



CRA/LA

Building communities with jobs & housing

Community Redevelopment Agency
of the CITY OF LOS ANGELES

OCT 06 2005

DATE /

FILE CODE /

354 South Spring Street / Suite 800
Los Angeles / California 90013-1258

T 213 977 1600 / F 213 977 1665
www.crala.org

CRA File No. 4844
Council District: CD-8
Contact Person: Alvin Jenkins
(213) 977-2640

Honorable Council of the City of Los Angeles
John Ferraro Council Chamber
200 N. Spring Street
Room 340, City Hall
Los Angeles, CA. 90012

Attention: John White, Office of the City Clerk

COUNCIL TRANSMITTAL:

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on October 6, 2005, for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

VARIOUS ACTIONS RELATED TO:

RATIFICATION OF AUTHORIZATION TO RECEIVE \$1.5 MILLION IN ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDS (EDI) FROM THE CITY OF LOS ANGELES COMMUNITY DEVELOPMENT DEPARTMENT (CDD) FOR THE MIXED-USE MARLTON SQUARE DEVELOPMENT LOCATED IN SANTA BARBARA PLAZA

RECOMMENDATION

That City Council approves recommendation(s) on the attached Board Memorandum.

ENVIRONMENTAL REVIEW

The Agency adopted a Mitigated Negative Declaration ("MND") for the Marlton Square project on August 1, 2002, pursuant to the California Environmental Quality Act. The Agency approved an Addendum to the MND on August 19, 2004.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the City's General Fund, as a result of this action.

Richard Benbow, Acting Chief Executive Officer

- cc: John White, Office of the City Clerk (Original & 7 Copies on 3-hole punch)
- Lisa Johnson, Scott Eritano, Office of the CAO
- Paul Smith, Ivania Sobalvarro, Office of the CLA
- Robert R. Ovrom, Office of the Mayor
- Neil Blumenkopf, Office of the City Attorney

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA

MEMORANDUM

7

DATE: OCTOBER 6, 2005
TO: AGENCY COMMISSIONERS
FROM: RICHARD L. BENBOW, ACTING CHIEF EXECUTIVE OFFICER

CR2140

RESPONSIBLE

PARTIES: RICARDO NOGUERA, REGIONAL ADMINISTRATOR
ALVIN JENKINS, PROJECT MANAGER

SUBJECT: RATIFICATION OF AUTHORIZATION TO RECEIVE \$1.5 MILLION IN ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDS (EDI) FROM THE CITY OF LOS ANGELES COMMUNITY DEVELOPMENT DEPARTMENT (CDD) FOR THE MIXED-USE MARLTON SQUARE DEVELOPMENT LOCATED IN SANTA BARBARA PLAZA

AMENDED CRENSHAW RECOVERY REDEVELOPMENT PROJECT (CD 8)
SOUTH L.A. REGION

RECOMMENDATIONS

That the Agency authorize the Acting Chief Executive Officer, Chief Financial Officer, Finance Director or designee, subject to City Council approval, to:

1. Negotiate and execute an Economic Development Initiative (EDI) Cooperation Agreement between the Community Development Department (CDD) and the Agency to receive \$1.5 million in EDI Grant Funds as reimbursement to the Agency for its land acquisition costs associated with the retail component of the mixed-use Marlton Square Project;
2. Receive \$1.5 million in EDI Grant Funds as reimbursement to the Agency for land acquisition, relocation and related costs associated with the retail component of the Marlton Square mixed-use development;
3. Authorize the Agency to pay CDD for the periodic interest-only payments associated with the total \$9.0 million in Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee funds (CDD will provide evidence of such payments to the Agency); and
4. Take all actions necessary, including amending the Agency Budget, to carry out the recommendations listed in items 1, 2 and 3 above.

SUMMARY

This action is necessary to preserve \$1.5 million Economic Development Initiative (EDI) Grant awarded by HUD to the Santa Barbara Plaza Project (the "Project"). The Community Development Department (CDD) was required to draw down the \$1.5 million Grant from HUD by

September 30, 2005 (and disburse such funds within three days of draw down) in order to keep the Grant. If these actions were not taken by CDD before the HUD deadline, the Grant would have no longer been available to the Project.

The originally intended purpose of these funds was to reimburse the Master Developer for the retail component's land acquisition and related costs. The terms of the Retail Implementation Agreement (RIA) require that the Master Developer attain certain milestones as a condition of receiving any of the funds allocated to this retail component, including this EDI Grant. The Master Developer did not attain these milestones in time for CDD to meet the September 30, 2005 EDI Grant deadline.

In order to preserve the Grant funds, CDD drew down the \$1.5 million EDI Grant funds to the Agency after draw down from HUD. The subject EDI funds will be allocated as follows:

<u>Cost Description</u>	<u>Amount</u>
TO CRA:	
Land Appraisal Fees	\$ 188,000
Acquisition/Relocation Plan/Services	\$ 150,000
Application/Legal & Related Fees	<u>\$ 660,287</u>
TOTAL TO AGENCY	\$ \$998,287
TO CDD:	
Cost of Issuance and Loan Fees to CDD (Section 108)	<u>\$ 501,713</u>
TOTAL EDI AMOUNT	<u>\$ 1,500,000</u>

To draw down the EDI Grant, CDD also drew down the Grant's "companion" \$9.0 million Section 108 Loan. For the first 2 years of the loan period, the loan will be interest only. CDD will look to the Agency to make these interest only payments. The Agency will use the EDI Grant funds as the source for making these interest only payments. The interest rate floats and is tied to LIBOR. The estimated interest rate is 3.8%, which amounts to annual interest payments of approximately \$347,000.

Project Description

The 21.8 acre Santa Barbara Plaza shopping area (Attachment "A"), which is bordered by Martin Luther King Jr. Boulevard on the north, Marlton Avenue on the east, Santa Rosalia Drive on the south and Buckingham Road on the west, has become dilapidated and fallen into disrepair. The proposed Marlton Square Mixed-Use Development will be located on the Santa Barbara Plaza site, which includes the previously approved Buckingham Place Affordable Senior Housing development on 2.6 acres of the site, currently under construction. The actions in this memo pertain to the retail portion of the remaining 19.2 acre portion of the site.

Marlton Square will be a modern, mixed-use development consisting of a combination of retail and residential uses (Attachment "B"). Specifically, the development components are proposed to include 140 units of single family detached homes, 150 condominium residential units and 119,000 square feet of retail space and associated parking. Total development cost will be \$169.2 million. The center will provide approximately 330 permanent jobs as well as employ another 200 people during construction.

The Agency and the City have entered into three Implementation Agreements for ownership arrangements between each of the three entities developing the three phases discussed – Retail, Single Family, and Condominium.

The Buckingham Place Senior Housing component of the Marlton Square Mixed-Use Development will contain 180 affordable housing units and was previously approved by Agency and City Council actions and is currently under construction.

RE:

September 21, 2005 – City Council modification of Agency approval of Agency receipt of the total of \$1.5 million EDI funds from CDD.

September 6, 2005 – City Council approval of Agency Bridge Loan.

September 1, 2005 - Agency authorization to receive \$998,287 of the \$1.5 million EDI funds from CDD for the Marlton Square development, subject to City Council approval.

July 21, 2005 – Agency authorization of Bridge Loan utilizing Future Bunker Hill Program Income to assist in financing of Marlton Square, subject to City Council approval.

April 21, 2005 – Agency ratification of Council changes to the Implementation Agreements.

October 22, 2004 – City Council approval of Implementation Agreements, subject to modifications.

August 19, 2004 - Agency approval of various actions relating to approval of Implementation Agreements for the Marlton Square Mixed-use Development, subject to City Council approval.

June 27, 2003 - City Council approval of Agency's April 17, 2003 actions.

April 17, 2003 - Agency approval of Master Agreement for the Marlton Square Mixed-use Development with Capital Vision Equities (Master Developer) for the redevelopment of Santa Barbara Plaza, subject to City Council approval.

SOURCE OF FUNDS

No Agency funds are being provided to the Developer for the Retail parcel of the Marlton Square Project. Other public sources of funds include CDBG, EDI, BEDI and Section 108 funds.

The Agency will make interest-only payments due on the companion \$9.0 million Section 108 Loan using the aforementioned EDI funding source.

PROGRAM AND BUDGET IMPACT

The EDI Grant funds will be used to reimburse the Agency for HUD eligible expenses incurred during the course of the Project. Use of the EDI Grant funds will not create a shortfall of funds for this Project or any other Agency work program objective.

ENVIRONMENTAL REVIEW

The Agency adopted a Mitigated Negative Declaration ("MND") for the Marlton Square project on August 1, 2002, pursuant to the California Environmental Quality Act. The Agency approved an Addendum to the MND on August 19, 2004.

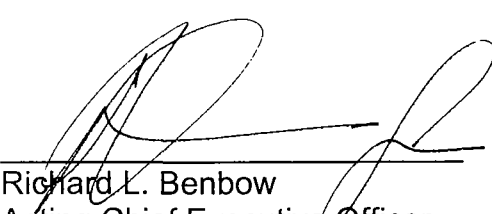
BACKGROUND

On September 1, 2005, the Agency authorized receipt of \$998,287 of a total \$1.5 million Economic Development Initiative (EDI) Grant awarded by HUD. This action was necessary to meet the EDI deadline of September 30, 2005. The remaining \$501,713 was to be used by CDD for cost of issuance and loan fees. Subsequently, the City realized that the remaining \$501,713 (of the \$1.5 million EDI funds) needed to be drawn down, and received by the Agency to fulfill HUD requirements. Therefore, ratification of the Agency's receipt of the full \$1.5 million is needed. All the funds will be used as previously anticipated and authorized by the Agency's September 1, 2005 action, except that the Agency will provide the remaining \$501,713 balance of EDI funds to CDD.

On August 19, 2004, the Agency approved various actions pertaining to the Implementation Agreements for the Single Family, Condominium and Retail developments. On October 22, 2004, City Council approved the Implementation Agreements, subject to certain modifications to be made before being executed. These modifications were made and incorporated into the Implementation Agreements as ratified by the Agency on April 21, 2005. On July 21, 2005, the Agency, subject to City Council approval, authorized a Bridge Loan utilizing Future Bunker Hill Program Income to assist in financing of Marlton Square. On September 6, 2005 the City Council approved the Agency Bridge Loan.

On April 17, 2003 the Agency authorized the execution of a Master Agreement for the Marlton Square Mixed-Use Development to be located on the 21.8-acre Santa Barbara Plaza site. That Master Agreement served to coordinate the activities and commitments of the Agency and those of other relevant City Departments, including the Community Development Department (CDD) and the Los Angeles Housing Department (LAHD). That Master Agreement also contemplated subsequent Implementation Agreements for the development of the Single Family Housing and Retail components of the Marlton Square development. That Master Agreement also did not provide for the potential acquisition or disposition of property by the Agency. These activities required a public hearing and Findings by the legislative body (City Council) pursuant to Section 33433 of the Health & Safety Code as part of the approval of the attached separate Implementation Agreements. Such hearings were held and the necessary Findings were made.

The redevelopment of Santa Barbara Plaza has been the primary objective of the Crenshaw Redevelopment Project since the 1994 Plan Amendment, and the recommended action will further implement that objective. A Marlton Square Project Timeline (Attachment "C") illustrates the project status and future steps toward implementation.



Richard L. Benbow
Acting Chief Executive Officer

There is no conflict of interest known to me, which exists with regard to any Agency officer or employee concerning this action.

- Attachment A - Marlton Square Location Plan
- Attachment B - Marlton Square Illustrative Site Plan
- Attachment C – Updated Marlton Square Project Timeline
- Attachment D – Community Context

Attachment "C"

MARLTON SQUARE PROJECT TIMELINE

#	Tasks To Be Completed	Task Completion Timeline
1	Revise Implementation Agreements	Completed
2	Revise Condominium Implementation Agm't	Completed
3	Revise Retail Implementation Agreement	Completed
4	CDD Approval of Guarantor for CDD funds	Completed
5	Preparation of Section 108 Loan Agreement with CDD & Developer	Completed
6	Preparation of Amended HUD applications (EDI, BEDI & Sec 108)	Completed
7	Complete Revised Development Proforma & Sources and Uses	Completed
8	Revisions to Single Family, Condo & Retail Implementation Agmt's	Completed
9	CLA, CAO, City Attorney Approval of Guarantor for CDD funds	Completed
10	Buckingham Pl. Sr. Housing Grading Process Resumes (180 units)	Completed
11	Submission of Amended HUD applications (EDI, BEDI & Sec 108)	Completed
12	Agency Approval of Central Pacific (or other lender's) Loan to Agency	Completed
13	Master Developer deposits \$300K for Mello Roos studies	Completed
14	Agency Board Hearing on Revised Implementation Agmts & Cooperation Agmt. On April 21, 2005	Completed
15	Revised Implementation Agreements executed by City and Agency	Completed
16	Developers sign Revised Implementation Agreements	Completed
17	City Council Approval of Central Pacific (or other) Loan to Agency	Completed
18	Preparation of Cooperation Agm't for UDAG funds w/ CDD & Agency	Completed
19	Preparation of Cooperation Agm't for EDI funds w/ CDD & Agency	Completed
20	HUD approval of Amended HUD Applications (EDI, BEDI & Sec 108)	Completed
21	Agency Approval of Coop'n Agm't for EDI funds w/ CDD & Agency	Completed
22	City Council Approval of Coop'n Agm't for EDI funds w/ CDD & Agency	Completed
23	Execution of Cooperation Agm't for EDI funds w/ CDD & Agency	Completed
24	\$1.5 million of EDI Funds MUST be drawn down by CDD	Completed
25	Developer Begins to Acquire Property	Yes
26	Lee Homes signs Guaranty re: Tax Increment Generation	September, 2005
27	CRA/CDD Cooperation Agm't - UDAG funds transfer - CDD to CRA	September, 2005
28	Developer executes Section 108 Loan Agreement	September, 2005
29	Execution of Cooperation Central Pacific Loan Committee Approval (or other) Loan to Agency	September, 2005
30	Developer Begins Tenant Relocation	Summer 2005
31	Demolition of Structures (as acquisition and relocation is completed)	Fall 2005
32	Construction Begins on Condos, Retail & Single Family Developments (after acquisition, demolition and relocation is completed)	Fall 2005
33	Condos Construction (150 units) Completed	Winter 2006/07
34	Retail Construction (119,000 s.f.) Completed	Winter 2006/07
35	Single Family Homes: phase 1 and 2 (units 1-70) Completed	Spring 2007
36	Single Family Homes: phase 3 and 4 (units 71-140) Completed	Spring 2008
37	Marlton Square Development Completed	Summer 2008

ATTACHMENT "D"

REVISED, as underlined
Type of Financing, page 3

COMMUNITY CONTEXT ATTACHMENT TO BOARD MEMORANDUM FOR

MARLTON SQUARE

Location is the Santa Barbara Plaza shopping area: Bordered by Martin Luther King Jr. Boulevard on the north, Marlton Avenue on the east, Santa Rosalia Drive on the south and Buckingham Road on the west.

REDEVELOPMENT PROJECT AREA (South LA Region)

Redevelopment Area: Amended Crenshaw

Community Plan Area: Crenshaw West Adams Community Plan Area

Council District: Council District 8

Project Area Description: The original Crenshaw Redevelopment Plan (54 acres) was adopted by the Los Angeles City Council on May 9, 1984, for the purpose of redeveloping the former Crenshaw Shopping Center. The newly renovated Baldwin Hills Crenshaw Plaza opened in November of 1988 and now contains one million square feet. The Magic Johnson Theater complex and its associated parking structure were later added to the center and completed in 1995. Since that time, three additional screens were added to the theater complex in 1998 bringing the number of screens to 15.

The Amendment to the Crenshaw Redevelopment Project adopted on December 6, 1994, added approximately 150 acres to the original project area. This added area is located approximately 8 miles south of downtown, midway between the San Diego and Harbor Freeways, and south of the Santa Monica Freeway in south Los Angeles. The project area extends generally along Crenshaw Boulevard, between Coliseum Street to the north, and 52nd Street to the south. The project area also extends along Martin Luther King Jr. Boulevard, between Coliseum Street to the northwest, and McClung Drive to the east. The area also includes parts of Buckingham

Road and Santa Rosalia Drive immediately adjacent to the Baldwin Hills Crenshaw Plaza, and the Santa Barbara Plaza site. The project area also includes the Leimert Park Village area between Leimert Boulevard to the east, Vernon Avenue to the south, Crenshaw Boulevard to the west and 43rd Street to the north.

Conditions at Time of Adoption:

The civil disturbance of April 1992 caused damage to 19 properties in the Amended Project Area and emphasized a need for assistance. Of the 250 buildings in the Amended area, 58 (23%) had significant vacancies. Many parcels were small and irregular and many buildings were obsolete, in need of repair and under-utilized. The then existing Crenshaw Shopping Center was in a state of disrepair, economic and physical decline and experiencing deterioration. Crime was a major factor in the center. Public improvements, including substandard and outdated pedestrian and vehicular circulation systems, were inadequate

PROPOSED PROJECT OVERVIEW

Physical Site and Setting Description (Source: CRA Staff)	The Santa Barbara Plaza area is a former vibrant shopping center that was constructed in 1950 and over time has become blighted with many marginal or closed businesses. This area was the primary focus for amending the Crenshaw redevelopment project area.
Proposed Development Description (Source: Project Developer)	Mixed-Use development with a combination of uses, including 140 Single family homes, 150 condominium units and 119,000 square feet of retail. Associated improvements including public improvements, streetscape enhancements, street widening, etc.
Proposed Uses by Size (Source: Project Developer)	<ul style="list-style-type: none"> ▪ Housing: Single Family <ul style="list-style-type: none"> • Total Housing Square Footage: 235,000 • Market Rate Units: 140 • Affordable Units: 0 ▪ Housing: Condominium <ul style="list-style-type: none"> • Total Housing Square Footage: 139,000 • Market Rate Units: 150 • Affordable Units: 0 ▪ Housing: Senior Apartments

	<ul style="list-style-type: none"> • Total Housing Square Footage: 100,000 • Market Rate Units: 0 • Affordable Units: 180 <ul style="list-style-type: none"> ▪ Retail <ul style="list-style-type: none"> • 119,000 Retail Square Footage ▪ Parking: Code Requirements ▪ Special Uses: Future Community Center
Proposed Type of Users (Source: Project Developer)	<ul style="list-style-type: none"> ▪ Market Rate single family homes, market-rate condominium homes, senior citizen housing apartments that are affordable and a variety of retail/commercial tenants, yet to be determined.
Proposed Number and Type of Housing Units Created (Source: Project Developer)	<ul style="list-style-type: none"> ▪ Total # (percentage) market rate units: 62 <ul style="list-style-type: none"> ○ ▪ Total # (percentage) affordable to low and moderate income buyers/renters: 38. This includes all the Senior units that are likely to vary from very-low income to moderate income tenants. The proportion of this distribution is not yet known. ▪(37% of total) of 0-bedroom units (lofts): 180 ▪(11% of total) of 1-bedroom units: 50 ▪(22% of total) of 2-bedroom units: 100 ▪(30% of total) of 3-bedroom units: 140
(Proposed Overall Project Cost and Sources of Funding (Source: Project Developer and CRA Staff)	<p><u>Type of financing:</u> Public (non-Agency) (<u>13%</u>): \$22.8.0 Equity (<u>11%</u>): \$20.9 Conventional Financing (<u>13%</u>): \$24.0 Mello-Roos (3%): \$4.9 Sales Proceeds (52%): \$93.9 *<u>Agency Assistance (8%): \$15.2</u> Project Total: \$181.8 million</p> <p>* Agency Assistance includes \$6.0 Single Family writedown and \$0.7 financing, \$8.5 land acquisition/relocation.</p>
Smart Growth Assessment (Source: CRA Staff)	<p>This major mixed-use development will provide a needed boost to the area's need for revitalized center; provide new construction and permanent jobs for the community. The site is adjacent to the Baldwin Hills Crenshaw Plaza, Magic Johnson Theaters as well as local MTA and DASH transit lines.</p>

Proposed Employment (Source: Project Developer) *A separate Community Benefits Program (CBP) has been agreed to by developer, which covers these issues in detail.	Construction jobs projection: 200 Permanent job projection: 300 Living wage hiring: Yes* Prevailing wage: No First Source hiring: Yes*
--	--

DEMOGRAPHICS SECTION

(Source: US Census, 2000 and LA City Planning)

	Census Tract Number 2361	LA City (2000 Census)
Population	5172	3,719,310
Average Household Size	2.01	2.91
Total Households	2511	1,278,815
Percentage of Households Renting	84.5%	59.5%
Percentage of Households Owning	15.5%	40.5%
Educational Level (HS Diploma or above)	80.7%	71%
Median Household Income	\$18,549	\$58,724

DISPLACEMENT

(Source: Project Developer and CRA Staff)

Businesses to be Displaced	
Number and type of Businesses	180 approx.
Number and nature of jobs	Variety of small shops, church, office spaces, vehicle related commercial, etc.
Housing Units to be Displaced	
Number of units	0
Unit size/bedroom count	0
Affordability levels	na
Residential Population to be Displaced	
Number of Households	0
Population in households	0
Income levels	na

REPLACEMENT HOUSING
(Source: CRA Staff)

NA

IMPACT ANALYSIS
(Source: CRA Staff)

1. Known community issues relating to project/site:

Community has long awaited this development. The greatest community concern is for the project to proceed as quickly as possible. Developer is ready to begin bulk of acquisition activities, which will trigger relocation benefits and allow construction to proceed with the residential and retail developments. There may be a few properties that developer is unable to acquire, that would require the Agency to provide acquisition assistance.

2. Description of benefits of proposed project (blighted conditions removed, jobs and/or business opportunities created, affordable housing units produced, impact of tax increment growth):

The Marlton Square Project is among the highest of the Agency and City's priorities. The significance of this mixed-use development is that it will be addressing a 20-year old problem of area blight within this 21.8 acre Santa Barbara Plaza site with new development elements. A total of 470 residential units will be built, including 180 low-income units for senior citizens. Marlton Square will also generate a present value of \$5 million (over the life of the Amended Crenshaw Redevelopment project area) of new housing set-aside funds, which will be used for future affordable housing programs. In addition, anticipation of this project has served as a catalyst for a separate and adjacent 172-unit market-rate condominium development, which is now breaking ground. Thus, Agency receipt of these EDI funds are necessary to ensure that this project is successfully completed

For additional discussion of the benefits from the proposed project, please see Board Memorandum text.

3. Summary of non-mitigatable impacts:

The Agency adopted a Mitigated Negative Declaration ("MND") for the Marlton Square project on August 1, 2002, pursuant to the California Environmental Quality Act. The Agency approved an Addendum to the MND on August 19, 2004.

4. Summary of mitigatable impacts and proposed mitigation:

The Agency adopted a Mitigated Negative Declaration ("MND") for the Marlton Square project on August 1, 2002, pursuant to the California Environmental Quality Act. The Agency approved an Addendum to the MND on August 19, 2004.

DISCUSSION OF UPDATES TO COMMUNITY CONTEXT ATTACHMENT

The Community Context Attachment will change as the proposed project changes as per developer agreements.