

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 28, 2014

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Council File No. 14-0197

Council District: 14

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Housing and Community Investment Department transmittal dated February 7, 2014; received by the City Administrative Officer on February 12, 2014

Subject: **REQUEST FOR ACCOUNTING AUTHORITY IN RELATION TO A PEER REVIEW AND ANALYSIS OF THE WYVERNWOOD GARDEN APARTMENTS REDEVELOPMENT PROPOSAL**

SUMMARY

The Los Angeles Housing and Community Investment Department (HCID), in its transmittal dated February 7, 2014, seeks approval to receive and deposit \$50,000 from Fifteen Group Land and Development LLC (Applicant), an affiliate of the current owner of the Wyvernwood Garden Apartments (Wyvernwood) for the purpose of conducting an economic peer review and feasibility analysis of the proposed redevelopment of Wyvernwood. The HCID has selected Keyser Marston Associates (KMA) from a list of qualified contractors as established by a Request for Qualifications (RFQ) to conduct the analysis with the City as client. The HCID reports that due to the complexity of the project, an additional \$25,000 more than the negotiated amount may be necessary to complete the economic analysis, for a revised total of \$75,000. The additional amount may include an estimation of community benefits and a resident retention plan. The HCID is requesting the reallocation of \$25,000 from the Municipal Housing Finance Fund (MHFF) to complete the analysis by KMA. The HCID is currently negotiating the scope of work and the terms of the contract with KMA. At the regular meeting held on February 26, 2014, the Housing Committee approved an amendment to the recommendations of the HCID report allowing the HCID to negotiate and execute the Contract with KMA. This Office concurs with the recommendations of the Department as amended.

BACKGROUND

Wyvernwood Garden Apartments is comprised of 1,187 units of affordable rental housing in the Boyle Heights Area of Los Angeles (Council District 14). The City has been engaged in discussions with the Applicant to redevelop the project site and replace these units with a higher density mixed-used development that includes a proposed 4,150 units of rental and homeownership spaces, 325,000 square feet of retail and commercial space, and 11.7 acres of open space. The Applicant is seeking Council

approval for, among other things, a Specific Plan and associated zone changes, which would establish new development rights including height restrictions and allowable density on the project site.

The HCID reports that the project has the potential to displace approximately 1,200 very low income families who currently reside in rent stabilized units. The proposal includes relocation payments to displaced tenants, as well as the development of new affordable housing units on site. The Department of City Planning (DCP), Council District 14, and the Mayor's Office have asked HCID to evaluate the housing portion of the proposal for conformance with the City's Rent Stabilization Ordinance and to provide additional independent analysis of the economic feasibility to determine whether or not additional entitlements would be necessary.

The HCID's role providing technical assistance and support includes a preliminary analysis of the redevelopment proposal and potential impacts to affordable housing and the December 2012 Final EIR. During negotiations with HCID the Applicant agreed to provide an amount not to exceed \$50,000 to cover the cost of a peer review and feasibility analysis that will look at the Economic and Fiscal Impact sections of the EIR in addition to conducting a financial analysis of the financial model (Financial Model for Project Alternative F) that most closely resembles the Applicant's current proposal. The HCID reports that due to the complexity of the project, and in order to understand the true value of the proposed development, an additional amount not to exceed \$25,000 may be needed to cover an expanded scope of analysis. This analysis will provide an independent assessment to include an estimation of community benefits and a resident retention plan. HCID has agreed to provide additional funds for this analysis. These funds are currently available in the Municipal Housing Finance Fund.

The HCID selected KMA to conduct the analysis after a review of proposals from three qualified firms (David Rosen Advisors; Hamilton Rabinovitz & Associates [HR&A]; and KMA) from the list of contractors approved by the Mayor and Council in accordance with the 2012 Housing Studies and Services Request for Qualifications (RFQ) (C.F. 12-1470). HR&A was disqualified because they produced the EIR that is being peer reviewed. KMA was deemed to be most satisfactory and they agreed to make the City its client. The RFQ was issued in accordance with obligations under Charter Section 1022.

The proposed Wyvernwood development is still being evaluated by DCP and will be placed on the agenda for the City Planning Commission when DCP is ready to make their recommendation on the Specific Plan. The Applicant has applied for the Boyle Heights Specific Plan and is awaiting DCP's recommendation. The HCID will report to DCP, Mayor and Council as requested when the analysis is complete. KMA expects to conclude their review in four to six weeks after the contract is executed.

RECOMMENDATIONS

That the Council, subject to the Mayor:

1. Approve the City's receipt of \$50,000 from Fifteen Group Land Development LLC and deposit the funds into Fund 815 Municipal Housing Finance Fund;
2. Authorize the General Manager of the Housing Community and Investment Department (HCID), or designee, to:
 - a. Negotiate and execute a Contract with the contractor selected to perform the economic review and analysis related to the proposed redevelopment of Wyvernwood, in the amount

of up to \$75,000, subject to the approval by the City Attorney and compliance with the City's contracting requirements;

- b. Report back to the Mayor and Council with the results of the contractor's economic review and analysis of the proposed redevelopment of Wyvernwood; and
- c. Prepare Controller's instructions and make any necessary technical adjustments consistent with the Mayor and Council actions, subject to the approval of the City Administrative Officer, and instruct Controller to implement the instructions.

3. Authorize the Controller, or designee, to:

- a. Establish account 43K501 – Wyvernwood Economic Analyses within Fund 815 Municipal Housing Finance Fund;
- b. Appropriate \$50,000 into Account 43K501 – Wyvernwood Economic Analyses, upon receipt of the same amount from Fifteen Group Land and Development LLC;
- c. Reallocate funds within Fund 815 Municipal Housing Finance Fund as follows:

Fiscal Year	Account	Account Name	Amount
From: 2009	43E143	Housing	\$25,0000
To: 2014	43K501	Wyvernwood Economic Analyses	25,0000
	Total:		\$25,000

- d. Expend funds from Account 43K501 – Wyvernwood Economic Analyses in amount not to exceed \$75,000, upon proper demand of the HCID General Manager or designee, in relation to the Wyvernwood Garden Apartments project upon Mayor and Council approval of the execution of a contract for the services described in this report.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report provide for the acceptance of \$50,000 in Applicant funds and the reallocation of \$25,000 in Municipal Housing Finance Funds to cover the cost of the Wyvernwood Economic Analysis, as well as authority to contract with the contractor selected to perform this work. The recommendations comply with the City's Financial Policies as the proposed contract cost would be paid from project applicant and Department funds.