

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 31, 2023

CAO File No. 0220-05213-0013

Council File No. 19-0987

Council District: 11

To: The City Council

From: *Uplenda Chavez*
for Matthew W. Szabo, City Administrative Officer

Reference: West LA Civic Center Redevelopment Project

SUBJECT: **EXTENSION OF THE EXCLUSIVE NEGOTIATION AGREEMENT FOR THE WEST LOS ANGELES CIVIC CENTER REDEVELOPMENT PROJECT (C-138393)**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor, authorize the City Administrative Officer to execute the attached amendment to the Exclusive Negotiation Agreement (C-138393) with West LA Commons, LLC, for the West LA Civic Center Redevelopment Project, located at 1645 Corinth Avenue in Council District 11, for an additional four (4) months, from November 23, 2023 to March 22, 2024, and up to two (2) 12-month extension options through March 22, 2026, for a total term of up to 28 months, at the City's sole discretion, subject to final review and approval by the City Attorney.

SUMMARY

On February 24, 2021, the City Council authorized the City Administrative Officer (CAO), to negotiate and enter into an Exclusive Negotiation Agreement (ENA) with West LA Commons, LLC, (Developer) for the creation of a mixed-use development on City-owned property at the West Los Angeles Civic Center located at 1645 Corinth Avenue in Council District 11 (C.F 19-0987). The current ENA (Contract No. 138393) is in the fourth 90-day extension period and expires on November 22, 2023. Due to the increase in interest rates and construction costs, the Developer has requested additional time to resolve the estimated project gap. This report provides a project update and requests authority to extend the current ENA.

BACKGROUND

On April 20, 2020, the Mayor and City Council authorized the execution of a Memorandum of Understanding between the City and the County to release a joint City-County Request for Proposals to redevelop the West Los Angeles Civic Center site. The Developer was selected in February 2021, and the City and the County executed separate ENAs with the Developer.

The West Los Angeles Civic Center site is a 7.6 acre property that falls within the boundary of Santa Monica Boulevard, Corinth Avenue, Iowa Avenue and Butler Avenue. The City-owned portion is 4.6 acres, which includes a municipal building, a senior center, surface parking lots and open space. The adjacent 3-acre County-owned property includes the West Los Angeles Courthouse and surface parking lots. The West LA Civic Center Redevelopment Project includes improved municipal space, new commercial retail space, and green space, 926 new housing units, including 413 low-income units, parking, and a new Felicia Mahood Senior Center.

The County is the designated lead on the entitlement process and is working with the City to meet the requirements of the California Environmental Act (CEQA). Each jurisdiction is entitling the project separately, and the Project is being reviewed as a single project under CEQA. The City's ENA with the Developer, executed on May 26, 2021, for a term of 18 months with four 90 day extension options expires on November 22, 2023.

Project Status

The City and the County have worked with the Developer to negotiate the project terms, site planning, space planning entitlement pathway, permitting process, preparation for the Environmental Impact Report (EIR), the re-mapping of the property, and community outreach. In February 2023, the Developer reported an increase in financing and construction costs, reducing the Developer's yield from 5.98 percent to 5.1 percent. The Developer has requested additional time to resolve the shortfall and to allow market conditions to improve. In addition, it has been determined that additional design enhancements should be included on the site. The CAO is working with the Developer, the Bureau of Engineering, and the Departments of Recreation and Parks and General Services to finalize these changes.

Proposed ENA Extension

Although much progress has been made, additional time is needed to allow the City and the County to work with the Developer to complete the final project description and resolve the Project funding gap. The CAO, therefore, is requesting authority to extend the ENA for an additional four (4) months to March 22, 2024, and up to two (2) 12-month extensions, to be exercised at the City's sole discretion, for a total proposed term of up to 28 months. The County's Project team is requesting approval for the same time extension for their ENA from the County Board of Supervisors.

Working in partnership, the City and County have developed milestones for the Developer for the first four (4)-month extension period. These milestones include the submission of the following:

- An updated Project Description and Revised Site Plan;
- An updated EIR Schedule;
- An updated Entitlements Schedule;
- An updated Legal Documents Negotiation Schedule;
- Project Phasing: Buildout and Delivery; and
- An updated Project Proforma.

In addition, Section 1.2 of the draft ENA has been amended to allow the City to notify the Developer regarding an ENA extension at least one (1) business day prior to the expiration date of the negotiating period.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund as a result of the recommendations in this report.

FINANCIAL POLICIES STATEMENT

The recommendations stated in this report comply with the City's Financial Policies.

MWS:YC/IR:15240021

Attachment: Draft First Amendment to the Exclusive Negotiating Agreement (C-138393)

FIRST AMENDMENT
TO THE
EXCLUSIVE NEGOTIATING AGREEMENT (C-138393)
BY AND BETWEEN
THE CITY OF LOS ANGELES
AND
WEST LA COMMONS, LLC

This First Amendment to the Exclusive Negotiating Agreement (C-138393) (this “Amendment”) is entered into as of this 23rd day of November, 2023 by and between the City of Los Angeles acting through the Office of the City Administrative Officer (the “City”), and West LA Commons, LLC, a Delaware limited liability company (the “Developer”), with reference to the following facts:

RECITALS

WHEREAS, on May 26, 2021, the City and the Developer (hereinafter referred to as the “Parties”) entered into that certain Exclusive Negotiating Agreement (the “ENA”) to establish the process and standards for the negotiation of the potential development and disposition of the City owned parcels located at the West Los Angeles Civic Center (the “Proposed Project”);

WHEREAS, the Parties have been engaging in good faith negotiations and have determined that additional time is required to continue negotiations beyond the current expiration date of the ENA of November 22, 2023; and

WHEREAS, terms used in this Amendment and not otherwise defined shall have the respective meanings set forth in the ENA.

WITH REFERENCE TO THE FACTS RECITED ABOVE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Amendment hereby agree as follows:

Section 1. Amendment

1.1 Section 1.2 of the ENA is amended and restated in its entirety as follows:

Section 1.2 Negotiating Period.

a. Subject to extension due to the extension rights provided in this Section 1.2, the negotiating period under this Agreement shall expire on March 22, 2024, unless extended pursuant to the provisions of this Section 1.2 (the “Negotiating Period”). If the Definitive Agreements have not been executed by the Parties by the expiration of the Negotiating Period, then this Agreement shall terminate and neither Party shall have any further rights or obligations under this Agreement, except for those rights and obligations that expressly survive the termination of this Agreement. Notwithstanding the foregoing, the Negotiating Period shall be subject to two (2) extension options of twelve (12) months each, exercisable in accordance with the following:

1. With respect to the first twelve (12) month extension option, if, at least ten (10) Business Days prior to the end of the Negotiating Period the Developer delivers to the City (i) an updated Project Description and Revised Site Plan, (ii) an updated Environmental Impact Report Schedule, (iii) an updated Entitlements Schedule, (iv) an updated Legal Documents Negotiation Schedule, (v) Project Phasing: Buildout and Delivery, and (vi) an updated Project Proforma (collectively, the “Extension Deliverables”), then the Negotiating Period may be extended for twelve (12) months by the City Administrative Officer (the “CAO”), in his/her sole discretion, by delivery of written notice to Developer at least one (1) Business Day prior to the then expiration date of the Negotiating Period; provided, that the CAO will determine the sufficiency of, and may elect to waive the delivery requirement for any of, the Extension Deliverables in his/her sole discretion.

2. With respect to the second twelve (12) month extension option, the Negotiating Period may be extended for an additional twelve (12) months by the CAO, in his/her sole discretion, by delivery of written notice to Developer at least one (1) Business Day prior to the then expiration date of the Negotiating Period.

b. If an extension is not granted or otherwise authorized by this Section 1.2, then this Agreement shall terminate upon the expiration of the Negotiating Period and the Parties shall have no further rights or obligations, except for those rights and obligations that expressly survive the termination of this Agreement. If the Definitive Agreements are executed by both Parties, then upon such execution this Agreement shall terminate, and all rights and obligations of the Parties shall be as set forth in the executed

Definitive Agreements. Except as expressly provided in this Section 1.2, the Negotiating Period may be extended only by written amendment to this Agreement, and no other act or failure to act by City or any of its representatives shall result in an extension of the Negotiating Period.

Section 2. Miscellaneous

2.1 Headings. The section headings of this Amendment are included for reference purposes only and shall not affect the construction or interpretation of any of the provisions of this Amendment.

2.2 Continuing Effect. Except as provided herein, the provisions of the ENA shall remain in full force and effect in accordance with the terms thereof.

2.3 Counterparts. This Amendment may be executed by each Party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument. Unless otherwise prohibited by law or City policy, an electronic or scanned signature shall have the same force and effect as an original ink signature. For the purposes of this Amendment, “electronic signature” is an electronic identifier, created by computer, attached or affixed to or logically associated with an electronic record, executed or adopted by a person with the intention of using it to have the same force and affect as the use of a manual signature, and “scanned signature” is a manual signature that has been placed on a document that has been scanned into an electronic record.

(Signature page follows)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized representatives.

THE CITY OF LOS ANGELES,
a Municipal Corporation

By: _____
MATTHEW W. SZABO.
City Administrative Officer

WEST LA COMMONS, LLC
a Delaware limited liability company

By: AvalonBay Communities, Inc., a
Maryland corporation, its member

By: _____
Mark Janda
Senior Vice President

By: WEST LA AC, LLC, A California
limited liability company, its member

By: Abode Communities, a California
nonprofit corporation, its sole member

By: _____
Lara Regus
Senior Vice President, Development

APPROVED AS TO FORM:

HYDEE FELDSTEIN SOTO
City Attorney

By: _____
Justin M. Winegar
Deputy City Attorney

Date: _____

ATTEST:

HOLLY L. WOLCOTT
City Clerk

By: _____
Deputy City Clerk

Date: _____

City Business License Number:
Internal Revenue Service Taxpayer Identification Number: _____
Agreement Number: C-138393