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Council File: C.F. 14-0197  
Council District: 14  
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The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
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The Honorable Herb Wesson  
President, Los Angeles City Council  
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Attention: Mandy Morales  
Legislative Coordinator

Attention: Richard Williams  
Legislative Assistant

**COUNCIL TRANSMITTAL: REQUEST FOR APPROVAL TO EXECUTE FIRST AMENDMENTS TO TWO CONTRACTS WITH KEYSER MARSTON ASSOCIATES IN RELATION TO THE PROPOSED REDEVELOPMENT OF THE WYVERNWOOD GARDEN APARTMENTS**

**SUMMARY:**

The Los Angeles Housing and Community Investment Department (HCIDLA) requests authority to amend two contracts with Keyser Marston Associates (KMA) for professional real estate advisory services in relation to the proposed redevelopment of the Wyvernwood Garden Apartments. The project's owner, Fifteen Group Land Development LLC (Fifteen Group) is seeking approval of the Boyle Heights Mixed Use Specific Plan which contemplates the redevelopment of the Wyvernwood Garden Apartments currently on the site. To facilitate the City's review of housing impacts of the proposed project, HCIDLA sought a third-party analysis of relevant sections of the proposal. Fifteen Group agreed to pay for a peer review and feasibility study, and KMA was selected by HCIDLA from a list of RFQ-eligible contractors for its completion. In addition, HCIDLA sought KMA's services to perform a value capture analysis of the benefits resulting from the proposed redevelopment; this contract was paid using Municipal Housing Finance Funds (MHFF). Upon completion of the initial KMA analysis, the City and Fifteen Group have considered alternative development approaches including a partial preservation of the existing apartments and a proposed increase in the number of affordable housing units in the project. In order to effectively evaluate these alternatives, HCIDLA seeks to amend the existing KMA contracts in order to receive an additional analysis of the proposed modifications.

On March 12, 2014, the Department received Mayor and Council authority to execute two contracts with KMA in relation to the Wyvernwood Garden Apartments project (C.F. 14-0197). One of the contracts was for KMA to conduct a peer review of certain sections of the environmental impact report's financial model as proposed by Fifteen Group, as well as perform an independent feasibility analysis. The proposed amendment will increase the contract amount by \$17,500, from \$50,000 to \$67,500, and Fifteen Group has agreed to fund the increase. The other contract was for the provision of a value capture analysis, which evaluated various entitlement scenarios and the community impact of the redevelopment as proposed by Fifteen Group. On or about August 27, 2014, the City Administrative Officer (CAO) approved HCIDLA's request to reallocate \$5,000 in MHFF to increase the contract amount from \$25,000 to \$30,000; however, Mayor and Council approval is required for the increased expenditure authority and contract amendment.

The table below indicates the dollar amounts of the original contracts and the amounts and sources of the proposed increases:

<b>Contract Description</b>	<b>Original Contract Amount</b>	<b>Additional Authority Requested</b>	<b>New Contract Amount</b>	<b>Funding Source</b>
Peer Review and Feasibility Analysis	\$50,000	\$17,500	\$67,500	Fifteen Group
Value Capture Analysis	\$25,000	\$5,000	\$30,000	MHFF
<b>Total</b>	<b>\$75,000</b>	<b>\$22,500</b>	<b>\$97,500</b>	

The City Attorney is currently drafting the First Amendments to both contracts. Details regarding the additional work to be performed is included in the Background section of this report.

**RECOMMENDATION:**

The General Manger of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requested that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council Committee(s) and forward it to the City Council for review and approval immediately thereafter;
- II. The City Council , subject to the approval of the Mayor, take the following actions:
  1. Authorize the HCIDLA General Manager or designee to execute a First Amendment to the Peer Review and Feasibility Study contract with Keyser Marston Associates, to increase the contract amount by \$17,500, from \$50,000 to \$67,500, in substantial conformance with the scope of work described in this report, subject to approval of the City Attorney as to form;

2. Authorize the HCIDLA General Manager or designee to execute a First Amendment to the Value Capture Analysis contract with Keyser Marston Associates, to increase the contract amount by \$5,000, from \$25,000 to \$30,000, in substantial conformance with the scope of work described in this report, subject to approval of the City Attorney as to form;
3. Authorize the City Controller to:
  - a. Appropriate an amount not to exceed \$17,500 into Account 43K501 *Wyvernwood Economic Analysis*, upon receipt of same amount from Fifteen Group Land Development LLC;
  - b. Expend funds in an amount not to exceed \$22,500 from account 43K501 *Wyvernwood Economic Analysis*, upon proper demand of the General Manager of Los Angeles and Community Investment Department (HCIDLA), or designee;
4. Authorize the HCIDLA General Manager or designee to prepare Controller's Instructions and any technical adjustments consistent with Mayor and Council actions regarding this matter, subject to the approval of the City Administrative Officer, and instruct the Controller to implement the instructions.

**BACKGROUND:**

HCIDLA, on behalf of the City, has been in negotiations with Fifteen Group regarding the owner's plan to redevelop the Wyvernwood Garden Apartments, a multi-family housing development built in 1938 in the Boyle Heights community of Los Angeles. The proposed redevelopment project, which will span 10 years and cost an estimated \$2 billion, will increase the number of housing units by approximately 3,000, from nearly 1,200 at present to over 4,000 at project completion.

Due to the size and complexity of the project, it was determined that a third-party analysis of various financing and unit mix scenarios was necessary in order for HCIDLA to effectively evaluate the potential costs and impacts. As a result, both parties agreed to utilize a consulting firm to conduct a peer review of certain sections of Fifteen Group's redevelopment plan as well as complete a feasibility study; it was also agreed that these services would be paid by Fifteen Group through an account specifically established by the City for this purpose. Additionally, HCIDLA determined that a value capture analysis was needed in order to focus on the potential value to be derived from various entitlement scenarios as well as the community benefits for current tenants and the larger Boyle Heights community. This analysis was to be paid using City Municipal Housing Finance Funds (MHFF).

On March 12, 2014, HCIDLA was granted Mayor and Council authority to execute two contracts with KMA: one in the amount of \$50,000 for the peer review and feasibility study; the other in the amount of \$25,000 for the value capture analysis. HCIDLA also received authority to establish an account for the receipt of funds from Fifteen Group for the aforementioned \$50,000 contract (C.F. 14-0197).

### Peer Review and Feasibility Analysis

KMA has completed its work under the \$50,000 contract. However, additional analyses by KMA are required in order for HCIDLA to evaluate other housing and financing scenarios. These include a supplemental feasibility analysis (using the original basic assumptions) reflecting rents at various Average Median Income (AMI) levels combined with financing structures such as 4% or 9% Low Income Housing Tax Credits (LIHTC) and/or Tax-Exempt Multifamily Bonds. In addition, a partial preservation scenario will be provided using the actual rehabilitation costs incurred for a similar project, Lincoln Place, but with costs adjusted to reflect the major differences in the scope of work for the Wyvernwood project.

### Value Capture Analysis

The services to be provided in accordance with the \$30,000 contract have been rendered. The original value capture analysis estimated the value of the increased development rights and the community benefits resulting from those rights, in the form of affordable housing, and public/open and retail space. A \$5,000 increase to the contract amount is needed in order for KMA to perform a more in-depth analysis of the community benefits derived from an increased affordability scenario, and the resulting impacts to project feasibility.

### **FISCAL IMPACT**

There is no impact to the General Fund. The \$17,500 increase will be paid using funds from Fifteen Group and the \$5,000 reallocation of Municipal Housing Finance Funds has been previously approved.

Prepared by:

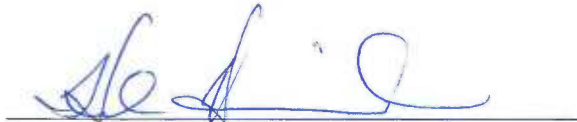


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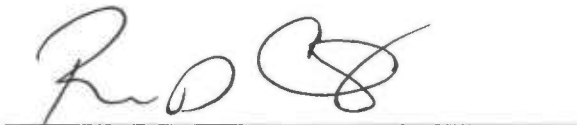
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