

0220-05247-0000

TRANSMITTAL

To: Council	DATE 11-07-16	COUNCIL FILE NO. 14-0425
From: Municipal Facilities Committee	COUNCIL DISTRICT 15	

At its meeting of October 27, 2016 the Municipal Facilities Committee adopted the recommendations of the attached Economic Workforce Development Department (EWDD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations are consistent with the Community Redevelopment Agency of Los Angeles (CRA/LA) Long Range Property Management Plan for the 10 Future Development Properties and will authorize the City to submit a Disposition Plan and to prepare documents necessary to effectuate the purchase of the former CRA/LA property at 1663 E. 108th Street, Graham/Grandee Ave., 10341 S. Graham Ave., and Grandee Avenue Park and Ride from CRA/LA at fair market value for provision of community benefits as detailed in the report.

Fiscal Impact Statement: The proposed purchase may impact on the General Fund. Prior to final Council and Mayor approvals, the purchase price, maintenance cost, and source of funds to acquire the property will be known and identified.



Miguel A. Santana
City Administrative Officer
Chair, Municipal Facilities Committee

MAS:JLVW:SMR151700032

CITY OF LOS ANGELES

CALIFORNIA

JAN PERRY
GENERAL MANAGER



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

October 19, 2016

Council File:
Council District: 15
Contact Persons & Phone Numbers:
Sam Hughes: (213) 744-9723

Miguel A. Santana, City Administrative Officer
Chair, Municipal Facilities Committee
Room 1500, City Hall East

COMMITTEE TRANSMITTAL: REQUEST APPROVAL TO SUBMIT A PROPOSED DISPOSITION PLAN TO THE CRA/LA, A DESIGNATED LOCAL AUTHORITY FOR THE WATTS TRAIN STATION

RECOMMENDATIONS

That the City Council:

1. AUTHORIZE the Mayor to submit a Disposition Plan for the Watts Train Station to CRA/LA, A Designated Local Authority (CRA/LA) for review and approval, as provided here in substantial form as Attachment A; and

That the City Council, subject to the approval of the Mayor:

1. INSTRUCT Conflict Counsel to prepare a Purchase and Sale Agreement and related documents to effectuate the City's purchase of the Property from CRA/LA, for the sale of the property surrounding the Watts Train Station, for the fair market value to be determined by a third party appraisal; and
2. INSTRUCT the Economic and Workforce Development Department (EWDD) with the assistance of the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) to prepare any additional documents necessary to effectuate the purchase of the Watts Train Station and implement the Disposition Plan; and

SUMMARY

In January 2015, the City entered into an Option Agreement to purchase the following property parcels surrounding the Watts Train Station:

1. 1663 E. 108th Street (Unimproved Lot) (APN: 6065-022-900, 6065-022-901, 6065-022-902);
2. Graham/Grandee Avenue (Train Station Plaza) (APN: 6065-023-915);
3. 10341 S. Graham Avenue (Historic Watts Train Station) (APN: 6065-023-916); and
4. Grandee Avenue (Park and Ride) (APN: 6065-023-903, 6065-023-910, 6065-023-911).

These parcels total approximately 110,967 square feet within the Watts Redevelopment Project Area and the Watts Corridors Redevelopment Project Area (Property). The Property is currently owned by the CRA/LA, successor to the Community Redevelopment Agency of the City of Los Angeles, and is categorized as a Future Development property in CRA/LA's Long Range Property Management Plan. Through the term of the Option Agreement, the City has the right to acquire the Property for the appraised Fair Market Value, as well as the right to solicit and sell the Property to a buyer that will use the Property to provide community benefits in alignment with the redevelopment plan.

This report recommends approval of the disposition plan for the City to acquire the Property from CRA/LA for the Fair Market Value (FMV), to retain the property as a park and ride facility serving the 103rd Street/Watts Towers Metro Blue Line Station. Future approvals by Council and Mayor will be required to authorize the execution of the transactional documents and adoption of the sale ordinance.

FISCAL IMPACT STATEMENT

The proposed purchase of the Watts Train Station may have a negative impact on the General Fund. Upon Mayor and City Council approval of the transaction documents, the purchase price, cost to maintain the Property, and source of funds to purchase the property will be known and identified.

BACKGROUND

In 1974, the CRA/LA purchased the Watts Train Station for the purpose of rehabilitating and preserving the building as a historic monument and restoring it to active use. For years, the redevelopment plan supported the repurposing of the train station as a Transportation Museum and Visitor Center. However, due to the project's operating and financing constraints the asset was incorporated into a larger plan for the Watts Cultural Crescent surrounding the Blue Line Station. In the Watts Redevelopment Project Area 2005-2009 Five Year Implementation Plan, the Train Station was identified as a key location for the provision of public/community services since it was and continues to be used by the Los Angeles Department of Water and Power as a payment and customer services center.

In 2003, a number of properties were purchased from the Union Pacific Railroad by the CRA/LA, including the parcel adjacent to the Watts Train Station. Soon thereafter the CRA/LA received grant funding from Metro to redevelop the property as a landscaped plaza to create a clear connection and amenity between the residential community to the east and the Metro Blue Line Station to the west. These improvements were constructed shortly after purchase by the CRA/LA and are well utilized by the community.

In 2003, the CRA/LA purchased numerous parcels from Union Pacific Railway in and around the 103rd Street Blue Line Station in order to develop improved bicycle, vehicular and pedestrian access to the Blue line Station and to assemble properties to be utilized in the realization of the Cultural Crescent Project. Metro funds were used to redevelop the property at Grandee Ave with a bicycle path, entryway to a Park and Ride Lot and a pedestrian bridge over the train tracks.

In March 2013, the Council and Mayor requested that CRA/LA include the Property as a Future Development property on the CRA/LA Long Range Property Management Plan (CF# 14-0425). By doing so and entering into an Option Agreement for the property, the City secured the opportunity to ensure ongoing community benefits, rather than being sold at auction to the highest bidder, as otherwise required in the State Dissolution statute.

Option Agreement Requirements

On December 8, 2014, Council authorized the Mayor to execute the Option Agreement for the Disposition Plan for the Watts Train Station parcels and authorized the Economic and Workforce Development Department (EWDD) to identify development opportunities, solicit development proposals, and to return to Council with a proposed Disposition Plan. The Train Station, Plaza, Park and Ride Lots and Pedestrian Bridge are well utilized by the community and are assets to Watts and should be preserved by the City.

The Option Agreement requires the City to submit for CRA/LA's approval a Disposition Plan, as provided here in substantial form in Attachment A, containing the information required for CRA/LA to approve the Plan, including:

- i. An anticipated schedule for the date of the city's proposed acquisition of the Property from CRA/LA;
- ii. A detailed plan for the use of the Property; and
- iii. Evidence that the proposed use of the Property is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan.

Anticipated Schedule for Acquisition

The City anticipates acquiring the property from the CRA/LA and retaining the Property. Funding must be identified for the purchase of the Property and may have a negative impact on the General Fund.

Development Plan

The City of Los Angeles proposes to acquire the Watts Train Station properties for the following uses:

1. 1663 E. 108th Street (APN: 6065-022-900, 6065-022-901, 6065-022-902)- future Park and Ride extension;

2. Graham/Grandee Avenue (APN: 6065-023-915)- maintain Train Station Plaza;
3. 10341 S. Graham Avenue (APN: 6065-023-916)- maintain Historic Watts Train Station; and
4. Grandee Avenue (APN: 6065-023-903, 6065-023-910, 6065-023-911)- maintain Park and Ride.

Consistency with Applicable Plans

The Buyer's proposed project to acquire and operate from the facility conforms with the stated objectives of the Watts Corridors Redevelopment Project Area – Five Year Implementation Plan and the Watts Corridors Redevelopment Plan.

Applicable objectives identified in Plan Section 105 of the Watts Corridors Redevelopment Plan include:

- Encourage the improvement of existing retail, commercial and industrial Properties.
- Include resources from all available City, public and private sources.

Applicable objectives identified in Plan Section 400 of the Watts Corridors Redevelopment Plan include:

- Acquisition of certain real property.

The proposed acquisition, operation, and improvements to the Property align with each of these Redevelopment Plan objectives.

Fair Market Value

Option Agreement Section 12 defines the method to derive the Fair Market Value of the Property. Accordingly, both CRA/LA and the City engaged separate appraisal firms to estimate the fair market value of the Property supported by an analysis of its highest and best use consistent with the Redevelopment Plan, Five Year Implementation Plan, Community Plan, the physical condition of the property, and all matters of public record pertaining to the property, including the existing lease. The Fair Market Value is determined by averaging the two values if they are within 10%, or by hiring a third appraiser if the two indicated values are more than 10% apart.

Current and Future Council/Mayor Actions

Because of the unusual circumstances related to redevelopment's dissolution in Los Angeles, the Option Agreement sets forth a series of actions and approvals between the CRA/LA and the City, in which the parties agree upon the purchase price and the City exercises the option to acquire the property.

The actions currently proposed will authorize the submission of the Disposition Plan to CRA/LA, establish the terms of the City's eventual acquisition of the property and direct counsel to prepare the transactional documents for the City to acquire from CRA/LA. After

approval of the Disposition Plan by CRA/LA, a future report will request authority from Council and Mayor to execute the transactional documents between CRA/LA and the City.

City Attorney and Conflict Counsel

The Office of the City Attorney, due to its former role as legal counsel to the Community Redevelopment Agency, currently has a conflict on many matters concerning CRA/LA and dissolution. Accordingly, the City, under the management of the Mayor's Office, has engaged Richards, Watson & Gershon as Conflict Counsel for matters in which City Attorney has a conflict. For Future Development properties including the Watts Train Station, Conflict Counsel will advise the City on the transaction between the City and CRA/LA.

Environmental Review

The recommended action is categorically exempt from provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15323 (Transfer of Ownership of Land to Preserve Existing Natural and Historical Resources) of the State CEQA Guidelines.



JAN PERRY
General Manager

JP:SH

Attachment A: Watts Train Station Proposed Disposition Plan

CITY OF LOS ANGELES

WATTS TRAIN STATION

PROPOSED DISPOSITION PLAN

Los Angeles, California

OPTION AGREEMENT

CRA/LA, A Designated Local Authority and the City of Los Angeles

October 19, 2016

City Contract C-125173

DISPOSITION PLAN
WATTS TRAIN STATION

TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY**
 - 1.1 Plan Objective
 - 1.2 Property Overview
- 2. DEVELOPMENT PLAN**
 - 2.1 Maintaining Current Public Facility Uses
- 3. ANTICIPATED SCHEDULE**
 - 3.1 Project Timeline
- 4. CONSISTENCY WITH REDEVELOPMENT AND CITY PLANS**
 - 4.1 Watts Corridors Redevelopment Plan
 - 4.2 Watts Corridors Redevelopment Project Area – Five Year Implementation Plan
 - 4.3 Southeast Los Angeles – Community Plan

1. EXECUTIVE SUMMARY

1.1 Plan Objective

The City of Los Angeles Economic and Workforce Development Department (EWDD) has prepared this Watts Train Station Disposition Plan in accordance with Section 6a of the aforementioned City-CRA/LA Option Agreement for the Watts Train Station Properties (C-125173). The objective of this Disposition Plan is to set forth the information required for CRA/LA to approve the Plan, specifically:

- i. A detailed plan for the development of the Property;
- ii. An anticipated schedule for the date of the city's proposed acquisition of the Property from CRA/LA; and
- iii. Evidence that the proposed use of the Property is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan.

1.2 Property Overview

In 1974, the CRA/LA purchased the Watts Train Station for the purpose of rehabilitating and preserving the building as a historic monument and putting it back into active use. For years, the redevelopment plan supported the repurposing of the train station as a Transportation Museum and Visitor Center. However, due to the project's operating and financing constraints the asset was incorporated into a larger plan for the Watts Cultural Crescent surrounding the Blue Line Station.

The subject property is comprised of eight parcels totaling approximately 110,987 square feet. 1663 E. 108th Street (Unimproved Lot) (APN: 6065-022-900, 6065-022-901, 6065-022-902), Graham/Grandee Avenue (Train Station Plaza) (APN: 6065-023-915), 10341 S. Graham Avenue (Historic Watts Train Station) (APN: 6065-023-916), Grandee Avenue (Park and Ride) (APN: 6065-023-903, 6065-023-910, 6065-023-911).

2. DEVELOPMENT PLAN

2.1 Maintaining Current Public Facility Uses

The anticipated development plan consists of maintaining current public facility uses. Key features in alignment with the intended uses of the site include the following:

- 1663 E 108th Street (APN; 6065-022-900, 6065-022-901, 6065-022-902)- maintain existing conditions.
- Graham/Grandee Avenue (APN: 6065-023-915)- maintain Train Station Plaza.
- 10341 S. Graham Avenue (APN 6065-023-916)- maintain Historic Watts Train Station.
- Grandee Avenue (APN 6065-023-903, 6065-023-910, 6065-023-911)- maintain Park and Ride.

Maintaining current public facility uses is consistent with the requirements of the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the project area, in addition to compliance with the requirements of the California Environmental Quality Act (CEQA).

3. ANTICIPATED SCHEDULE
3.1 Project Timeline

The City holds the Option Agreement with the CRA/LA for the Site and will engage in the process of obtaining the property in order to ensure the viability of any proposal. The Option Agreement requires the City to pay Fair Market Value to the CRA/LA at the time of acting on the Option.

Development Schedule on Next Page

ATTACHMENT A

DEVELOPMENT SCHEDULE: ACQUISITION OF OPTION PARCELS	
WATTS TRAIN STATION	
MILESTONES	SCHEDULE
SELECTION OF PROJECT DEVELOPMENT TEAM	Completed
NEGOTIATE MAJOR DEAL POINTS, INCLUDING EXCLUSIVE NEGOTIATING AGREEMENT (ENA) IF APPROPRIATE <ul style="list-style-type: none"> • Determine project scope and major deal points • Selected developer to initiate entitlement and CEQA actions, as required • City prepares Disposition Plan for submission to CRA/LA 	Ongoing
APPRAISALS <ul style="list-style-type: none"> • City and CRA/LA agreement on Joint Appraisal Instructions and commencement of Full Market Value (FMV) appraisals • Completion of appraisals and agreement on FMV Purchase Price (including third appraisal if required) 	Under Review
COUNCIL/MAYORAL ACTIONS (1) <ul style="list-style-type: none"> • Approve Major Deal Points/ENA with Developer <i>(to be subject to future CEQA documentation/Determination as required)</i> • Instruct City Attorney to draft Development Agreement (DA), and City-Developer Sale Ordinance • Authorize Mayor to submit Disposition Plan to CRA/LA 	30 days, assuming referral only to Economic Development Committee
PROJECT DISPOSITION PLAN <ul style="list-style-type: none"> • City submits Disposition Plan to CRA/LA • CRA/LA review and approval of Disposition Plan by Governing Board and Oversight Board • Initiate preparation of City-CRA/LA Purchase Agreement (by Conflict Counsel Richards Watson Gershon) 	30-45 days
COUNCIL/MAYORAL ACTIONS (2) <ul style="list-style-type: none"> • Authorize execution of City-CRA/LA Purchase Agreement (PA) to acquire CRA/LA parcel(s) • Authorize execution of City-Developer DA (subject to completion of CEQA) • Authorize Mayor to execute Option and submit acquisition documents to CRA/LA • <i>NOTE: if CEQA review is completed, Council could take the actions shown at Council/Mayoral Actions 3, below, at this time, including CEQA Determination and adoption of the City-Developer Sale Ordinance</i> 	45 days
PREPARATION OF CEQA ANALYSIS AND REPORTS, AS REQUIRED	

4 CONSISTENCY WITH REDEVELOPMENT AND CITY PLANS

4.1 Watts Corridors Redevelopment Plan

The Proposed Project is consistent with the provisions of the Watts Corridors Redevelopment Plan as follows:

The Watts Corridors Redevelopment Plan has relevant objectives. An explanation of how this project adheres to each of the provisions is below.

- 1) Objective 3b of Section 105 states "Include resources from all available City, public and private sources."
 - All available resources are being included as part of the proposed plan at the Watts Train Station.
- 2) Section 401.2 aims to accomplish the objectives of the Plan through "Acquisition of property".
 - The potential buyer strives to purchase the parcels that comprise the Watts Train Station and encourage the improvement of conditions within both the property and neighborhood.

4.2 Watts Corridors Redevelopment Project Area – Five Year Implementation Plan

The Proposed Project is consistent with the provisions of the Watts Corridors Redevelopment Project Area – Five Year Implementation Plan, as follows:

There are several Goals from Section I-A of The Five Year Implementation Plan of the Watts Corridors Redevelopment Project Area that support the project. These goals are listed below.

4. "To implement economic development strategies that will provide employment opportunities for local residents."
 - The Los Angeles Department of Water and Power customer services center and kiosk tenant provide employment opportunities at the site. The proposed plan aims to maintain current employment.
9. "Enhance the safety of residents, business owners, employees and visitors, and their property."
 - The potential buyer strives to maintain the Historic Watts Train Station, the Train Station Plaza, and Park and Ride. Maintenance includes property safety.
15. "Assist in the retention and quality of key service providers in the Watts Corridors community (i.e. grocery store, utility service payment centers)."
 - Los Angeles Department of Water and Power is a key service provider at the property. The potential buyer aims to continue use as a payment and customer services center.

4.3 Southeast Los Angeles – Community Plan

The potential future development will be consistent with the provisions of the Southeast Los Angeles – Community Plan, as follows:

The Southeast Los Angeles – Community Plan has several relevant Opportunities. Below is a justification of how this project is in compliance with these Opportunities.

- 1) "Preservation of historic structures or districts in transportation districts, corridors and at transit stops."
 - The proposed plan aims to maintain the Historic Watts Train Station as well as the Train Station Plaza and Park and Ride.
- 2) "Large, contiguous parcels, e.g., in older industrial areas, have the potential to create significant development."
 - The potential buyer aims to maintain current public facility uses while remaining open to the economic development potential of the large parcels that comprise the property.
- 3) "Establish appropriate transition uses between industrial and adjoining uses, especially residential."
 - Several years ago, CRA/LA purchased the parcel adjacent to the Watts Train Station. Soon thereafter, CRA/LA received grant funding from Metro to redevelop the property as a landscaped plaza to create a clear connection and amenity between the residential community to the east and the Metro Blue Line Station to the west. The proposed plan aims to maintain the train station plaza.

The Southeast Los Angeles – Community Plan also has a relevant Issue which the project addresses.

- 1) "A public transit system capable of adequately serving the Community and addressing the regional transit needs."
 - The proposed plan strives to address regional transit needs by building a parking lot Extension at 1663 E 108th Street. This will complement the Park and Ride located Grandee Avenue.