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May 6, 1997

Los Angeles County
Metropolitan
Transportation
Authority

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TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER, INTERIM CHIEF EXECUTIVE OFFICER
Linda Bohlinger

SUBJECT: WESTLAKE/MACARTHUR PARK DEVELOPMENT

RECOMMENDATION

Authorize the Interim CEO to amend the Exclusive Negotiation Agreement (ENA) to form a 501(c)4 non-profit corporation for the purpose of receiving a State of California Economic Development Agency (EDA) Grant and for the purpose of implementing the joint development project with Catellus Development Corporation above the Westlake/MacArthur Park Metro Red Line Station.

ALTERNATIVES CONSIDERED

Alternatives could include a request that the State issue the EDA Grant directly to the MTA. This action was rejected since it could jeopardize the timing of the EDA Grant and subsequently the EDA funding.

Alternatives include directing development of the project by using a for profit corporation or private firm. The EDA Grant restrictions do not allow usage of the EDA funds directly through a for profit corporation.

IMPACT ON BUDGET AND OBJECTIVES

Costs associated with the formation of the 501(c)4 non-profit corporation and environmental costs requested in this report have previously been approved in the MTA budget for this project. These costs are expenses against the development and are anticipated to be paid back from the proceeds of the development.

BACKGROUND

The proposed development includes the construction of a 40,000 square foot grocery store, approximately 20,000 square feet of mixed retail, a police sub-station funded through the City of Los Angeles, improvements to Metro Red Line Station Plaza and approximately 600 space parking structure. This is a reduction in development from the originally proposed master plan. The development was scaled back to meet the limitations of the following: the City of Los Angeles Community Redevelopment Agency

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(CRA) has not yet adopted its recovery/redevelopment plan for the area, the available financing is limited to funding the components listed above and, the largest adjacent property owner has expressed interest in developing his property separate but complimentary to this development. This reduced development plan is designed to act as a catalyst for development surrounding the station and is designed to compliment future growth in the immediate area.

The Westlake/MacArthur Park area has the highest population density in the City of Los Angeles (35,000 people within a three block radius of the station), some of the lowest per household incomes (15,000 per household) and highest transit dependency (75% of the households do not own cars). The majority of housing in the area was built prior to 1948. In order to encourage revitalization, create employment opportunities and provide essential services for the area, the MTA Board directed staff to enter into an Exclusive Right to Negotiate (ERN) with the Catellus Development Corporation for the development of Westlake/MacArthur Park Station Area Master Plan. The documentation from that effort has been called an Exclusive Negotiation Agreement (ENA)). The ENA was negotiated and signed in late 1996. The Catellus Development Corporation was previously selected through a MTA Request for Proposals process.

The MTA currently owns approximately four acres of property above the Westlake/MacArthur Park Station. The State EDA grant is for the specific purpose of purchasing two parcels adjacent to the MTA property for the construction of a grocery store. The proposed 501(c)4 non-profit corporation would be formed for the purposes of owning property, and facilitating construction of the development. The MTA has previously used a similar 501(c)4 form for the construction of the MTA Gateway project. An identical legal entity would be used for the construction of the Westlake/MacArthur Park Development.

Project Financing

The proposed financing for this development includes securing a \$3,000,000 EDA grant from the State of California, the City of Los Angeles has previously committed \$7,000,000 of City of Los Angeles funds, including funds previously awarded to the City through the Call for projects, \$1,500,000 in Transit Capital awarded to the MTA by the State of California and an as yet unidentified \$4,500,000 for the construction of the approximately \$16,000,000 development. The project is anticipated to be constructed with minimal if any debt or debt service.

Implementation

MTA and Catellus will retain counsel to incorporate a 501(c)4 non-profit corporation and to represent it as a neutral legal counsel once it is formed. Estimated costs of incorporation and obtaining of non-profit status is \$12,000.

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MTA will reimburse Catellus for costs advanced to complete the environmental documentation in an amount not to exceed \$50,000, to be paid through the non-profit corporation. Under the terms of the ENA the environmental clearance is a responsibility of the MTA, but to expedite the process the Catellus has agreed to advance the funds subject to reimbursement.

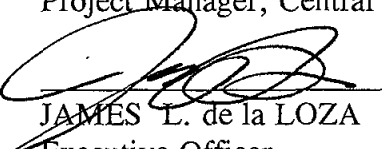
An amendment to the ENA is required to implement these changes.

ATTACHMENTS

PREPARED BY:

Robin Blair
Project Manager, Central Area Team

Andres Ocon
Director, Central Area Team


JAMES L. de la LOZA
Executive Officer
Regional Transportation Planning and Development

Attachments:

Site Map
Amendment to ERN

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FIRST AMENDMENT TO EXCLUSIVE NEGOTIATION AGREEMENT

This First Amendment to Exclusive Negotiation Agreement ("Amendment") is made as of this _____ day of _____, 1997 by and among Catellus Development Corporation ("Developer") and The Los Angeles County Metropolitan Transportation Authority ("MTA").

RECITALS

- A. MTA and Developer have executed that certain Exclusive Negotiation Agreement dated as of December 9, 1996 ("Agreement").
- B. The Parties desire to mutually establish an entity through which the Project can be developed.
- C. The Parties recognize that under the terms of the Agreement MTA was to complete the project specific Environmental Impact Report or other required documentation, and to bear the cost of complying with the California Environmental Quality Act. Under this amendment, Catellus will perform that task. Accordingly, MTA wishes to provide for reimbursement for costs specifically related to that effort, including costs of designated consultants.
- D. The Parties now wish to confirm their mutual understanding on these and other issues, all as set forth below.
- E. Capitalized terms not defined herein shall have the meaning attributed to them in the Agreement.

NOW, THEREFORE, in consideration of and reliance on the recitals above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Joint Venture Entity
 - 1.1 MTA and Catellus agree that it is desirable and necessary to establish an entity ("Entity") through which Catellus and MTA shall develop the Project as soon as possible so that the Entity can apply for grants to assist in the financing of the Project.
 - 1.2 MTA and Catellus agree that the Entity shall be a California non profit corporation modelled after the entity created for the "Gateway" project by MTA and Catellus.

1.3 Because the law firm of Sheppard, Mullin, Richter & Hampton ("SMRH") formed the Gateway entity, the parties agree that it would be most economical to retain SMRH to form the new Entity for this Project. Catellus shall retain SMRH and, after the new Entity is established SMRH shall represent the new Entity, and not either Party. MTA shall reimburse Catellus for one half of its out of pocket legal fees and costs paid to SMRH, pursuant to Article 3, to form the new Entity. The legal fees paid to SMRH, advanced by Catellus and MTA, shall be reimbursed to them from project funds.

2. Environmental Consultants

Catellus is authorized to retain and execute contracts with environmental consultants (collectively "Environmental Consultants") necessary to complete the tasks described in Recital C. Catellus must receive the prior approval of MTA to retain any consultants after the date hereof, and such approval shall not be unreasonably withheld. MTA hereby approves the retention of Myra Frank & Associates, Korve Engineering and/or Kaku & Associates to perform certain tasks, presently described in their contracts with the law firm of Brand, Farrar, which will be assigned to Catellus. The contracts with the Environmental Consultants shall provide that the Consultants will take direction from MTA as well as Catellus.

3. Fees and Reimbursement

MTA shall reimburse Catellus for its reasonable out-of-pocket expenses incurred in connection with its retention of the Environmental Consultants identified in Article 2, and one half of its out-of-pocket expenses for fees and costs paid to SMRH in total amount not to exceed \$50,000. Catellus shall submit an invoice of expenses incurred for the Environmental Consultants to MTA on a monthly basis.

4. Miscellaneous

Except as expressly modified by this Amendment, the Agreement shall remain in full force and effect. The parties acknowledge that there are no defaults (or facts which, with the giving of notice and the passage of time, could ripen into defaults) under the Agreement.

IN WITNESS WHEREOF, MTA and Developer have signed this Amendment as of the date first set forth above.

DEVELOPER
Catellus Development Corporation,
a Delaware corporation
Authority

MTA
Los Angeles County
Metropolitan Transportation

By: _____

Its: _____

By: _____
Its: _____

Approved as to form:

DE WITT W. CLINTON
County Counsel

By:
JEFFREY J. LYON
Principal Deputy County

Counsel