

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: September 6, 2017

TO: Honorable Members of the Information, Technology, and General Services Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 17-0520
Assignment No: 17-08-0810

Purchase of Property at 5400 Crenshaw Boulevard to Develop a City Parking Lot

SUMMARY

Motion (Harris-Dawson/Bonin), adopted by the Council on June 6, 2017 (C.F. 17-0520), directed the Department of Transportation (DOT), with the assistance of the Department of General Services (GSD), Chief Legislative Analyst (CLA), and the City Administrative Officer (CAO), to evaluate the feasibility of purchasing real property at 5400 Crenshaw Boulevard, Los Angeles, CA 90043 for use as a surface parking lot, to include due diligence of the environmental condition of the property, and to review the appraisal and title report. At this time, City staff has completed its review and recommends that the City Council take the necessary actions to purchase the site for use as a parking lot. This report provides the necessary instructions required to purchase the site for \$1,800,000 using Recovery Zone Economic Development Bonds. We further recommend that our Office be instructed to negotiate and execute an Exclusive Negotiation Agreement (ENA) with WA/ID-5400 Crenshaw, L.P., a California Limited Partnership, for the opportunity to develop the site at a future date.

RECOMMENDATIONS

That the City Council:

1. Direct and authorize the Department of General Services, with the assistance of the Chief Legislative Analyst, Department of Transportation, the City Administrative Officer, and request the City Attorney to take the necessary actions to acquire the property located at 5400 Crenshaw Boulevard Los Angeles, CA 90043 for the purchase price of \$1,800,000 for the development of a City parking lot, including the negotiation and execution of any necessary agreements;
2. Subject to the approval of the Mayor:
 - A. Authorize the use of up to \$2,122,583.52 in Recovery Zone Economic Development Bonds proceeds and interest earning from MICLA Bonds, Series

2010-C Fund No. 26K for the predevelopment, acquisition, and development of 5400 Crenshaw Boulevard, Los Angeles, CA 90043 into a City parking lot;

B. Authorize the Controller to establish and appropriate \$2,122,583.52 within Fund No. 26K MICLA Revenue Bonds 2010-C Construction to a new appropriation account entitled 5400 Crenshaw Blvd., Los Angeles Parking Lot;

3. Find that the project falls under Class 1 (15304) exemptions under the California Environmental Quality Act (CEQA) as well as the Class 1, Category (d) 4 in the City of Los Angeles Environmental Quality Act Guidelines (2002). None of the limitations set forth in State CEQA Guidelines 15300.2 applies to this action;
4. Direct the CLA, with the assistance of the City Attorney and such departments as may be required, to negotiate and execute an Exclusive Negotiating Agreement with WA/ID-5400 Crenshaw, L.P., a to be formed California Limited Partnership regarding a potential future development of 5400 Crenshaw Boulevard, based on the framework discussed within this report; and
5. Authorize the CLA to make any technical corrections including Controller instructions and take any additional actions to effectuate the purchase of 5400 Crenshaw Boulevard as described herein and instruct the Controller to effectuate such instructions as necessary.

FISCAL IMPACT

Approval of the recommendations will appropriate up to \$2,122,583.52 in bond proceeds and interest earnings from Recovery Zone Economic Development Bonds for the purchase of real property. This amount is savings from prior bond issuances and there is no impact to the General Fund.

DISCUSSION

Currently in construction, the Metro Crenshaw/LAX Line will extend from the existing Metro Exposition Line at Crenshaw and Exposition Boulevards and will travel 8.5 miles to the Metro Green Line, providing an additional transit connection to LAX. Due to construction of the Crenshaw/LAX line, approximately 300 parking spaces in and around the Crenshaw commercial corridor will be permanently lost. The City Council directed DOT, with the assistance of GSD, CLA, and the CAO to study a parcel located at 5400 Crenshaw Boulevard (“property”) as a potential site for a surface parking lot that would replace a portion of the lost parking.

The property, which is tied to 3304 West 54th Street, is a one-half acre vacant lot adjacent to an existing City parking lot located on 11th Avenue. The property is currently a gravel parking lot used as temporary public parking. A small billboard is located on the northeast corner of the property. Upon purchase, the City would assume the billboard lease and collect a modest amount of rent annually. DOT commissioned a study of the available parking areas in the Crenshaw corridor and the report, released in August 2017, found the property to be a Tier 1 location and

highly viable. Environmental reports completed in May and July 2017 were reviewed by the Bureau of Engineering, which found the site to be without significant containment levels.

West Angeles Community Development Corporation (West Angeles) originally intended to acquire the property and is currently in escrow to purchase the site from West Angeles City Place LLC, an entity comprised of CIM/5400 Crenshaw L.P. and West Angeles Community Development Corporation. West Angeles is unable to acquire the property at this time and is amenable to transferring escrow to the City so the City may purchase the property. A March 2017 appraisal ordered by West Angeles found the property to be valued at \$1,800,000. GSD's commissioned appraisal (May 2017) found the value to be \$1,585,000. We recommend the City purchase the property for \$1,800,000 based on several factors, including the fact that the City would be assuming terms of an existing purchase agreement, replacing lost parking, and the potential for future development on the site. However, it is a policy decision by the Council to determine the City's purchase offer.

Our Office further recommends that the City reimburse West Angeles \$14,375 for the environmental studies performed by West Angeles that were used by the City to evaluate the property. Such reimbursement will be provided through escrow upon closing. Upon the sale of the property, CIM would receive 99.997 percent of the net proceeds, while West Angeles would receive the balance. DOT estimates that constructing a surface parking lot at the property which includes design, permitting, signage, and lighting will cost \$150,000. This lot will provide 60-70 new parking spaces to the area. The lot could be connected to the City's existing parking lot at 5407 11th Street (Lot #633) in the future. A project budget is provided below:

Purchase Price 5400 Crenshaw	\$1,800,000
Parking lot improvements	\$150,000
Total	\$1,950,000

The total project cost (acquisition and improvements) of \$1,950,000 will be funded from proceeds from Recovery Zone Economic Development Bonds issued in 2010. These bonds were created as part of the American Recovery and Reinvestment Act and used to improve "recovery zones", areas designated by the City as having significant poverty, unemployment, foreclosures, or general distress. The property is located in one of these zones and is thus eligible to be purchased with these funds. These bond funds have various covenants and rules which will need to be adhered to by the City as development on this site progresses.

As part of the transaction of the City replacing West Angeles as the buyer of the property, West Angeles has requested that the City enter into an ENA with WA/ID-5400 Crenshaw, L.P., a to be formed California Limited Partnership which will include West Angeles Community Development Corporation, a California nonprofit corporation and Integral Development LLC. Integral Development has 25 years' experience creating master planned, mixed-use and mixed-income communities, multi-family and senior housing residences, and transit-oriented developments. Due to the special benefits of partnering with a community development team committed to the Crenshaw community and whose vision for the site includes a mixed-use development that will bring much needed retail and housing to the area, we recommend that our Office be authorized to negotiate and execute the ENA. Once an ENA is executed, the City

would be restricted to partnering solely with West Angeles/Integral Development during the ENA term should a future development opportunity occur on the property. Negotiations will be structured around the following framework:

- The term of the ENA shall be two years with an option to renew for an additional year.
- West Angeles will have the right, but not the obligation, to purchase or lease the property.
- West Angeles' right to acquire the property is conditioned on West Angeles developing the property solely for a mixed-use retail/housing development that materially benefits the community, which may include senior, workforce and/or low-income housing, social enterprise and/or business incubator space, at minimum 100 percent replacement parking for the City's parking lot, resident-serving amenities, and community facilities.
- West Angeles currently intends to develop the property in conjunction with Integral Development, LLC.
- West Angeles would have access to the property to perform due diligence at reasonable times and with reasonable notice after the City acquires the property and prior to expiration of its right to acquire the property. The City will provide access to or copies of its files relating to the property for review by West Angeles.



Clay McCarter
Analyst