

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 26, 2017

CAO File No. 0111-31341

Council File No. 14-0425-S8

Council District: 14

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer



Subject: **REQUEST AUTHORIZATION TO PREPARE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT (ENA) WITH AZURE DEVELOPMENT, INC. FOR THE CITY-OPTIONED PROPERTY LOCATED AT 110 SOUTH BOYLE AVENUE**

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor, authorize the Economic and Workforce Development Department (EWDD) and the Housing and Community Investment Department (HCID) to prepare and execute an Exclusive Negotiating Agreement (ENA) with Azure Development for the CRA/LA property at 110 South Boyle Avenue (the Property), authorize staff to prepare additional documents necessary to effectuate the purchase and sale, and to make technical corrections or adjustments that may be required.

SUMMARY

The Property was included as a Future Development property on the CRA/LA Long Range Property Management Plan (C.F. 14-0425). The City entered into an Option Agreement for the property to ensure that the disposition would provide ongoing community benefits.

On December 8, 2014, Council authorized the Mayor to execute the Option Agreement for the Property and authorized EWDD to identify development opportunities and solicit development proposals. The RFP was released in May 2016. The recommended developer is Azure Development, who is proposing a mixed use project with 36 units of affordable housing for elderly veterans, 7,500 s.f. of community serving commercial retail, and 37 parking spaces.

The City anticipates acquiring the property from the CRA/LA and conveying it to the Developer in a double escrow. A future report will request authority from the Council and the Mayor to execute the transactional documents between CRA/LA and the City, and between the City and Buyer.

FISCAL IMPACT STATEMENT

There is no General Fund impact from the proposed transaction. As an Affected Taxing Entity under the Dissolution Statute, the City will receive into its general fund a portion of the sales proceeds as property tax income upon the future sale of the property.

TRANSMITTAL

To:

THE COUNCIL

Date: 4/20/2017

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor

JAN PERRY
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017



ERIC GARCETTI
MAYOR

April 19, 2017

Council File: 14-0425-S8
Council District No: 14
Contact Person & Phone Number:
Samuel Hughes, (213) 744-9723

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Mandy Morales, Legislative Coordinator

COMMITTEE TRANSMITTAL: REQUEST AUTHORIZATION TO PREPARE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT (ENA) WITH AZURE DEVELOPMENT, INC. FOR THE CITY-OPTIONED PROPERTY LOCATED AT 110 SOUTH BOYLE AVENUE

The General Manager of the Economic and Workforce Development Department (EWDD), or designee, respectfully requests that your office review and approve this transmittal and forward to the City Council for further consideration.

RECOMMENDATIONS

The General Manager of Economic and Workforce Development Department (EWDD) or designee, respectfully requests that the Mayor and City Council:

1. AUTHORIZE the General Manager of the Economic and Workforce Development Department (EWDD), or designee, and the General Manager of the Housing and Community Investment Department (HCID), or designee, to prepare and execute an Exclusive Negotiating Agreement with Azure Development, Inc. to effectuate the purchase and sale of 110 South Boyle Avenue;
2. AUTHORIZE the General Manger of the EWDD, or designee, and General Manager of the HCID, or designee, with the assistance of the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO), to prepare any additional documents necessary to effectuate the purchase and sale of 110 South Boyle Avenue; and
3. AUTHORIZE the General Manager of the EWDD, or designee, and the General Manager of HCID, or designee, to make technical corrections or adjustments that

may be required and are consistent with this action, subject to the approval of the CAO.

FISCAL IMPACT STATEMENT

The proposed actions regarding the purchase and sale of 110 South Boyle Avenue have no impact on the general fund. As an Affected Taxing Entity under the Dissolution Statute, the City will receive into its general fund a portion of the sales proceeds as property tax income upon the future sale of the property.

SUMMARY

On November 22, 2016, the City Council, with the Mayor's concurrence on November 23, 2016 (C.F. 14-0425-S8), authorized the City to submit the Disposition Plan and to prepare documents necessary to effectuate the disposition of the former CRA/LA property located at 110 South Boyle Avenue (Property).

Azure Development, Inc. (Azure) was selected through a competitive selection process, Request for Proposals (RFP) issued by the Economic and Workforce Development Department in May 2016. The RFP contemplated: 1) a mix of affordable housing and commercial uses; 2) sufficient parking to support the economically viable uses for the project.

Proposed Project

The proposed project is located in Council District (CD) 14, consisting of a vacant 14,000 square foot parking lot at 110 South Boyle Avenue. Azure proposes to develop a mixed use project that will include 36 units of affordable housing for elderly veterans, 7,500 square feet of community serving commercial retail, and 37 parking spaces.

Property

The Property is currently owned by the CRA/LA - DLA, successor to the Community Redevelopment Agency of the City of Los Angeles (CRA/LA), 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 consistent with the provisions of the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the Project Area.

Developer

Azure Development, Inc. and Hitzke Development Corporation (Development Team) responded as joint partners to the RFP for the project site at 1st & Boyle. The Development Team is organized to effectively manage the execution of the project. Azure and its assembled team are uniquely able to achieve the goals sought by the City given their collective experience developing high quality mixed-use and affordable housing projects in close partnership with cities across Southern California.

The Development Team proposes to finance the residential portion of the project with tax credits, conventional debt, private equity, deferred developer fee and other soft loan

sources. Having developed both commercial retail and housing projects, the principals of the respective firms each have significant development and project management experience coupled with relationships with banks and private equity investors.

The recommendations in this report are for the authorization to prepare and execute an Exclusive Negotiating Agreement (ENA) with Azure Development, Inc. Future approvals by Council and Mayor will be required to authorize the execution of other transactional documents and adoption of the sale ordinance.

BACKGROUND

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 (C.F. 14-0425). By doing so and entering into an Option Agreement for the property, the City secured the opportunity to ensure that the disposition of the Property would provide ongoing community benefits, rather than being sold at auction to the highest bidder, as otherwise required in the State Dissolution statutes.

On December 8, 2014, Council authorized the Mayor to execute the Option Agreement for 110 South Boyle Avenue and authorized the Economic and Workforce Development Department (EWDD) to identify development opportunities, and solicit development proposals. On May 11, 2016, EWDD released a RFP for the Property. The RFP notice was posted to the Los Angeles Virtual Business Assistance Network, the EWDD website, as well a private real estate development opportunity website in an attempt to ensure the broadest reach possible. In response to the RFP, EWDD received two (2) proposals.

On November 22, 2016, a panel consisting of staff from the CAO, EWDD, HCID and two community members selected by Council District 14 convened to review, score, rank and recommend a Developer. After evaluating the selection criteria and totaling the scores, Azure was selected as the recommended Developer. Now that Azure has been selected to develop the site it is necessary to proceed with an ENA as a step towards exercising the City's option to acquire the Property. The ENA and any related contractual agreements will include specific requirements to ensure that future development of the site will result in a project that 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 California Environmental Quality Act (CEQA).

The City anticipates acquiring the property from the CRA/LA and conveying it to the Developer in a double escrow into which the Developer will submit the purchase price and CRA/LA will submit the grant deed to convey the property. Although the City will be a party to the escrow and the transaction, the City will not utilize any General Funds for acquisition nor receive any of the initial sale proceeds.

In May 2016, the Council and Mayor adopted the Asset Management Strategic Planning Framework for the evaluation of City properties for economic development uses (C.F. 12-1549-S3). In the Framework, CRA/LA Future Development properties are included

as a separate category of properties, for which EWDD, HCID and other departments as necessary will manage solicitation and disposition. Such properties are not subject to the Administrative Code provisions for surplus properties.

The proposed sale of the Property to the Buyer will further the goals of the Redevelopment Plan and serve the economic development goals of the City by alleviating blight and providing affordable housing, an economic development program and community-serving retail. Because of the 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, and between the City and the Buyer, through which the City sells the property to the Buyer and memorializes the conditions of sale through recordation of a covenant.

The actions currently proposed will authorize the preparation and execution of an ENA, and direct counsel to prepare other transactional documents for the City to acquire from CRA/LA and sell to the Buyer. A future report will request authority from Council and Mayor to execute the transactional documents between CRA/LA and the City, and between City and Buyer. The City will not execute the purchase agreement from CRA/LA unless and until the Buyer has executed the agreement to purchase the Property from the City.

The Office of the City Attorney, due to its previous role as legal counsel to the former Community Redevelopment Agency, currently has a conflict on many matters concerning the former CRA/LA and its dissolution. Accordingly, the City, under the coordination 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 110 South Boyle Avenue, conflict counsel will advise the City on the transactions between the City and CRA/LA. City Attorney will advise the City on issues related to the City's sale of the Property to the Buyer.



JAN PERRY
General Manager

JP:SH