



Metro

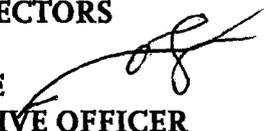
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DECEMBER 19, 2006

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE 
CHIEF EXECUTIVE OFFICER

FROM: ROGER MOLIERE 
**CHIEF, REAL PROPERTY
MANAGEMENT & DEVELOPMENT**

**SUBJECT: WESTLAKE/MACARTHUR PARK PROJECT
CONFIGURATION**

ISSUE

Due to recently discovered on-site geologic conditions and site restraints at Metro's Westlake/MacArthur Park subway facilities, the number of residential units finally proposed for project construction is slightly below the range of such facilities approved by the Board, while the amount of retail space proposed has fallen to the low end of the previously approved range. As the base rent to Metro is and continues to be determined independent of project density, and since the aforementioned site constraints would render more dense facility construction uneconomic, staff plans to move forward with execution of project documents and construction.

DISCUSSION

At the October 25, 2006 Board meeting, the Board approved entry into a Joint Development Agreement (JDA) with MacArthur Park, LLC ("Developer") for a project of between 185-210 apartments and 38,000-54,000 square feet of retail space as well as parking appropriate to the development. The project is to be constructed largely over Metro's subway "box", and the site is also constrained by various ventilation shafts that protrude to the surface as well as other immovable transportation-serving infrastructure facilities.

In the past two months, as final site geologic and survey work proceeded, it was determined that the subway "box" lies only approximately 4 feet below ground surface level at many site areas, thus rendering many portions of the site unusable for foundation or footings and consequently limiting the buildable site area for retail and residential construction unless expensive cantilevering techniques are utilized. While it is possible to extend the buildable site area by such cantilevering – thus avoiding the areas of surface intrusion and shallow usable foundation depth – such construction techniques are extraordinarily expensive and the additional residential units and retail space then provided would not be justified by the

added construction expense and would render the entire project uneconomic. The proposed project is also an all affordable housing project and, thus, any additional revenue that would be derived from further units would not defray the additional costs required by use of cantilevering building techniques.

The project is now proposed to contain 170 residential units – less than 10% below the range originally approved - and will also contain approximately 38,000 gross square feet of retail space, which remains within the range of the project as originally proposed.

BACKGROUND/FINANCIAL EFFECT

Because the base rent and increases for the project are set as a function of appraised land value and are not being changed, there is no effect on the base rent payable to Metro either initially or throughout the term of the propose lease, even though slightly fewer residential units will be constructed. The number of parking spaces devoted exclusively to Metro's Park and Ride remains the same as previously approved, and other parking for residential and retail uses will also remain as approved per City of Los Angeles building codes.

NEXT STEPS

We will proceed with finalization and execution of a JDA and lease for the revised project and work toward commencement of construction in accordance with the previously agreed upon project schedule.