


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 25, 2010

TO: Honorable Members of the City Council

FROM: Gerry F. Miller 
Chief Legislative Analyst

Assignment No:
Council File #: 07-0128

SUBJECT: Blossom Plaza Mixed Use Development

SUMMARY

On January 31, 2007, the City Council approved a series of recommendations concerning development of the Blossom Plaza intermodal and mixed-use project in Chinatown (CF# 07-0128) at 900 N. Broadway, site of the former Little Joe's restaurant.

In August 2008, the Developer (Chinatown Blossom Plaza LLC) was unable to make a critical payment when two loans with a total value of more than \$16 million matured. The lender, Prime Property Fund (Prime), then initiated foreclosure measures and in June 2009 ownership of the property was transferred to Prime.

The City has maintained communications with Prime through their evaluation process to identify options concerning this property and has regularly communicated the Council's objective to construct an intermodal transit center and mixed-use project at the site. Prime and City staff have recently determined that an effective way to achieve the Council's objective would be for the City to acquire the property.

This report recommends that the Council authorize City staff to negotiate a Purchase and Sale Agreement (PSA) to provide for acquisition of 900 N. Broadway for the purpose of building an intermodal transit center and mixed-use development, within existing entitlements.

RECOMMENDATIONS

That the City Council:

1. Authorize the Chief Legislative Analyst to execute a Memorandum of Understanding between the City of Los Angeles and Morgan Stanley Real Estate Advisors, Inc., which outlines and terms and conditions for the purchase and sale of 900 N. Broadway;
2. Authorize the City Attorney and General Services Department, with the assistance of the CLA, to negotiate and execute a Purchase and Sale Agreement to acquire the parcel at 900 N. Broadway;

3. Adopt a Finding of Benefit Joint Resolution for the Project providing a not to exceed amount of \$1.6 million of Bunker Hill Housing Trust Fund, finding that the housing affordable to very low, low and moderate income households at 900 N. Broadway is of Benefit to the Bunker Hill Redevelopment Project Area and request that the CRA also adopt the Joint Resolution (Attachment A);
4. Authorize the CRA to provide funding of up to \$3 million for the acquisition of the Blossom Plaza site, from the Bunker Hill Housing Trust Fund and the Chinatown Housing Trust Fund;
5. Authorize the CRA/LA to issue a Request for Proposal to develop the 900 N. Broadway property as an intermodal transportation center and mixed-use development consistent with existing entitlements and environmental approvals;
6. Direct the Community Redevelopment Agency of the City of Los Angeles, in cooperation with the Department of Transportation, and City Administrative Officer to select a developer and negotiate a Disposition and Development Agreement to be approved by the City Council;
7. Instruct the CRA, CLA, and Department of Transportation to seek agreement modifications, as necessary, with the federal government and other agencies; and

FISCAL IMPACT

Recommendations to negotiate a Purchase and Sale Agreement will not impact the General Fund as all funding has been previously approved for this project or is provided by other agencies.

BACKGROUND

The Blossom Plaza project is located at the site of the old Little Joe's restaurant, adjacent to the Gold Line Chinatown station. The intermodal transportation center component of the project includes over 400 parking spaces, stops for MTA and Dash buses, a bicycle service center, and other transportation connection services.

A main feature of the project is a level walkway between the Gold Line Station and Broadway, providing a convenient connection between shopping opportunities in Chinatown and the rail line. Part of this connection includes an 18,000 square foot plaza that would be programmed with cultural activities.

The remainder of the project includes housing and retail uses. As required, 20% of the housing units will be set aside as affordable housing.

Funding for Blossom Plaza was assembled from multiple sources, including Community Development Block Grant, Gold Line program funds, Special Parking Revenue funds, and several federal transportation grant programs. Following Council approval of this project, the State awarded \$16 million to support infrastructure development and affordable housing in

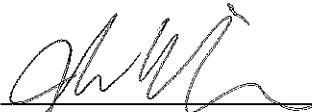
Blossom Plaza. Efforts are necessary to move the Blossom Plaza project forward soon as State and federal funding may be at risk otherwise.

Council approved recommendations concerning Blossom Plaza on January 31, 2007. Between February 2007 and July 2008, the Developer and City proceeded with design reviews and other actions related to moving Blossom Plaza toward completion. But in August 2008, the Developer was unable to make a critical payment when two loans with a total value of more than \$16 million matured. At that time, Prime initiated foreclosure measures. Negotiations through December 2008 sought to resolve the foreclosure action, but the Developer was unable to provide adequate funding and instead filed for bankruptcy protection. Following several court hearings, Prime filed for relief from the bankruptcy action in May 2009 and in June 2009 ownership of the property was transferred to Prime.

Since June 2009, Prime has been exploring options concerning the property at 900 N. Broadway, including construction of the project entitled as Blossom Plaza. The City has maintained communications with Prime through this process and has regularly communicated the Council's objective to construct an intermodal transit center and mixed-use project at the site as approved and provided by within existing entitlements, which were actively developed with community input. Most recently, Prime and City staff have determined that an effective way to achieve the Council's objective would be for the City to acquire the property.

To accomplish this, the City Attorney and General Services Department would need to negotiate terms for a Purchase and Sale Agreement (PSA). The terms for this PSA are included in a Memorandum of Understand (MOU) that address issues such as purchase price and rights related to document and property access. Approval and execution of the MOU will allow the City to enter into negotiations for this property.

Concurrently, the CRA should prepare a Request for Proposals (RFP) to select a developer who will construct the Blossom Plaza project. This RFP will outline the entitlements currently approved for this project and the program elements required to be included. An RFP team comprised of the CRA, DOT, CAO, and other departments as appropriate will review and recommend a Developer to complete the project.



John Wickham
Analyst

Attachment A: Finding of Benefit Joint Resolution

GFM:JW;jw

ATTACHMENT "A"

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

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA AND OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES FINDING THAT TRANSFERRING \$1,600,000 TO PROVIDE FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF 53 UNITS OF AFFORDABLE HOUSING LOCATED AT 901 N. BROADWAY IN THE CHINATOWN REDEVELOPMENT PROJECT AREA IS OF BENEFIT TO THE BUNKER HILL REDEVELOPMENT PROJECT

WHEREAS, the Redevelopment Plan for the Bunker Hill ("BH") Redevelopment Project was adopted by the Los Angeles City Council on March 31, 1959, by Ordinance No. 113,231; and

WHEREAS, on January 12, 1968, the City Council of the City of Los Angeles adopted an amendment to the BH Redevelopment Plan, by Ordinance No. 140,662; and

WHEREAS, the CRA/LA desires and the Chinatown Redevelopment Plan goal is to provide for the creation of housing as is required to satisfy the needs and desires of the various age, income and ethnic groups of the community; and

WHEREAS, the CRA/LA has established the Chinatown Redevelopment Project Area Low and Moderate Housing Trust Fund into which funds may be appropriated and expended by the Agency to develop dwelling units for low, very low and moderate income persons within said Project Area:

WHEREAS, the CRA/LA as required by Section 33413(b) (4) of the Community Redevelopment Law (CRL) adopted Five Year Implementations Plans for the Chinatown project area and contained within those Plans are listings of projects and expenditures planned by the CRA/LA to implement the affordable housing requirement; and

WHEREAS, the Legislature of the State of California has found that pursuant to Section 33334.2 (g) (1) of the Health and Safety Code, a redevelopment agency may use housing trust funds to provide low- and moderate-income housing outside the redevelopment project from which the tax increment funds are drawn if the redevelopment agency and the legislative body of the community determine that this use of funds will be of benefit to the project area; and

WHEREAS, the use of BH Replacement Housing Trust Funds in the Chinatown Redevelopment Project Area for the Blossom Plaza mixed use development at 900 N. Broadway will benefit the BH Project Area because such use of funds will fulfill the BH Redevelopment Plan goal to "stabilize residential communities, provide affordable housing for

low-wage workers, and induce private investment in these areas that, in turn, helps to stabilize the economy of Downtown Los Angeles

NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA DO HEREBY RESOLVE AS FOLLOWS:

The CRA/LA and the City hereby find, determine and resolve that the use of these funds outside the Bunker Hill Redevelopment Project is of benefit to the Bunker Hill Redevelopment Project, and that the expenditure of these funds for this purpose will assist in achieving the redevelopment goals of the Bunker Hill Redevelopment Project to provide high and medium density housing close to employment and available to all ethnic and social groups, and to make an appropriate share of the City's low- and moderate-income housing available to residents of the area; and that this expenditure of funds is consistent with the Five Year Implementation Plan for the Redevelopment Project.

Adopted: _____