
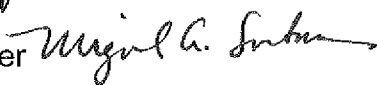


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0150-09429

Date: November 5, 2010

To: Honorable Members of the Los Angeles City Council

From: Gerry F. Miller, Chief Legislative Analyst Miguel Santana, City Administrative Officer Subject: **TERMINATION OF EXCLUSIVE NEGOTIATING AGREEMENT WITH
NIKKEI CENTER PARTNERS FOR THE FIRST AND ALAMEDA
STREET DEVELOPMENT****SUMMARY**

On August 15, 2008, the Council approved the selection of Nikkei Center Partners LLC (Developer), originally comprised of Kaji & Associates, Urban Partners, LLC and Little Tokyo Service Center, as the proposed purchaser of the City-owned property, generally bounded by First Street, Alameda Street, Temple Street and the future Hewitt Street extension (often referred to collectively as the "Mangrove Estates") on First and Alameda Streets (Property) for a purchase price of \$44 million (C.F. 07-0891). Council instructed the Office of the Chief Legislative Analyst (CLA), and other City agencies, to enter into an Exclusive Negotiating Agreement (ENA) with the Developer for a term ending on March 1, 2009, with two 90-day extensions. Pursuant to Council action, the sale was to be completed by September 1, 2009.

Due to several factors, the sale of the Property was delayed. Shortly after negotiations of the ENA between the Developer and the City were initiated, the financial markets collapsed. As a result, the Developer was forced to re-evaluate its financial commitment and requested additional time to negotiate. During this time, both the Little Tokyo Service Center and Urban Partners, LLC withdrew from the partnership, and Kaji & Associates became the sole entity comprising Nikkei Center Partners, LLC. In addition, the Developer was unwilling to proceed with negotiations without a California Environmental Quality Act (CEQA) review that would analyze the potential development of the Property. The City agreed to perform a program level Environmental Impact Report (EIR) upon the execution of the ENA (C.F. 10-0875).

The ENA was executed on August 10, 2009 with a term of six months with two 90-day extensions. Subsequent to this execution and the commencement of the EIR process, the Metropolitan Transit Authority (MTA) declared the Property as a "preferred

alternative” for the site of the proposed Regional Connector for the Blue, Red and Gold Line trains, which further hindered negotiations and impacted the sale of the Property. As a result, the Developer rejected the City’s outstanding offer to close on the sale of the Property and proposed a five-year extension of the ENA.

It is clear that the sale of the Property as proposed by the Developer will not occur. Therefore, it is recommended that the ENA between the City and the Developer for the sale and development of the Property be terminated. In addition, the CLA and City Administrative Officer (CAO) will continue to monitor the progress of the MTA’s Regional Connector and consider other development opportunities that may arise.

The program level EIR, unanimously approved by the Planning Commission on April 7, 2010, requires Council approval for certification. Because the Planning Department and its consultant analyzed a non-specific development with various scenarios in terms of housing, commercial and office space, the EIR could address a variety of developments and can be utilized to supplement future development of the Property. Any future development of the Property would still require a project-specific EIR to be approved by the Planning Commission and Council.

At this time, the Property will continue to be owned and operated by the City as a public parking lot. In November 2009, the MTA Gold Line’s Little Tokyo/Arts District Station opened traveling west on First Street and around the Property north on Alameda Street.

RECOMMENDATIONS

That the City Council:

1. Authorize the CLA to terminate the Exclusive Negotiating Agreement with Nikkei Center Partners, LLC for the purchase of a City-owned surplus property (Assessor Parcel Numbers 5173-007-905; 5173-008-901, 902, 904 through 906, and 908; and 5173-011-900) and the development of a mixed-use development on said site;
2. Concur with the June 22, 2010 action of the Planning and Land Use Management Committee (C.F. 10-0875) to adopt the EIR SCH No. 2009101091 (Case # ENV-2009-3345-EIR); and
3. Instruct the CLA and CAO to continue to monitor the progress of the Regional Connector and evaluate proposed development opportunities project for potential development.