

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

AUGUST 13, 2019

APPROVAL OF AN OPTION TO LEASE AGREEMENT AND PUBLIC TRANSIT PLAZA FUNDING FOR THE VERMONT MANCHESTER MIXED-USE DEVELOPMENT

On September 11, 2018, the Los Angeles County (County) Board of Supervisors (Board) authorized the execution of an Exclusive Negotiation Agreement (ENA) with BRIDGE Housing Corporation, a non-profit corporation (Master Developer), through the Los Angeles County Development Authority (LACDA), whereby LACDA would negotiate the use of a portion of an approximately 4.2-acre site acquired by the County via eminent domain, located on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles, for purposes of developing a new mixed-use project which would include affordable housing, retail, a transit plaza, a Los Angeles County Metropolitan Transportation Authority (Metro) training center, and a parking structure (collectively, Project).

The development team, which is comprised of the Master Developer, Primestor Development, Inc. (Primestor) and the Coalition for Responsible Community Development, has proposed a development that includes 180 affordable housing units across two developments, one composed of 118 family units and the other composed of 62 permanent supportive housing units for seniors. The Project will also include approximately 70,000 square feet of commercial space expected to include a grocery store and Metro training center. There will also be a transit plaza of approximately 21,500 square feet, which will provide open space amenities for the community, and an

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MOTION BY SUPERVISOR RIDLEY-THOMAS
AUGUST 13, 2019
PAGE 2

approximately 499-space parking structure, which will serve the Project and the adjacent, but separately developed SEED Los Angeles public boarding school.

Consistent with the terms outlined in the solicitation process and pursuant to the ENA executed on October 22, 2018, LACDA, on behalf of the County, has negotiated an Option to Lease Agreement (Option) with the Master Developer, pursuant to Government Code Section 26227. The Option will have a term of approximately one year from its signing, which may be extended by approximately one additional year. When all Option conditions have been satisfied by both the County and the Master Developer, at least four ground leases will be executed and become effective, including:

- Affordable Housing Ground Lease: (a) sixty-six (66) year term, (b) rent to be repaid from residual receipts from the Master Developer, and (c) tenant party to be the Master Developer, who will sublease to an affiliate for development;
- Senior Housing Ground Lease: (a) sixty-six (66) year term, (b) rent to be repaid from residual receipts from the Master Developer, and (c) tenant party to be the Master Developer, who will sublease to an affiliate for development;
- Commercial Ground Lease: (a) sixty-six (66) year term, (b) rent to be paid as the greater of fifty thousand dollars (\$50,000) annually (subject to a 12% escalation once every five (5) year period) or the percentage rent (the percentage will be at fair market value pursuant to an appraisal), and (c) the Master Developer will sublease to Primestor for development; and
- Parking Structure Ground Lease: (a) sixty-six (66) year term, (b) rent to be paid based on fair market value of the land on which the subject parking structure will be located to be determined by an appraisal; and (c) the Master Developer will sublease for development.

A reciprocal easement agreement (REA) will also be entered into by the relevant parties to govern the use of the parking structure and transit plaza. The REA will provide certain reciprocal rights and responsibilities relating to the use, maintenance, and operation, including access to and from the parking structure and transit plaza.

**MOTION BY SUPERVISOR RIDLEY-THOMAS
AUGUST 13, 2019
PAGE 3**

On July 9, 2019, the Board authorized an allocation of \$10,750,000 to the Project, comprised of Affordable Housing Trust Funds, Measure H Funds and Mental Health Housing Program Funds as part of LACDA's Notice of Funding Availability 24-A, to support the affordable housing component of the Project. \$6,000,000 of Proposition A Local Return Funds available to the Second Supervisorial District is also proposed to be allocated to the Project to facilitate the construction of the transit plaza and Metro training center. In addition, LACDA will contribute \$200,000 in Catalytic Development Funds (CDF) to assist with direct predevelopment costs associated with the Project. CDF are used to assist mixed-used transit-orientated developments with financing of initial stage predevelopment activities which include but are not limited to appraisals, technical studies, financial analysis and like activities. The CDF grant for this Project will be used for such activities. In addition, LACDA will also be pursuing opportunities to utilize a United States Department of Housing and Urban Development (HUD) Section 108 loan to assist with the commercial component of the Project. The 108 loan would be repaid with cash flow generated from the retail component of the Project.

The Project is a Transit Priority Project eligible for the California Environmental Quality Act Sustainable Communities Project Exemption pursuant to Sections 21155 and 21155.1 of the Public Resources Code, which was approved as an exemption by the Board on December 5, 2017.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Find that the recommended actions are within the scope of the previously approved exemption from the California Environmental Quality Act (CEQA), for the reasons stated in this motion and in the record of the Vermont Manchester Transit Priority Project (Project);
2. Delegate authority to the Executive Director of the Los Angeles County Development Authority (LACDA), or her designee, with approval as to form by County Counsel, to negotiate and execute on behalf of the County of Los Angeles (County) the Option to Lease Agreement, and subsequent Ground Leases (upon satisfaction of the conditions set forth in the Option to Lease

MOTION BY SUPERVISOR RIDLEY-THOMAS
AUGUST 13, 2019
PAGE 4

- Agreement), a Reciprocal Easement Agreement (REA), and other supporting documents and agreements related to the property located on a portion of the 4.2 acres of real property located on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles for the development of 180 units of affordable housing, commercial space, a transit plaza, a Los Angeles County Metropolitan Transportation Agency (Metro) training center, and parking structure;
3. Approve an appropriation adjustment to increase \$6,000,000 in the Department of Public Works' Other Charges account by transferring \$6,000,000 from Committed For Program Expansion in the Transit Operations Fund Fiscal Year 2019-2020 Budget to fund the construction costs of the transit plaza and Metro training center;
 4. Approve and authorize the Chief Executive Officer (CEO), or her designee, to execute a Funding Agreement with LACDA for up to \$6,000,000 for construction of the transit plaza and Metro training center;
 5. Approve and authorize the Director of the Department of Public Works, or his designee, to disburse up to \$6,000,000 to LACDA for the construction costs of the transit plaza and Metro training center;
 6. Approve and authorize the submission of an application to the United States Department of Housing and Urban Development (HUD) for a Section 108 Loan Guarantee of up to \$50,000,000 which will provide financing for the commercial component of the Project consisting of approximately 70,000 sq. ft. of retail space;
 7. Designate the Executive Director of LACDA, or her designee, to act as the agent of the County for submission, execution and implementation of the Section 108 Loan Guarantee to HUD, and for any other HUD–required actions necessary to complete the application for the Project;
 8. Approve and authorize the transfer of any Section 108 Loan Guarantee funds awarded by HUD to LACDA to provide financing for the Project; and

**MOTION BY SUPERVISOR RIDLEY-THOMAS
AUGUST 13, 2019
PAGE 5**

9. Authorize the CEO, or her designee, to take any other actions necessary and consistent with the foregoing actions to implement the Project.

I FURTHER MOVE THAT THE BOARD OF SUPERVISORS, ACTING AS THE BOARD OF COMMISSIONERS OF THE LOS ANGELES COUNTY DEVELOPMENT AUTHORITY:

- 1) Acting as a responsible agency, find that the Project is exempt from CEQA, for the reasons stated in this motion and in the record of the Project;
- 2) Approve the designation of LACDA to serve as agent of the County for the development and management of the Project;
- 3) Authorize the Executive Director, or her designee, with approval as to form by County Counsel, to:
 - a) Negotiate, on behalf of the County, the Option for Lease Agreement and upon completion of negotiations, to execute the Option to Lease Agreement between the County and the Master Developer to lease property located on a portion of the 4.2 acres of real property located on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles for the development of 180 units of affordable housing, commercial space, a transit plaza, a Metro training center, and parking structure;
 - b) Execute the Ground Leases upon satisfaction of the conditions set forth in the Option to Lease Agreement and any other documents consistent with, and/or necessary for, the implementation of the foregoing approvals for the Project;
 - c) Execute a Funding Agreement with the County for an amount not to exceed \$6,000,000 in Proposition A Local Return Funds available to the Second Supervisorial District for the Project, and to accept and incorporate the funds, as needed into LACDA's Fiscal Year 2019-2020 and future Fiscal Year budgets;

**MOTION BY SUPERVISOR RIDLEY-THOMAS
AUGUST 13, 2019
PAGE 6**

- d) Provide to the Master Developer up to \$200,000 of Catalytic Development Funds for predevelopment costs associated with the development of the Project;
- e) Submit, execute and receive a Section 108 Loan Guarantee of up to \$50,000,000 with HUD, and all related documents, and to take all HUD-required actions on behalf of the County;
- f) Execute any future amendments to the Section 108 Contract for Guarantee Loan Assistance and related documents; to take all HUD required actions to modify loan conditions and interim and permanent financing, and to execute all related documents to participate in HUD's public offering of notes, for the purposes described above;
- g) Accept from HUD on behalf of the County, the Section 108 Guarantee Loan funds if awarded by HUD for the development of the commercial component of the Project and to incorporate, as needed, up to \$50,000,000 in Section 108 Guarantee Loan Funds into LACDA's 2019-2020 Fiscal Year budget, for the purposes describe above; and
- h) Take all other necessary actions in order to cooperate with Master Developer's application to the California Tax Credit Allocation Committee for low-income housing tax credits and any other financing required to fully fund the Project.

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(KK)

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPARTMENT OF PUBLIC WORKS

DEPT'S. NO. 690

August 13, 2019

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2019-20

4 - VOTES

SOURCES

USES

PUBLIC WORKS-TRANSIT OPERATIONS FUND CP6-3017 COMMITTED FOR PROGRAM EXPANSION DECREASE OBLIGATED FUND BALANCE

\$6,000,000

PUBLIC WORKS-TRANSIT OPERATIONS FUND CP6-PW-5500-47000 OTHER CHARGES INCREASE APPROPRIATION

\$6,000,000

SOURCES TOTAL: \$ 6,000,000

USES TOTAL: \$ 6,000,000

JUSTIFICATION

The appropriation adjustment is necessary to fund the construction of the Vermont and Manchester Transit Priority Joint Development Project.

ADOPTED BOARD OF SUPERVISORS COUNTY OF LOS ANGELES

Handwritten signature of Angelica Cobian, Chief B/FM, with title AUTHORIZED SIGNATURE ANGELICA COBIAN, CHIEF B/FM

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

25

AUG 13 2019

Handwritten signature of Celia Zavala, Executive Officer, with name CELIA ZAVALA EXECUTIVE OFFICER

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR ---

- ACTION (unchecked)
RECOMMENDATION (checked)

AUDITOR-CONTROLLER

BY [Signature] August 7 20 19

B.A. NO. 014

APPROVED AS REQUESTED (checked)

APPROVED AS REVISED (unchecked)

CHIEF EXECUTIVE OFFICER

BY [Signature] August 7 20 19