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**PLANNING AND PROGRAMMING COMMITTEE
NOVEMBER 5, 2014**

SUBJECT: METRO GOLD LINE – SOTO STATION JOINT DEVELOPMENT

**ACTION: AUTHORIZE EXECUTION OF AN EXCLUSIVE NEGOTIATION
AGREEMENT AND PLANNING DOCUMENT**

RECOMMENDATION

1. Authorize the Chief Executive Officer to enter into an 18-month Exclusive Negotiation Agreement and Planning Document (“ENA”), with options to extend up to 12 additional months, with Bridge Housing Corporation/East LA Community Corporation (“Bridge/ELACC”), or an entity created by Bridge/ELACC, to explore the feasibility of developing two mixed-use real estate developments and to negotiate the development scope and business terms to be included in a joint development agreement (“JDA”), ground lease(s) and other development documents for the Metro-owned property situated at and across the street from the Metro Gold Line Soto station (the “Development Sites”).
2. Amend the FY15 budget to allow deposit(s) collected from Bridge/ELACC under the ENA to be used to offset staff and third party costs associated with the negotiation of JDA and ground lease terms and the review and evolution of the development proposal.

ISSUE

In December 2013 the Joint Development team issued separate Requests for Proposals (“RFPs”) for three Metro-owned sites in Boyle Heights. One of the RFPs solicited real estate development proposals for the Development Sites (depicted on Attachment A). The two other RFPs solicited development proposals for: (a) Metro’s Cesar E. Chavez and Soto Street properties, and (b) Metro’s Mariachi Plaza station properties. Requests to enter into ENAs for these sites are covered in separate November 2014 Board Reports. Metro received four development proposals for the Development Sites in response to the RFP. One of these proposals was submitted by Bridge/ELACC. The recommended action will provide the Chief Executive Officer with authority to execute an 18-month ENA with Bridge/ELACC to further explore the feasibility of their proposed development for the Development Sites and to negotiate the development scope and business terms to be included in a JDA, ground lease(s) and other development documents. The recommended action will also provide the Chief Executive Officer with the authority to execute extensions of the ENA term for up to 12 additional months.

DISCUSSION

The Development Sites are situated at and across the street from the Metro Gold Line Soto station. The larger of the two sites, totaling 1.09 acres, is located on the southwest corner of 1st and Soto streets. It is generally flat and rectangular in shape and contains the portal to the subterranean Gold Line Soto station and a large plaza providing access to the portal from 1st and Soto streets. The plaza and portal (and subterranean station improvements) encumber approximately 0.64 acres of this site. The second site is located on the southeast corner of 1st and Soto streets and totals 0.29 acres. It, too, is generally flat and rectangular in shape, but it does not contain any Gold Line improvements.

The Solicitation Process

The RFP soliciting real estate development proposals for the Development Site was issued in December 2013 in accordance with Metro's Joint Development Policies and Procedures. The RFP contained Conceptual Development Guidelines for the Development Sites that were approved by the Board in January 2013. Among other things, the RFP required each proposer to submit: (a) a narrative and graphic description of a development project that meets or exceeds the objectives and guidelines included in the Board-approved Conceptual Development Guidelines for the Development Sites; (b) details regarding the development team; (c) a financing plan and timeline for completion of the proposed development project; and (d) a financial proposal to Metro in exchange for a long-term ground lease of the Development Sites.

Metro received four proposals for the Development Sites. The proposals were received from the following teams, proposing the indicated developments:

<u>Development Team</u>	<u>Proposed Development</u>
Afton Property Investments	8,000 to 16,000 sq. ft. of single story retail space
AMG & Associates/Pacific Companies	105 affordable family apartments and 1,850 sq. ft. of street level retail space in two, six-story buildings
The ITEX Group	152 apartments (88 market rate, 22 affordable for families and 42 affordable for seniors) and 5,830 sq. ft. of street level retail space in buildings ranging from 4 to 6 stories
Bridge/ELACC	88 affordable apartments (49 for families and 39 for seniors) and 16,400 sq. ft. of street level retail space in buildings ranging from 4 to 6 stories]

The proposals were evaluated by a three-member panel, aided by a non-voting consultant team consisting of the Saucedo Group and Jim Suhr and Associates. Each proposing firm was evaluated based on the following criteria:

1. Proposed Development Project (35%)
2. Project Feasibility (35%)
3. Experience and Qualification of the Development Team (15%)
4. Financial Proposal to Metro (15%)

After its initial review of the proposals, the panel eliminated from further consideration the proposals provided by Afton Property Investments and the AMG & Associates/Pacific Companies because the other two proposals were more transit oriented and showed a clearer compatibility with the context of both the Development Sites and the neighborhood overall.

The ITEX Group and Bridge/ELACC were interviewed by the evaluation panel on September 22, 2014. After the interviews, the final scores were tabulated and discussed and the proposal submitted by the Bridge/ELACC team was identified as the preferred proposal.

The Selected Proposal

Bridge/ELACC submitted a well-conceived proposal for the Development Sites, including an attractive, transit-oriented design developed by Gonzalez Goodale Architects that will provide retail opportunities to Metro patrons and the community along with needed affordable family and senior housing. A site plan, renderings and a summary of the proposed development are set forth on Attachments B and C.

The Bridge/ELACC team demonstrated a thorough understanding of the entitlement and financing processes needed to bring their proposed project to fruition and have an impressive track record of completing similar projects. They also have a strong connection to the Boyle Heights community through ELACC's many, long-standing community programs and developments.

Bridge/ELACC has offered the following ground lease financial proposal to Metro:

- Capitalized Ground Rent: \$1,760,000 paid upon execution of the ground lease(s);
- Additional Ground Rent: \$25,000 per year, subject to annual CPI adjustments, commencing when the proposed project is placed in service; and
- Cash Flow Participation: 33% of annual available cash flow for distribution to the tenant partnership.

During the ENA, Metro will have the property appraised, will consult with an Economic Advisor and will negotiate with Bridge/ELACC, as is necessary, to assure that Metro receives a fair market return under any future JDA and ground lease(s).

The Bridge/ELACC proposal requires the acquisition of a 6,450 sq. ft. private lot lying adjacent to and southerly of the Metro property on the southeast corner of 1st and Soto streets. Bridge/ELACC was in escrow to acquire this property when they submitted their proposal, but the escrow has since expired. During the interview, they indicated

that they could reopen escrow with the property owner, if the ENA was awarded to them.

Policy Implications

The recommended actions are consistent with the goals of Metro's Joint Development Policies and Procedures to (i) enhance the land use and economic development goals of the surrounding community and conform to applicable local and regional development plans (as such plans may be amended from time to time); (ii) promote and enhance transit ridership; (iii) reduce auto use and congestion through transit-linked development and (iv) generate value to Metro based on a fair market return on public investment. However, the proposed term of the ENA, 18 months plus up to 12 months of extensions, is not consistent with the Joint Development Policies and Procedures, which specify that the term of an ENA, including extensions, shall not exceed 18 months. Due to the impact of recent court decisions which will require the developer to obtain full CEQA clearance before the Metro Board may approve a specific joint development, staff is recommending an initial 18 month ENA period to allow Bridge/ELACC to complete the proposed project's entitlement process and CEQA clearance and to allow Metro and the Bridge/ELACC team to negotiate the business terms of a JDA, ground lease(s) and other development documents, with options for Metro to extend the ENA term up to an additional 12 months.

Selected Developer Team

The Bridge/ELACC team includes the following firms:

- Developers: Bridge Housing Corporation and East LA Community Corporation
- Architect: Gonzalez Goodale Architects
- Entitlements Consultant: QES, Incorporated

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety. During the ENA process and through the JDA and ground lease negotiations, Metro's operations staff will review and comment on the proposed development to ensure that the station, portal and public areas on Metro's property are maintained at the highest levels of safety.

FINANCIAL IMPACT

Funding for joint development activities related to the ENA and the proposed project is included in the FY15 budget in Cost Center 2210 (New Business Development), under Project 610011 (Economic Development). In addition, upon execution of the ENA, Bridge/ELACC will be required to provide an ENA Fee of \$25,000 and deposits totaling at least \$50,000. The deposits may be used to cover staff time from supporting departments and third party costs associated with the negotiation of JDA and ground lease terms and the review and evolution of the development proposal.

Since the ENA is a multi-year contract, the Managing Executive Officer, Countywide Planning & Development and Chief Planning Officer will be accountable for budgeting any costs associated with the ENA and the proposed project in future years.

Impact to Budget

Metro project planning activities and related costs will be funded from local right-of-way lease revenues and the deposit, as appropriate. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact ongoing bus and rail operating and capital costs, Proposition A and C and TDA administration budget or Measure R administration budget.

ALTERNATIVES CONSIDERED

The Board could choose not to proceed with the recommended action and could direct staff to (a) enter into an ENA with one of the other proposers, (b) not proceed with development of the Development Sites and hold on to the property for future development, or (c) not proceed any of the proposers and seek new development proposals for the Development Sites from the development community via a new competitive process. Staff does not recommend proceeding with the first alternative because the Bridge/ELACC team submitted the strongest proposal in response to a widely solicited RFP and proceeding with any of the other proposers would circumvent staff's solicitation and review process. Staff does not recommend proceeding with the other two alternatives because such action would delay development of the Development Sites. Also, if the Board directs staff to conduct a new solicitation, it may not result in a development proposal that is more preferable than the current Bridge/ELACC proposal.

NEXT STEPS

Upon approval of the recommended action, the ENA will be executed, and, upon execution, staff and the Bridge/ELACC team will (a) explore further the feasibility of developing the proposed project on the Development Site, (b) complete the planning, design and entitlement work necessary to receive project approvals under CEQA, and (c) negotiate key terms and conditions to be included in a JDA, ground lease(s) and other development documents for the proposed project. If successful, staff will return to the Board for the authority to execute a JDA, ground lease(s) and other development documents with Bridge/ELACC in accordance with the negotiated terms and conditions.

ATTACHMENTS

Attachment A: Depiction of the Development Sites

Attachment B: Site Plan and Rendering of Proposed Development Project

Attachment C: Summary of the Proposed Development Project

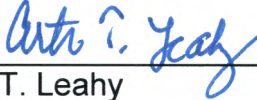
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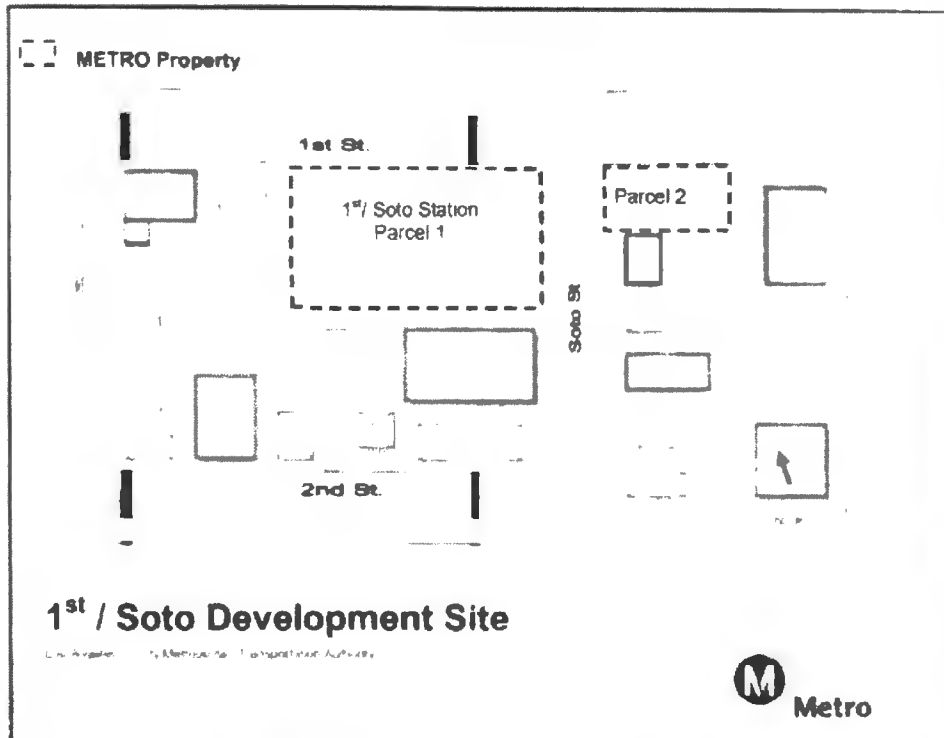
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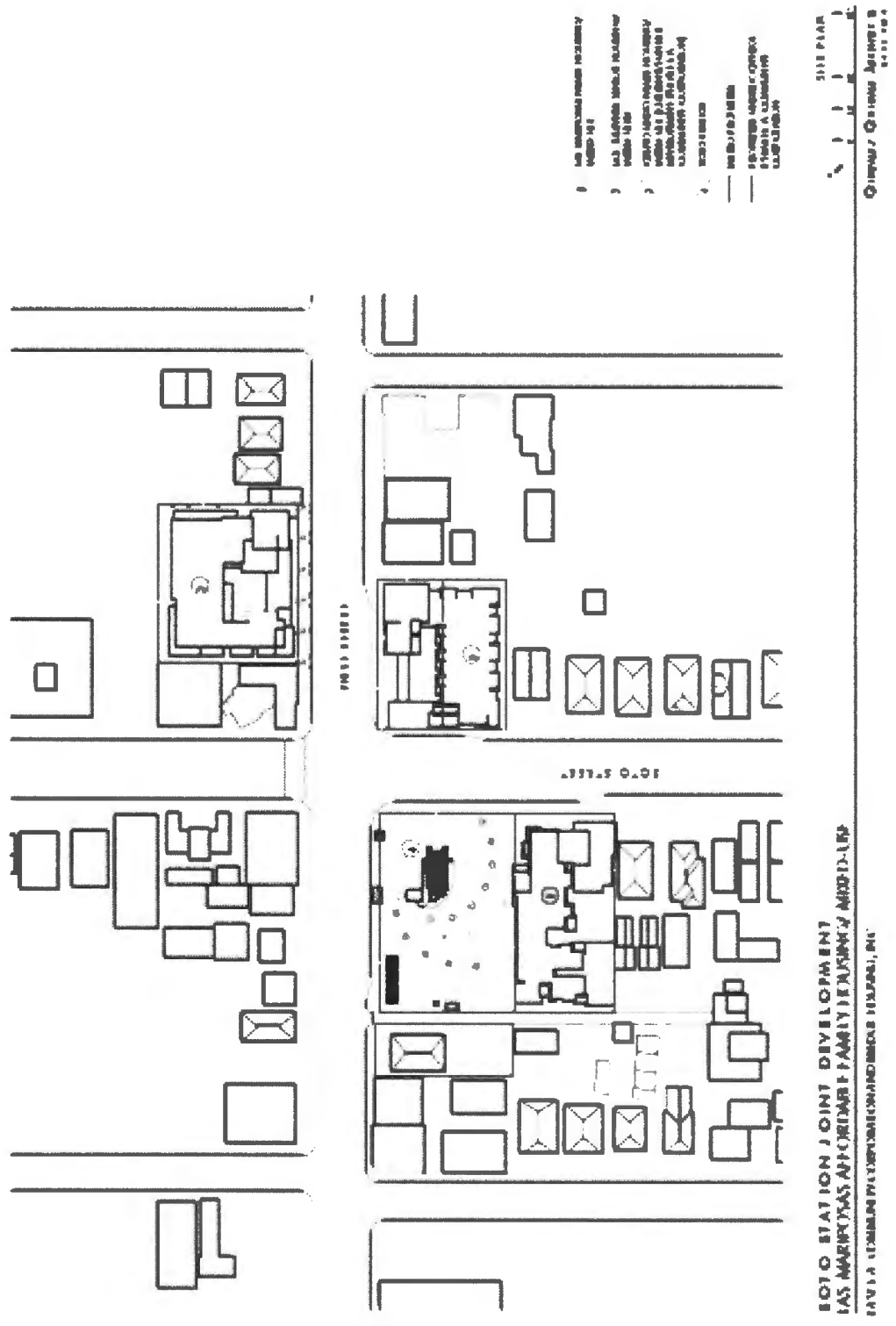


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Chief Planning Officer



Arthur T. Leahy
Chief Executive Officer







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SOTO STATION JOINT DEVELOPMENT
LAS VEGAS/POISSA--OCCASIE--MAY--OAS--NEY--MEX--ONE

General Contract Agreement



VIEW OF BUILDING FROM PUBLIC SPACE

SOTO STATION JOINT DEVELOPMENT
 2015 - 2016 - 4500 S. WASHINGTON BLVD - DOWNTOWN MIAMI
 2017 - 2018 - 1000 BROADWAY - MIAMI BEACH

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**ELACC/Bridge 1st and Soto Proposal
PROJECT SUMMARY**

The proposed development by ELACC/Bridge will consist of two affordable rental apartment developments. Los Tulipanes Senior Apartments, a mixed-use TOD with 39 apartments to be targeted to low income seniors, will be a 3-story-over-podium; Los Lirios Family Apartments, a mixed-use TOD with 49 apartments to be targeted to low income families, will be a 5-story-over-podium, stepping down to 3-story-over-podium to respect the scale of the neighboring residential community.

PROPOSED USE	UNITS/SF
Residential	88 units Los Lirios (Station Parcel): 49 affordable family units Los Tulipanes (SE Parcel): 39 affordable senior units
Ground Floor Commercial	Los Lirios (Station Parcel): 11,900 sf Los Tulipanes (SE Parcel): 3,930 sf
Open Space	Los Lirios (Station Parcel): 6,575 sf Los Tulipanes (SE Parcel): 3,800 sf
Parking	Los Lirios (Station Parcel): 49 parking spaces Los Tulipanes (SE Parcel): 26 parking spaces