baron (the Developer) for the development of 70 affordable housing units and commercial space at the Metro Red Line Hollywood/Western Station. This agreement expired because the Developer was unable to obtain tax credits from the State of California in the most recent round of approvals announced August, 2000. MTA staff intends to come to the Board in January to request extending the lease term through one more round of tax credit competition, until June, 2001.

The Developer's tax credit submission received a very high score, 163 out of a possible 174 points, but missed the cutoff of 170 points. They plan to increase their score by 10 points in the next round by finalizing the development plans, obtaining building permits, and committing to start construction within 120 days after receiving the tax credit award. They are confident these improvements to their submission will help insure their success. The attached letter from the Developer (Attachment A) outlines their request. The City of Los Angeles Housing Department and Community Redevelopment Agency staff have also verbally expressed optimism that the Developer may receive tax credits in the next round. The local Council office also supports the Developer's efforts.

BACKGROUND

In January 1999, the Board approved the conveyance of an MTA parcel valued at \$193,000 at the Metro Red Line Hollywood/Western Station to the CRA to facilitate the construction of Phase I of a two-phased development. The MTA conveyed this parcel without immediate compensation. Instead, remuneration was secured via a promissory note and letter of credit obtained from the CRA should Phase II not move forward. The Developer has completed Phase I consisting of 60 affordable housing units.

In May, 2000, the MTA Board approved the business terms for MTA to ground lease its remaining property at the Hollywood/Western station to the Developer for Phase II consisting of up to 70 additional affordable housing units, 4,000 square feet of retail and a child care center.

McCORMACK BARON

Via Fax and U.S. Mail

SCANNED
IN RMC

ATTACHMENT A

September 22, 2000

Mr. Kevin J. Michel
Project Manager, Westside Area Team
Los Angeles Metropolitan Transportation Authority
One Gateway Plaza
Mail Stop: 99-22-2
Los Angeles, CA 90012-2932

Re: Hollywood Western II

Dear Mr. Michel,

We very much appreciated MTA's cooperative efforts in submitting an application for low-income tax credits to develop Phase II (Hollywood and Western). Even though the application was very competitive, scoring 163 out of 174 points, we did not make the final cut. The credits were only able to fund applications scoring 170 and above. The application remains "wait listed", which allows it to be funded if enough developments ahead of it do not materialize. Attached is the listing of approved applications from TCAC.

We are very disappointed, but not discouraged. We now know the level of competition we face and the adjustments that must be made for our application for it to be successful. Specifically, we must make the following revisions to our application in order for it to be funded:

- Finalizing the development plans and commit to a construction start date within 120 days after receiving the tax credit award. This will give us an additional 10 points for "readiness".
- Submit to the City for building permits in or around the time of submitting a revised application.
- The continued support by the MTA, CRA and LAHD for this project must remain unwavering.

The State has indicated to us that the next application deadline is March 15, 2001, with the award notification occurring 45 to 60 days later, May 15, 2001. Specifically, this will require an extension of the negotiation period for the ground lease, which expired August 15, 2000. McCormack Baron will commit to redraft the ground lease as appropriate. In addition, the promissory note to the CRA has since expired and will be extended through the end of 2001 to cover the anticipated reapplication date. Also, the letter of credit expiration date is February 2002 and it does not need to be extended. Please note, McCormack Baron will continue to honor its financial commitments should Phase II fall through. Also, based on our previous development schedule, we do not require an extension of the estimated construction start date.