

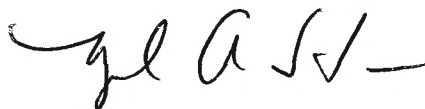
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TRANSMITTAL

To: Council	DATE 11-18-16	COUNCIL FILE NO. 08-3470
From: Municipal Facilities Committee		COUNCIL DISTRICT 14

At its meeting of November 17, 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 disposition of the former CRA/LA property at 110 South Boyle Avenue, per the disposition plan attached to the report.

The proposed purchase and sale is not anticipated to have any immediate 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. The amount of the unanticipated income is unknown at this time.



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

JAN PERRY
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

November 14, 2016

Council File:
Council District: 14
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
PROPERTY LOCATED AT 110 SOUTH BOYLE AVENUE**

RECOMMENDATIONS

That the City Council:

1. AUTHORIZE the Mayor to submit a Disposition Plan for 110 South Boyle Avenue to 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. DETERMINE that a sale of the City-optioned property at 110 South Boyle Avenue to Buyer will assist in the economic development of the City and that the public interest is best served by the direct sale of the property;
2. 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 fair market value as determined by the methods described within the Option Agreement;
3. INSTRUCT the City Attorney to prepare and present a Purchase and Sale Agreement, Grant Deed, Covenant Agreement and Sale Ordinance to effectuate the City's sale of 110 South Boyle Avenue to Buyer under the terms to be negotiated and for the fair market value as determined by the methods described within the Option Agreement;

4. INSTRUCT the Economic and Workforce Development Department (EWDD) and the Los Angeles Housing and Community Investment Department (HCIDLA) 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 implement the Disposition Plan; and
5. AUTHORIZE EWDD and HCIDLA to make technical corrections or adjustments that may be required and are consistent with this action, subject to the approval of the CAO.

SUMMARY

In January 2015, the City entered into an Option Agreement with CRA/LA – A Designated Local Authority to purchase a parcel consisting of a vacant 14,000 square foot former parking lot at 110 South Boyle Avenue (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.

The recommendations in this report are for the approval of the Disposition Plan as required under the Option Agreement, which includes a description of a conceptual scope of development, an anticipated schedule of performance, and evidence that the proposed use of the property is consistent with the Redevelopment Plan, the Five Year Implementation Plan, and the Community Plan for the project area. 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 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. The potential amount of property tax income is unknown at this time.

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 (CF# 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.

Option Agreement Requirements

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, solicit development proposals, and to return to Council with a proposed Disposition Plan.

Current Activities

On May 11, 2016, EWDD released a Request for Proposals (RFP) for the Property. The RFP was posted to the Los Angeles Business Assistance Virtual Network, the EWDD website, as well as a private real estate development opportunity website in an attempt to ensure the broadest outreach possible. In response to the RFP, EWDD received a total of two (2) proposals which are currently under review. Once a developer has been selected, EWDD will enter into an Exclusive Negotiating Agreement (ENA) with the developer 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 Option Agreement requires the City to submit for CRA/LA's approval a Disposition Plan containing the information required for CRA/LA to approve the Plan, including:

- i. An anticipated schedule;
- ii. A plan for the development of the Property; and
- iii. Evidence that the proposed use 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 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.

Consistency with Applicable Plans

As part of the ENA, acquisition and future development of the site would conform to the stated objectives of the Adelante Eastside Redevelopment Project - Redevelopment Plan. Applicable objectives include but are not limited to contributing to CRA/LA's plan of constructing affordable housing and increasing the supply and quality of commercial retail shopping opportunities and promoting the retention and development of a variety of commercial retail outlets in the Adelante Project Area.

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. 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.

Sale for Economic Development Purpose

In May 2016, the Council and Mayor adopted the Asset Management Strategic Planning Framework for the evaluation of City properties for economic development uses (Framework, CF #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. The sale will be at Fair Market Value. Although sale proceeds will initially go to CRA/LA, the City as a taxing entity will receive approximately 26% of the proceeds as future property tax receipts.

Current and Future Council/Mayor Actions

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 submission of the Disposition Plan to CRA/LA, and direct counsel to prepare the transactional documents for the City to acquire from CRA/LA and sell to the Buyer. 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, 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.

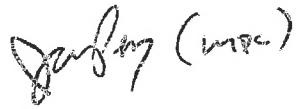
Environmental Review

The recommended action (Review and Approval of a Disposition Plan) is statutorily exempt from provisions of the California Environmental Quality Act (CEQA), pursuant to Section 15262 (Feasibility and Planning Studies) of the State CEQA Guidelines. Further, pursuant to Section 15004(b) (2) (A) of the State CEQA Guidelines, future use of the property would be subject to environmental review compliance pursuant to CEQA and CRA/LA approval of the future project.

City Attorney and Conflict Counsel

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.

A handwritten signature in black ink, appearing to read "Jan Perry (mrc)".

JAN PERRY
General Manager

JP:SH

Attachment A: Proposed Disposition Plan for 110 South Boyle Avenue

CITY OF LOS ANGELES

1st and Boyle

PROPOSED DISPOSITION PLAN

110 South Boyle Avenue

Los Angeles, California

OPTION AGREEMENT

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

November 17, 2016

City Contract C-125181

DISPOSITION PLAN

1ST AND BOYLE

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 - 4.3 Boyle Heights Community Plan

1. EXECUTIVE SUMMARY

1.1 Plan Objective

The City of Los Angeles Economic and Workforce Development Department (EWDD) has prepared this Disposition Plan to be in accordance with the Option Agreement from City Contract C-125181 with regards to the property at 110 South Boyle Avenue., Los Angeles, CA. The objective of the Disposition Plan is to address and expound upon the requirements set forth in Section 6A of the aforementioned Agreement:

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

The Redevelopment and City Plans referenced in this Disposition Plan can be found online as follows:

- Adelante Eastside Redevelopment Project - Redevelopment Plan
- Adelante Eastside Redevelopment Project – Five -Year Implementation Plan
- Boyle Heights Community Plan

1.2 Property Overview

An overview of the parcel and history of the Site is necessary to provide context for the Disposition Plan.

The Site is generally bounded by East 1st Street on the north, South Boyle Avenue on the west, residences on the south, and an alley on the east. It consists of a single 14,600 square foot parcel (APN 5174-018-900). The development proposal aims to transform the property from a vacant lot to a community serving Mixed-Use Site. The Property is currently maintained by the City of Los Angeles Board of Public Works Office of Community Beautification, and is situated at 110 South Boyle Avenue., Los Angeles, CA 90033.

Notable attractions in the immediate vicinity include the Mariachi Plaza and newly renovated Boyle Hotel. It is within one block of local Bus Lines, the Metro Gold Line Subway Station, and various small businesses. Within walking distance are a number of popular cafes and restaurants.

The objective of the proposed development is to complement Boyle Heights' historic sites and ongoing projects with a design reflective of the culture celebrated at Mariachi Plaza.

2. DISPOSITION PLAN

2.1 Mixed-Use Development

The anticipated development plan is a mixed-use project that would include affordable housing and commercial retail. The anticipated future project will be developed by a development team that has evidence appropriate ability to complete the mixed-use development. As part of an Exclusive Negotiation Agreement (ENA), details of the future project shall be established. Key project features that shall be worked out in alignment with the intended uses of the Opportunity Site include the following:

- commercial retail
- satisfactory parking
- affordable housing units and type

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.

Developer Schedule on Next Page

DEVELOPMENT SCHEDULE: ACQUISITION OF OPTION PARCEL	
1ST AND BOYLE	
MILESTONES	SCHEDULE
SELECTION OF PROJECT DEVELOPMENT TEAM	Ongoing
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. COMPLY WITH PRE-EXISTING PLANS

4.1 Adelante Eastside Redevelopment Project - Redevelopment Plan

The proposed project is consistent with the provisions of the Adelante Eastside Redevelopment Project - Redevelopment Plan as follows:

It is consistent with the relevant Project Objectives of Section 106:

1. "Improve the quality of life for those who live and work in and visit the Project Area through enhanced business, employment, housing, shopping, entertainment, recreational, and educational opportunities".
 - o The proposed development improves the quality of life in the Project area through affordable housing and retail.
2. "Promote the elimination and prevention of the spread of blight and deterioration, and promote the conservation, rehabilitation, renewal and redevelopment of the Project Area".
 - o While currently an empty lot that has had issues with illegal dumping, the prospective development aims to counter-act deterioration by providing mixed-use development to the Site.
3. "Encourage the involvement and participation of residents, business owners, property owners and community organizations from the Project Area in the redevelopment of the Project Area".
 - o The final development will consider concerns of residents of the immediate area.
4. "Preserve and increase employment, training, business and investment opportunities through redevelopment programs, and to the greatest extent feasible, promote these opportunities for residents who reside in or adjacent to the Project Area and for businesses that are located in the Project Area".
 - o The proposed development intends to aid the Project Area through the creation of jobs related to retail.
8. "Promote and encourage the development of facilities for community services such as libraries, police stations, and health and human services programs to meet the needs of those who live and work in the Project Area".
 - o The proposed development includes preliminary uses and services that are aligned with feedback received from the community.
14. "Promote the development of sound residential neighborhoods through mechanisms such as ... sensitive mixed-use and in-fill housing rehabilitation and development ...".
 - o Consisting of affordable housing and retail, the proposed mixed-use urban infill development is sensitive to the unique urban fabric of the project area.
15. "Minimize the proliferation of businesses that have a detrimental effect on the community, such as liquor stores, bars, adult oriented businesses other similar uses".
 - o The proposed development does not include any such businesses.

4.2 Adelante Eastside Redevelopment Project - Five -Year Implementation Plan

The proposed project is consistent with the provisions of the Adelante Eastside Redevelopment Project – FiveYear Implementation Plan as follows:

It is consistent with the relevant goals of Section 1-A:

- "Increase the supply and improve the quality of commercial retail shopping opportunities and promote the retention and development of a variety of commercial retail and entertainment outlets"

- A variety of uses are being considered for the retail component of the potential development.

It is consistent with the CRA's affordable housing objective of Section IV-A-1-a:

- "The CRA/LA will continue utilizing housing set-aside revenues generated from the Adelante Project Area and other housing development and rehabilitation funding sources to preserve, improve or construct affordable housing for residents both within and adjacent to the Adelante Project Area."
 - With an emphasis on affordable housing, the prospective Buyer aims to contribute to CRA/LA's plan of constructing affordable housing in the Adelante Project Area.

4.3 Boyle Heights Community Plan

The proposed project is consistent with the provisions of the Boyle Heights Community Plan as follows:

It is consistent with the relevant provisions of the "Purpose of the Community Plan" section.

- "Planning the remaining commercial and industrial development opportunity sites for needed job-producing uses that improve the economic and physical condition of the Boyle Heights community."
 - The potential mixed-use development includes retail, which is a job producing use that aspires to improve the economic and physical condition of the community.

It addresses the relevant issues contained in the "Community Issues and Opportunities" section.

- "Need to provide more affordable housing".
 - The housing component of the potential development has an emphasis on affordable housing.
- "Lack of convenient shopping services in portions of the community".
 - In close proximity to the Metro Gold Line Subway Station, Boyle Hotel, and Santa Cecilia Apartments (move-in date late 2016), the project aims to provide retail to a prominent corner of an evolving commercial and residential neighborhood.
- "Inadequate parking for commercial businesses".
 - The potential development is to include parking.

It is consistent with the relevant provisions of the "Neighborhood Character" section.

- "Preserve the continuity of the streetscape and enhance community identity".
 - The prospective development intends to enhance community identity with a design reflective of the culture celebrated at Mariachi Plaza.