

MEMORANDUM

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DATE: JANUARY 20, 2011 C91670
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TO: CRA/LA BOARD OF COMMISSIONERS 100350
FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER
STAFF: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR
JENNY SCANLIN, PROJECT MANAGER
WILLIAM CIPES, ASSISTANT PROJECT MANAGER
SUBJECT: **Slauson-Wall Project.** Second Amendment to Exclusive Negotiating Agreement to extend the term and recognize T.R.U.S.T. South LA as the new name of the Figueroa Corridor CLT and Loan Agreement for the CRA/LA to receive \$500,000 in predevelopment funds from T.R.U.S.T South LA and the Figueroa Corridor Land Company for the property located at 5867 S. Los Angeles Street in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area.
Downtown Region (CD 9)

RECOMMENDATIONS

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

1. Authorize the Chief Executive Officer, or designee, to negotiate and execute the Second Amended Exclusive Negotiating Agreement with the Figueroa Corridor CLT and the Figueroa Corridor Land Company (collectively, the "Developer") to extend the Negotiating Period, and recognize the Developer's name change from Figueroa Corridor CLT to Tenemos que Reclamar y Unidos Salvar la Tierra-South LA (T.R.U.S.T. South LA);
2. Authorize the Chief Executive Officer, or designee, to negotiate and execute a \$500,000 Loan Agreement with the Developer for the CRA/LA to borrow funds for specific predevelopment costs; and
3. Amend the 2011 Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area Budget to recognize the receipt of a \$500,000 Loan from the Developer for specific predevelopment costs.

SUMMARY

On June 17, 2010 CRA/LA acquired 5867 S. Los Angeles Street (the "Site"), a 7-acre site currently improved with approximately 195,000 square feet of industrial space to develop affordable housing, public open space, and a community-serving institutional use.

An existing Amended Exclusive Negotiation Agreement ("ENA") with the Figueroa Corridor CLT and the Figueroa Corridor Land Company (collectively, the "Developer") provides for the negotiation of a Disposition and Development Agreement ("DDA") under which it is anticipated that the entire Site will be master planned for a variety of uses and a portion of the Site will be developed by the Developer as affordable housing (the "Project").

The recommended actions authorize the negotiation and execution of a Second Amendment (the "Second Amendment") to the existing ENA to extend the Negotiation Period sixty days, to October 3, 2011. CRA/LA and the Developer may mutually agree to extend the Negotiation Period further for two ninety day periods. Staff expects to return to the Board for approval of a DDA for the Property in June 2011. The Second Amendment also recognizes a name change by Figueroa Corridor CLT to Tenemos que Reclamar y Unidos Salvar la Tierra-South LA (T.R.U.S.T. South LA).

The recommended actions authorize the negotiation and execution of a Loan Agreement (the "Loan Agreement") with the Developer to provide \$500,000 to CRA/LA for relocation and demolition activities, which will be secured by a Second Deed of Trust against the Site. The funds can be used for all relocation and demolition expenses on the Site. The original expenditure plan for the Project anticipated funding relocation and demolition with sources that will not be available until the latter part of this fiscal year. However, a recent fire on the site has made it imperative that the CRA/LA move swiftly to relocate tenants. CRA/LA has provided all affected tenants with 90-day notices, and hopes to have the majority of tenants moved by the end of February 2011. The Loan Agreement will provide the immediate funding needed for these activities. If CRA/LA enters into a DDA with the Developer, the \$500,000 will most likely be assumed as the Developer's contribution to the Project. If a DDA is not executed, the CRA/LA will repay the funds out of the FY 2012 Budget with 3% interest on any funds expended. The loan will be due and payable by no later than March 31, 2012.

PREVIOUS ACTIONS

October 15, 2010 – Council adopted CRA/LA recommendations regarding disposition of property to Figueroa Corridor CLT and related requests. (CF#09-2665-S1)

September 16, 2010 – CRA/LA Board approved: disposition of a portion of the Property to Figueroa Corridor CLT for the fair market value of \$2.7 million, with an agreement to manage and an option to repurchase, for the purposes of creating public open space uses; and Amendment to Exclusive Negotiation Agreement with Figueroa Corridor CLT/Figueroa Corridor Community Land Company to provide \$170,000 in CRA/LA funds for master planning activities.

June 26, 2010 – Council action to reprogram CDBG funds in the amount of \$2,716,936 from CRA/LA to Figueroa Corridor CLT for the acquisition of the Site (CF# 09-2665-S1).

December 16, 2009 – Council adopted CRA/LA recommendations relative to the acquisition of property located at 5867 South Los Angeles Street, for an amount not to exceed \$13 million to provide affordable housing and public open space. (CF# 09-2837)

November 19, 2009 – CRA/LA Board approved acquisition and financing of property located at 5867 South Los Angeles Street, including an Exclusive Negotiation Agreement with the Figueroa Corridor CLT/Figueroa Corridor Community Land Company.

November 4, 2009 – Council action to approve the use of AB1290 and CDBG funds. (CF#09-2541)

DISCUSSION & BACKGROUND

Location

The Site is 7-acres (303,000 square feet), and is bordered by Slauson Avenue on the north, South Los Angeles Street on the west, Wall Street on the east, and single family housing on the south. It is zoned MR1-1 and improved with approximately 195,000 square feet of leasable industrial space that was built in the 1930s-1950s and is in fair to poor condition. The leasable space is only 25% occupied, housing 15 small businesses with month-to-month leases. CRA/LA expects to complete relocation activities by March 2011.

Developer Entity

Tenemos que Reclamar y Unidos Salvar la Tierra-South LA ("T.R.U.S.T. South LA"), formerly known as the Figueroa Corridor CLT, is a nonprofit corporation, formed in 2005, as a permanent steward of land and land leases for affordable housing and other community needs for neighborhoods surrounding the Figueroa Corridor, from Staples Center on the north, to Slauson Avenue on the south. T.R.U.S.T. South LA's founding partners are Abode Communities (formerly Los Angeles Community Design Center), Strategic Actions for a Just Economy (SAJE), and Esperanza Community Housing Corporation. The Figueroa Corridor Land Company is a nonprofit established as a vehicle for purchasing, holding and entitling Land Trust properties and is housed within Abode Communities.

In 2007, the CRA/LA entered into a contract (#503219) with the Developer to provide up to \$2 million for the acquisition of land within the Figueroa Corridor for development of affordable housing. In late 2009, CRA/LA determined that the Site would be best suited to meet the goals of this contract. The ENA signed in June 2010 allowed the CRA/LA to retain and use the \$2 million as a Good Faith Deposit from the Developer for CRA/LA towards the purchase of the Site, and laid out a timeframe and guidelines for predevelopment of the Site and negotiation of the terms of a Disposition and Development Agreement for affordable housing.

Selection Process

The Developer was selected in 2009 as a result of an informal Request for Proposals ("RFP") for development of the affordable housing portion of the Site. The Developer was considered the most responsive of the three qualified developers that responded to the RFP.

Description and Project Context

CRA/LA will continue to manage the Site until it is ready for construction, at which time CRA/LA will subdivide and entitle the Site for all development activities. The parcel allotted for development of affordable housing would then be transferred through a DDA for construction of those improvements. The parcel identified for community-serving institutional uses will be transferred to a charter school developer and operator, to be selected via a Request For Proposals that will be released in February 2011.

In November 2010 the CRA/LA was awarded \$5 million in Statewide Park Program funds to construct public open space improvements on the Site. Following planning and construction, CRA/LA will transfer the completed open space parcel to the Department of Recreation and Parks for long-term ownership and maintenance.

Project History

The Site was identified as an opportunity site in the CD9 Project Area's Open Space Strategic Plan that was presented to the CRA/LA Board of Commissioners on June 5, 2008. One of the

goals of the CD9 Project Area Redevelopment Plan is to expand community facilities, including parks and youth centers. The Ninth Council District has only .43 acres of open space per 1,000 residents, compared to 1.2 acres per 1,000 residents for South Los Angeles overall, and the overall national standard of 6.5 – 10 acres per 1,000 residents.

This area poses a significant planning challenge, as the primarily industrial corridor is directly adjacent to a residential neighborhood. Slauson Avenue is a major traffic thoroughfare, with four lanes of traffic, a railroad right of way running along the northern portion of the street, and primarily industrial frontage. A mix of residential and industrial uses is located along the blocks to the east and west, and the Site itself is bordered by single family housing to the south. The surrounding north/south streets are not well-suited to truck traffic and are often crowded. This mix of uses renders new industrial development extremely challenging, and makes the creation of an active park space an attractive transitional use between the truck traffic on Slauson Avenue and the single family homes behind it. Further, with several schools in development a few blocks to the west and east, and the Augustus Hawkins Wetlands facility about one mile to the east, the proposed new park creates a greenway along Slauson Avenue that can draw South Los Angeles residents together and create a new community hub for recreation and outdoor play.

The current change map for the Southeast Community Plan considers this block a transition area and suggests a commercial designation for the property which would allow for the development of a park or housing by right. The Site presents an opportunity to strengthen the adjacent residential neighborhood and facilitate a better transition between industrial uses along Slauson Avenue and residential uses to the south. The remaining property on the block frontage at Slauson Avenue is owned by the nonprofit Brotherhood Crusade, which houses its headquarters on site. CD9 Project Area staff have met with the executive director and received strong support for redevelopment of the Site. As part of the application process for Proposition 84 funds, Figueroa Corridor CLT conducted extensive community outreach to area residents, who provided input into potential park design and expressed overwhelming support for the Project.

Due to a recent fire on the Site which damaged electrical equipment, relocation of the current tenants needs to take place within the next sixty days. The Developer Loan will provide funds necessary to expedite relocation and demolition of the existing buildings to alleviate and avoid any potential code violations on the Site.

Community Benefits

The existing ENA provides that all applicable CRA/LA policies will be imposed on the future development of the Site through the DDA and construction of public improvements. The eventual development is proposed and will be planned to include approximately 106 units of affordable housing, targeting low-income families earning less than 60% of Area Median Income, and 4-acres of public open space. As noted above, the neighborhoods surrounding Slauson-Wall are some of the most park-poor in the Los Angeles County, with approximately 30-times less park space per capita than the County as a whole.

Financial Analysis

Development of the affordable housing portion of the Site is anticipated to be financed through low-income housing tax credits, state and local sources and will need authorization from the CRA/LA for the final disposition of the Site based on a complete development and financing plan as well as CEQA review. CRA/LA was recently awarded \$5 Million in Statewide Park

Development funds for the open space portion of the Site. Remediation of environmental contamination on the Site will be funded with a combination of a credit from the Seller, a US EPA Brownfields Environmental Remediation Grant, and a Developer contribution will be negotiated as part of the DDA. CRA/LA staff is also considering the possible development of a portion of the Site for a community-serving institutional or commercial use.

ECONOMIC IMPACT

Based on preliminary cost estimates, the construction of the park and housing would result in 350 construction jobs, and four permanent jobs. A majority of the Site would remain tax-exempt after development of the Project. However, the development is expected to increase surrounding property values and catalyze additional private investment in the area.

SOURCE OF FUNDS

No CRA/LA funds are required for this action. In case CRA/LA does not execute a DDA with the Developer, \$515,000 of Tax Increment will be set-aside in the FY2012 Budget and Work Program to repay any of the Loan funds expended, with 3% interest.

PROGRAM AND BUDGET IMPACT

Approval of this action will amend the 2011 CD9 Project Area Budget to recognize receipt of a \$500,000 loan from the developer for specific predevelopment costs. These funds will be budgeted as part of the FY12 C9 budget and work program. In case CRA/LA does not execute a DDA with the Developer, \$515,000 of Tax Increment will be set-aside in the FY2012 Budget and Work Program to repay any of the Loan funds expended, with 3% interest.

There is no impact on the City's General Fund as a result of this action.

ENVIRONMENTAL REVIEW

The Second Amendment to the ENA is statutorily exempt from provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15262 of the CRA/LA CEQA Guidelines. The relocation and demolition of onsite uses that are in violation of code are categorically exempt from CEQA pursuant to Section 15308 of the CRA/LA CEQA Guidelines.

The specific future uses for the Site will be evaluated in the appropriate CEQA document once the site planning process is complete. That document will be brought to the CRA/LA Board of Commissioners for review and consideration prior to or at the time a DDA for the entire Site is brought for consideration.

AUTHORITY GRANTED TO CEO OR DESIGNEE

If the action is approved, the CRA/LA Chief Executive Officer, or designee would be authorized to take such actions as may be necessary to carry out the Loan Agreement and Second Amended ENA, including, but not limited to: (1) negotiating and executing a Second Amended Exclusive Negotiation Agreement; (2) negotiating and executing a Loan Agreement with the Developer; and (3) executing a promissory note secured by a Second Deed of Trust against the Property.

Christine Essel
Chief Executive Officer

By

Calvin E. Hollis
Chief Operating Officer

There is no conflict of interest known to me that exists with regard to any CRA/LA officer or employee concerning this action.

Attachment A: Site Map
Attachment B: Project Summary Report