

TRANSMITTAL

To:

THE COUNCIL

Date: 3/13/2018

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garceiti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCEITI
Mayor

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

March 9, 2018

Council File: 14-0425-S9
Council District No: 8
Contact Person: Samuel Hughes
Contact Phone: (213) 744-9723

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

Attention: Mandy Morales, Legislative Coordinator

REQUEST AUTHORIZATION TO PREPARE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT WITH NCNVISION, LLC FOR THE CITY-OPTIONED PROPERTY LOCATED AT 3685 SOUTH VERMONT AVENUE

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

RECOMMENDATIONS

The General Manager of the 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 (ENA) with NCNvision, LLC (NCNvision) to construct a mixed use residential/retail/commercial project (the Project), and effectuate the purchase and sale of 3685 South Vermont Avenue (the Property);
2. REQUEST the City Attorney to prepare a Purchase and Sale Agreement, and related documents to effectuate the City's purchase of the Property from CRA/LA-DLA, a Designated Local Authority (CRA/LA) for the fair market value as determined by the methods described within the Option Agreement;
3. REQUEST the City Attorney to prepare and present a Development and Disposition Agreement, a Grant Deed, Covenant Agreement and Sale Ordinance

to effectuate the City's sale of 3685 South Vermont 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. REQUEST the Mayor to submit the Disposition Plan for 3685 South Vermont Avenue (APN 5040-030-905) to CRA/LA for approval, as required by the Option Agreement between the City and CRA/LA, in order to document how the Project as herein described conforms to the Redevelopment Plan, the Five Year Implementation Plan, and the South Los Angeles Community Plan;
5. AUTHORIZE the General Manager of EWDD, or designee, and General Manager of 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 3685 South Vermont Avenue; and
6. AUTHORIZE the General Manager of EWDD, or designee, and 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 3685 South Vermont 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 December 22, 2014, the City Council authorized the Mayor to enter into Option Agreements to purchase ten (10) properties from CRA/LA, the successor agency to the former Redevelopment Agency of the City of Los Angeles (C.F. 14-0425). Council also authorized the EWDD and HCID, with the assistance of other City departments, to determine the City's best use of the ten (10) CRA/LA properties for economic development and/or affordable housing purposes and solicit development proposals. 3685 South Vermont Avenue, APN5040-030-905, is one of the ten (10) City-Optioned properties.

The EWDD issued a Request for Proposals (RFP) on August 14, 2017, seeking creative development proposals which would capitalize on a set of preferred uses and contribute to long-term economic growth in the area. While there is no preferred community request for a particular development program, the key uses contemplated in the RFP included community serving mixed use with ground floor commercial retail or small open space. Through several cycles of solicitation, and with concerted efforts by EWDD and other City departments, NCNvision was selected.

Proposed Project

The proposed project is located in Council District 8, consisting of a vacant lot of approximately 34,000 square feet within a public facilities zone in South Los Angeles located at 3685 South Vermont Avenue. NCNvision proposes to acquire the site from the City and develop a mixed use residential/retail/commercial project (Project) consisting of 52 units of market rate residential housing, 45 units of workforce housing, 17 units of affordable housing and a ground floor commercial campus with 13,000 square feet to be occupied by Los Angeles Cleantech Incubator, and other retail spaces.

Property

The Property is currently owned by 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 (C-125175), 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/Buyer

NCNvision responded to the RFP for the project site located at 3685 South Vermont Avenue. NCNvision is organized to effectively manage the execution of the project and its assembled team is uniquely positioned to achieve the goals sought by the City given the extensive experience of the firm, particularly in developing high quality mixed-use housing projects in close partnership with cities throughout Southern California.

NCNvision, a special purpose entity, consists of two co-developer partners and one financial partner. The Development Team's financial partner will provide the equity infusion necessary for initial implementation of the project. CORE, the co-developer partner, has considerable experience with the regulations and process required to secure available affordable housing funding sources.

Disposition Plan

Section 6a of the Option Agreement between the City and CRA/LA requires the City to submit to CRA/LA for approval a Disposition Plan which sets forth:

- 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 South Los Angeles Community Plan.

The Recommended actions request that the Mayor submit the Disposition Plan to CRA/LA as required.

The recommendations in this report are for the authorization to prepare and execute an ENA with NCNvision, to request City Attorney to prepare other transactional documents for the City to enable the acquisition from CRA/LA and sale to the Buyer, and to request

the Mayor to submit the Disposition Plan, to CRA/LA for review and approval, as required under the Option Agreement. Future approvals by the City Council and the Mayor will be required to authorize the execution of such other transactional documents and adoption of the sale ordinance.

BACKGROUND

In March 2013, the City Council and the 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 ensured 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 January 12, 2015, the City Council authorized the Mayor to execute the Option Agreement (C-125175) for 3685 South Vermont Avenue and authorized the EWDD to identify development opportunities and solicit development proposals. On August 14, 2017, 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, to ensure the broadest reach possible. In response to the RFP, EWDD received five (5) proposals.

On October 31, 2017, a panel consisting of staff from three City departments (CAO, EWDD and Planning) convened to review, score, rank and recommend a developer. After evaluating the selection criteria and totaling the scores, NCNvision's proposal scored the highest. To proceed with NCNvision, it is necessary to enter into an ENA as a step towards exercising the City's option to acquire the Property. The ENA and any related 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, and will comply 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; 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 does not plan to utilize any General Funds for the acquisition nor will the City receive any of the initial sale proceeds.

In May 2016, the City Council and the 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 to be managed by EWDD, HCID and other departments as necessary to manage their 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 and the anticipated development of the Property will further the goals of the Redevelopment Plan and serve the affordable housing and economic development goals of the City by alleviating blight and by

providing affordable housing and community-serving retail uses. Because of the circumstances related to the dissolution of redevelopment in Los Angeles, the Option Agreement sets forth a series of actions and approvals between the CRA/LA and the City. These actions include provision for agreement on the purchase price and the City's exercise of the option to acquire the Property. Additional actions include provisions between the City and the Buyer, through which the City sells the Property to the Buyer and memorializes the conditions of the sale through recordation of a covenant. Provision of these community benefits will be secured by the covenant recorded on the Property. Although sale proceeds will initially go to CRA/LA, the City as a taxing entity will receive approximately 26% of the sale proceeds as General funds, through disbursement by the County Auditor-Controller as part of its general distribution of former Agency "tax increment" funds.

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 enable the acquisition from CRA/LA and sale to the Buyer. A future report will request authority from the City Council and the Mayor to execute the transactional documents between CRA/LA and the City, and between the City and the Buyer. The City will not execute the purchase agreement with CRA/LA unless and until the Buyer has executed the agreement to purchase the Property from the City.



JAN PERRY
General Manager

JP:SH:ck