

MEMORANDUM

DATE: JUNE 15, 2006 CT2600

TO: AGENCY COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR  
LILLIAN BURKENHEIM, PROJECT MANAGER  
ED HUANG, SENIOR PLANNER

SUBJECT: ENVIRONMENTAL ACTION, APPROVAL OF RESIDENTIAL USES, DENSITY VARIATION, SCHEMATIC DESIGN DRAWINGS AND OWNER PARTICIPATION AGREEMENT FOR A MIXED-USE DEVELOPMENT LOCATED AT EIGHTH STREET AND GRAND AVENUE IN THE DOWNTOWN FINANCIAL CORE CITY CENTER REDEVELOPMENT PROJECT DOWNTOWN REGION (CD 9)

RECOMMENDATION

That the Agency:

1. Adopt the attached Resolution (Attachment A) certifying that it has reviewed and considered the environmental effects of the Project as shown in the City of Los Angeles Mitigated Negative Declaration (hereinafter "MND") ENV 2005-7367 MND, pursuant to State CEQA Guidelines Section 15096(f) for the proposed mixed-use project at the northeast corner of 8<sup>th</sup> Street and Grand Avenue ("Project Site");
2. Approve residential uses on the commercial designated parcels to allow the development of the mixed-use projects pursuant to Section 503.6 of the City Center Redevelopment Plan ("Redevelopment Plan");
3. Approve three density variations of 49,999 square feet each, pursuant to Sections 512.4, 512.6 and 520 of the Redevelopment Plan by making the necessary determinations which will permit the development of three mixed-use buildings, on three separate and distinct parcels, ranging from 15 to 38 stories and located at 770 S. Grand Avenue, 717 S. Olive Street and 721 S. Olive Street;
4. Approve Master Site Plan for the project and the Schematic Design Drawings for Phase I;
5. Recognize the developer contribution of \$1.5 million to Skid Row Housing Trust for the gap financing necessary for the development of new service-enriched, affordable housing for very low-income homeless individuals located in the Redevelopment Project, including the 115-unit Abbey Apartments Project and the 76-unit Cobb Apartments Project, both complexes located on San Pedro

between Fifth and Sixth Streets as public benefit in support of the increase in FAR; and

That the Agency, subject to City Council review and approval:

6. Request that the City Council adopt the attached environmental resolution and approve the proposed Owner Participation Agreement (“OPA”) for the development of a mixed-use project, Thermo Grand, located at the northeast corner of Grand Avenue and 8<sup>th</sup> Street.

### SUMMARY

The Agency entered into an OPA with Pacific Atlas Development Corporation on December 28, 1990 for the development of two office towers and an open air plaza on the southerly portion of the Property (the PAC Atlas Project, see site map, Attachment B) located on the block bounded by 7<sup>th</sup> Street, Grand Avenue, Olive and 8<sup>th</sup> Streets, and a hotel on the northerly portion of the Property adjacent to Seventh Street, at a total approved Floor Area Ratio (“FAR”) of 7:1. Subsequently, Pacific Atlas purchased all 134,000 square feet of the Transferable Floor Area Ratio (“TFAR”) from the CRA for the development of the hotel at \$43 a square foot, for a total of \$5,762,000, as authorized in the OPA. These funds were used to support the rehabilitation of the Young Apartments (a 66 unit very low-income complex) and Grand Central Square, which contains 60 low-income units. The Pac Atlas project was approved but not developed due to litigation by outside parties and the downturn in the economy of the early 1990’s.

The First Implementation Agreement dated June 29, 1993 allowed the acquired density to be moved within the site. Although the OPA was subsequently terminated, the rights to use the Additional TFAR remained in effect. Section I of the 1999 Termination Agreement provides: “...the transfer of the Additional TFAR to the Hotel Site as provided in the OPA shall survive said termination of the OPA. Agency acknowledges that it has received the Hotel Development Phase TFAR Payment as contemplated by Section 601 of the OPA in full payment for the future use...of the Additional TFAR.” The Agreement went on to state that the TFAR could only be used by the parties after a successor OPA was entered into by the Agency and the developer.

### The Project

The currently proposed project contemplates a master planned, three phased, high density, mixed-use project containing approximately 875 condominium units above approximately 36,349 square feet of ground floor commercial retail space on three discrete parcels. Building heights will range from 15 stories to 38 stories. To achieve this proposed development scope, the developer is requesting three 49,999 square foot density variations, one for each of the three parcels. The project will also provide approximately 61,162 square feet of open space including (a) a paseo consisting of a mid-block landscaped pedestrian mall fronting retail uses, approximately 22,225 square feet in size, (b) a roof-deck recreation area approximately 31,825 square feet in size, (c) a fitness room approximately 1,500 square feet in size, and (d) ground-level open space approximately 5,612 square feet in size. The Community Context is described in Attachment C.

By entering into the OPA, the developer is agreeing to the terms and conditions set by Agency policy including payment of Prevailing Wages and Public Art Policy. Additionally, although the transaction is a variation rather than a transfer, the Project will provide community benefits that exceed the community benefits which would be required under the draft Transfer of Floor Area valuation procedures (See Attachment E) if those procedures were currently in effect. The developer has or will provide the following community benefits:

- Developer has elected to contribute \$1.5 million to Skid Row Housing Trust for the gap financing of 191 units of housing with supportive services for very low-income households. These funds provide the remaining gap that the Trust needs in order to secure its tax credit allocation for two supportive housing developments. The 115 unit Abbey Apartments will be located at 625-633 South San Pedro Street. These units will provide 90 units for formerly homeless individuals including 45 units for mentally ill people and 45 units for individuals with co-occurring disorders. The Charles Cobb Apartments, located at 521 South San Pedro Street, is proposed as a 76 unit supportive housing development combining independent living (private bathrooms and kitchenettes, with the support and amenities of a communal kitchen and dining, meeting rooms, computer rooms and services).
- Develop a high density mixed-use transit oriented development (TOD) adjacent to the Metro Center and with improved linkages to transit systems, as described in the OPA's Scope of Development.
- Develop a mid-block Pedestrian walkway connecting Grand Avenue and Olive Street designed as an attractive, landscaped open space, which promotes pedestrian accessibility and activity with the retail shops lining the pathway, and pedestrian linkages to public sidewalks and nearby transit stops.
- Work to obtain LEED certification of the building utilizing innovative, sustainable design into the project.
- Construct streetscape improvements along Olive Street, 8<sup>th</sup> Street and Grand Avenue, including the planting of 89 trees on site and a contribution towards the planting of 129 additional trees within ½ mile from the Site.

The City of Los Angeles Planning Department ("City Planning Department") approved a Mitigated Negative Declaration on February 24, 2006. The Deputy Advisory Agency held a public hearing on the Proposed Project on February 4, 2006, for subdivision, zone variance and administrative adjustment approvals, under Vesting Tentative Tract Map No. 62522 for a merger and re-subdivision into 3 lots for a total of 875 joint live/work condominium units and 6 commercial condominium units. The Deputy Advisory approved these entitlement requests on February 24, 2006.

#### Need for Land Use and Design Approval

The City Center Redevelopment Plan designates the project site for Commercial and the Agency's discretionary approval is required for the newly proposed residential use of the site. Section 503.6 of the Redevelopment Plan, titled "Residential Uses within Commercial Areas", gives the Agency discretionary authority to permit appropriately designed and properly located residential facilities within commercial areas. The Scope of Development attached to the OPA outlines development standards and design criteria

for the project. It includes criteria for sustainable development as well as criteria for transit-oriented development, the first one of this kind in Agency's DDA's and OPA's.

The site currently is a surface parking lot, surrounded by a variety of buildings of various ages and conditions, some of which are considered historical. The proposed mixed residential and retail is compatible with the current uses in the area, and the added residential stock will contribute to the establishment of 24-hour community in downtown.

According to the submitted Master Site Plan and Schematic Design Drawings for phase I, the proposed project will implement several Redevelopment Plan objectives, such as facilitating the development of underutilized areas, promoting the development of economic enterprises, and creating a modern, efficient and balanced urban environment with a full range of around-the-clock activities and uses.

The site is located in an area improved with various uses including commercial and residential uses in the Historic Downtown Development Area which are characterized by early 20<sup>th</sup> century commercial buildings. In recent years, many of those historic buildings have been adapted for mixed uses. Uses immediately abutting the site include the Brockman and Mandel Lofts adaptive reuse projects currently under construction to the north; the Carrier Center-LA telecom network facility, structured and surface parking facilities to the west; a surface parking lot to the south; a jewelry wholesale/manufacturing building, another surface parking lot, a senior citizen housing complex and a mixed residential/retail building to the east.

The design meets the criteria set forth in the Downtown Design Guidelines in many aspects. For example, the entire perimeter of the project incorporates ground floor retail uses to enliven the sidewalks around the block. As part of the amenities for the housing units proposed, open courtyards are provided on top of the podium in the Phase I development and on the ground floor in the form of a landscaped paseo that doubles as a mid-block crossing which links the separate phases of the development and to the public transit systems. Many trees will be planted around the site to facilitate the establishment of a transit and green village. A detailed description of design features and merits is presented in the Background section of this memo. Staff will continue to work with the developer and project design team to enhance the project's integration with the historic context of the district, as well as to advance its sustainability and linkages to public transit systems.

Accordingly, the proposed mixed uses of the project are compatible with surrounding uses, the building is appropriately designed and provide adequate amenities for its housing component, and thus the development will be an appropriate improvement to the area.

#### Need for Density Variation

The proposed high density developments require additional Floor Area and the developer is seeking a 49,999 square foot variation on each of the three parcels contained in this master planned development. The proposed project would link the current renaissance of the South Park area with the Historic Core of Downtown, by helping create a vibrant residential community immediately to the north and adjacent to the historic 7<sup>th</sup> Street retail corridor.

Pursuant to Section 512.4 of the Redevelopment Plan, floor area ratios may exceed the maximum FAR set forth in Section 512.1 of the Redevelopment Plan (in the case of these parcels 6:1) through either a density variation or the transfer of FAR. Staff recommends that the Agency use the variation procedure and make the following determinations pursuant to Section 512.4 of the Redevelopment Plan:

1. The resulting higher density development must be appropriate in terms of location and access to the circulation system; compatible with other existing and proposed development; and consistent with the purposes and objectives of this Plan.

The proposed master planned three phased project consisting of three towers on separate lots, which range from 15 to 38 stories and provide a total of 875 condominium-units above 36,349 square feet of commercial space, is a mixed-use development that is appropriate for the location at 8<sup>th</sup> and Olive Streets and Grand Avenue. The Redevelopment Plan envisions this area as a high-density mixed use neighborhood. Currently along Grand Avenue, there are a number of similar developments under construction or in the pipeline, including the Elleven, the Luma, the Grand Lofts, Sky Lofts and the YWCA Jobs Corps Campus projects. The proposed project is located about ½ block from the Metro Center Metrorail Station, where rapid rail transportation to the Civic Center, Long Beach, North Hollywood and, by time of completion, Culver City is readily available. In addition, the Project will be built as a TOD providing improved linkages for its residents and commercial patrons to transit stops. Higher density has been accommodated in TOD projects to alleviate endless urban sprawl and to promote a sustainable living environment. Therefore, the Proposed Project is consistent with the purposes and objectives of the Redevelopment Plan, as discussed in The Proposed Project section above.

2. Unless otherwise permitted by the applicable Community Plan as it now reads or as it may be amended from time to time in the future, Floor Area Ratios may only be transferred from parcels or portions thereof and to parcels or portions thereof which are within, respectively, the Historic Downtown, City Markets or South Park Development Areas.

The Project Site, and the parcels or portions thereof from which floor area ratio is being transferred, are all located within the Historic Downtown Development Area.

3. The Floor Area Ratio on any parcel shall not exceed the maximum Floor Area Ratio set forth in the applicable City zoning ordinance in effect at the time the transfer is made.

The FAR of all the parcels involved following the variation and the previously approved transfer do not exceed the applicable Zoning Ordinances as applied and approved by the Advisory Agency on February 24, 2006.

4. Increase of Floor Area Ratio on parcels with reasonable proximity or direct access to a public or private rapid transit station shall be particularly encouraged.

The Project Site is located approximately one half block from the MTA Blue Line and Red Line Station, which in the future will also serve the Exposition line, and to MTA and LADOT bus lines along the main corridors of Downtown Los Angeles, which include most of the streets in the vicinity of the Project Site. The Project Site is also a short walking distance to the Fashion District, the Broadway Theater District, the Seventh Street Shopping District, thus promoting pedestrian activity which will create a safe and vibrant mixed-use community as envisioned in the Redevelopment Plan.

5. Transfers of Floor Area Ratio from parcels on which buildings of historic, architectural or cultural merit are located shall be particularly encouraged where the transfer can reasonably be expected to further the goal of preservation of such buildings.

The Proposed Project consists of new construction. The density transfer effectuated in the original OPA used density from several historic sites in the Financial Core and Historic Core areas of downtown.

Pursuant to Section 512.6, the Agency may, at its discretion, grant a FAR increases of less than 50,000 square feet by a variation as allowed by Section 520 of the Redevelopment Plan, which states that “the Agency is authorized to permit a variation from the limits, restrictions and controls established by this Plan.” Staff recommends that the Agency make the following determinations pursuant to Section 520 of the Redevelopment Plan:

1. The application of certain provisions of this Plan would result in practical difficulties or unnecessary hardships which would make development inconsistent with the general purpose and intent of this Plan.

Without the requested density variation, the Proposed Project would be limited in the number of units and unit sizes proposed, as well as its ability to provide ground floor commercial uses, thereby negatively affecting the economic feasibility and quality of the Proposed Project. It would also fail to achieve the goal of creating a high-density, strongly pedestrian oriented downtown core.

The Project Site is designated Regional Commercial in the City’s General Plan and in the Redevelopment Plan, both of which encourage high-density mixed-use development. The proposed mixed-use complex would implement the Redevelopment Plan by providing quality high-density housing close to employment and a full-range of around-the-clock activities and uses, such as recreation, sports, entertainment and housing.

2. There are exceptional circumstances or conditions applicable to the property or to the intended development of the property which do not apply generally to other properties having the same standards, restrictions and controls.

The size and location of the Project Site present a special circumstance for the proposed development. While the Redevelopment Plan designates the Project Site and surrounding area for high-density housing, the 130,275 square-foot lot permits a maximum of only 781,650 square feet of floor area by-right, thereby limiting the potential for such development. The previously purchased density

increases the development potential to 915,650 square feet. The requested variation, granting an additional 49,999 square feet per building, would enable the Developer to develop a high density mixed use project adjacent to a major transportation hub making the project consistent with the Redevelopment Plan and surrounding properties.

3. Permitting a variation will not be materially detrimental to the public welfare or injurious to property or improvements in the area or contrary to the objectives of this Plan or the applicable Community Plan.

The area as a whole is a mixed-use community with residential, medical, commercial and retail uses. The Proposed Project, which would provide 875 for-sale condominium units, would be desirable and appropriate in this part of Downtown Los Angeles as this area is designated and zoned for (high-density) residential development. The Project Site is in close proximity to public transit and to jobs, which would meet the Plan's objective to provide housing close to employment.

The addition of for-sale residential units will increase the number of vested stakeholders who will pick up trash on the sidewalk and report crime in order to protect their property. For-sale housing will also increase the stability of the neighborhood as property owners tend to have a longer tenure than renters, and a stronger interest in maintenance and improvement of the area.

A stated objective of the Redevelopment Plan (Section 105, no. 6) is to "create a modern, efficient and balanced urban environment for people, including a full range of around-the-clock activities and uses, such as recreation, sports, entertainment and housing". This area is a desirable location for residents who want to live in the City Center in close proximity to cultural, entertainment and employment opportunities within the various downtown neighborhoods. The location of the site and its proximity to adjacent districts will promote pedestrian activity which will create a safe and vibrant mixed-use community as envisioned in the Redevelopment Plan.

Staff of the City Planning Department are working with Agency staff to revise the Transfer of Floor Area Policy. Although the proposed policy is not yet ready for presentation to the Agency Board, staff used the Draft Method of Valuation (Attachment E) to determine the amount of Public Benefits that would be appropriate for the approval of the additional density reflected by the density variations contemplated in the recommended action.

RE:

Agency Action: June 18, 1999- Agreement to Terminate OPA with Thermo Grand Avenue L.L.C.

SOURCE OF FUNDS

No funding is required for this action.

## PROGRAM AND BUDGET IMPACT

The proposed action is consistent with the FY06 and proposed FY07 Work Program and Budget.

## ENVIRONMENTAL REVIEW

The City of Los Angeles is the lead agency for the Proposed Project for purposes of the California Environmental Quality Act (CEQA). The City, acting through its Planning Department, circulated the Draft Mitigated Negative Declaration ("MND"), ENV-2005-7367-MND, on January 5, 2006 (the public review period ended on February 4, 2006). The Deputy Advisory Committee held a public hearing on the Proposed Project on February 9, 2006. The Deputy Advisory Agency held a public hearing on the Proposed Project, and adopted the MND on February 24, 2006. The Agency's environmental responsibility, as a Responsible Agency under CEQA, is to consider the environmental effects of the Project as shown in the MND prepared by the lead agency prior to acting on the Project.

## BACKGROUND

An important goal of the Redevelopment Plan is "to provide high and medium density housing close to employment and available to all ethnic, social and economic groups, and to make an appropriate share of the City's low- and moderate-income housing available to residents of the area". To effectuate this goal, the Agency has promoted the provision of housing, both affordable and market-rate, in the last few decades. Up to year-end 1998, the vast majority of the housing units produced in the City Center Redevelopment Project Area ("Project Area") and its predecessor CBD Redevelopment Project Area was affordable housing. As of December 31, 1998, of the total 7,920 existing housing units, 7,705 units (or 97%) were affordable units, while 215 units (or 3%) were market-rate units. Only 120 of the then-existing units offered home ownership opportunities.

In the last few years, especially following the adoption of the Adaptive Reuse Ordinance, the private sector has been constructing market-rate housing units, in part to bring about the modern, efficient and balanced 24-hour live/work urban environment that is also an important goal of the Redevelopment Plan. During the years 1999 to present, approximately 2,000 residential units were constructed in the Project Area, with 636 (or 32%) affordable units and 1,364 (or 68%) market-rate units. Only 231 of these 1998-to-present housing units are owned by individuals.

Today, there is a total of 9,920 existing housing units in the Project Area, of which 8,341 (or 84%) are affordable and 1,579 (or 16%) are market-rate.

Currently, there are approximately 4,454 residential units in 29 projects under construction, permitted, or in plan check in the City Center Redevelopment Area. Of these projects, eight provide for affordable housing, resulting in 335 (or 26%) affordable units and 968 (or 74%) market-rate units. The balance of the ongoing production is being done privately with no public assistance.

Upon completion of these 4,454 units, there would be a total of 14,374 residential units in the Project Area, of which 8,676 units (or 60%) would be affordable and 5,698 (or 40%) would be market-rate units. These units that are currently under construction or in the pipeline would increase homeownership opportunities in the Project Area to 2,258 units, still only 16% of the total 14,374 units.

A key Agency objective for the Redevelopment Project Area has been to promote ownership housing opportunities. Allowing the density variations would increase the opportunities for homeownership, which is an aim of the Redevelopment Plan, adopted in May 2002.

The Redevelopment Plan allows for increase in density on a property pursuant to Section 520, which states that “the Agency is authorized to permit a variation from the limits, restrictions and controls established by this Plan,” if certain determinations are made. The provision permits the Agency to assure that the development accomplishes the goals and objectives of the Redevelopment Plan, and to provide for-sale workforce housing.

#### Project Design Features and Merits

**Recreational Open Space.** Phase I of the Project will include a 31,825 square foot open space area improved with recreational facilities including a swimming pool, a spa, pool deck, tot-play area, family area, and a community room.

**Mid-block Commercially Activated Pedestrian Paseo.** The Project provides a mid-block, pedestrian paseo, approximately 22,225-square feet in size, connecting Grand Avenue and Olive Street. The paseo will be designed as an attractive, landscaped, semi-public, open space, which will include enhanced paving, awnings and a water feature to promote pedestrian accessibility and activity. Retail shops and restaurants will face the paseo and provide a public focal point to the Project’s urban village.

**Design Elements.** The building façades will be broken down in scale by a composition of corner and planer elements which creates interest and a dynamic façade. The exterior materials will include concrete, low-reflective glass, metal panels, louvered panels and exterior shading devices. Large windows will allow residents to take advantage of the local views. The 38-story high-rise residential tower will become the signature building for the site and has a striking undulating façade of white concrete railings which lends a sense of dynamism and movement to the structure – in keeping with Los Angeles as a 24-hour city.

**Activated Streetscape.** The Project is designed to achieve a critical mass of residents who can activate the streets and promote ground floor retail uses. The Project’s ground floor retail uses will address the lack of neighborhood-oriented businesses providing retail to serve the residents, the local community and visitors. The combination of high-density residential and retail uses will increase pedestrian street activation creating a livable, walkable, energized, 24-hour community.

**Transit-Oriented Development.** The Project is situated within a short walk from the 7th Street/Metro Center Metro stop, several bus stops and the future Exposition Line. In response to its proximity to multiple modes of mass-transit, the Project will integrate

transit-oriented features. Additionally, the Developer will work with the Agency to extend the transit oriented streetscape beyond the borders of the Project.

**Sustainable Design.** The developer is working with a LEED Accredited Professional to incorporate innovative, sustainable design into the Project in order to achieve LEED certification. The sustainable approach will utilize a combination of renewable and recycled materials, high performance glazing, natural ventilation, Energy Star appliances and water saving plumbing fixtures, creating a Project that is friendly to our environment and a healthy space to occupy.

**Street Trees.** In addition to planting 89 trees on the Site, the developer has committed to contributing funds for the planting of 129 trees within ½ mile from the Site, the location of which will be determined with input from the Agency, the Downtown BID and other stakeholders.

#### Unit Types & Counts by Phases

	Phase 1 (units)	Phase 2 (units)	Phase 3 (units)	Project Total	% of Total
1-bedroom	245	40	80	365	42%
2-bedroom	180	140	166	486	55%
3-bedroom	0	0	24	24	3%
Total Units	425	180	270	875	
% of Total	50%	21%	31%		

#### Floor Area (SF) by Phases

	Phase 1 (SF)	Phase 2 (SF)	Phase 3 (SF)	Project Total	% of Total
Residential	483,803	193,714	351,557	1,029,074	97%
Retail	23,518	5,631	7,200	36,349	3%
Subtotal	507,321	199,345	358,757	1,065,423	

#### Transfer of Floor Area Valuation

The 1991 TFAR/Public Benefits Plan was based on a Methodology approved by the CRA board in 1989, in which the Public Benefits payment was based on a land value of the receiver site (which, in 1991 was determined to be \$480 per square foot), divided by 6 (which equals \$80 per square foot of FAR), multiplied by 44%. This resulted in a Public Benefit payment of approximately \$35 per square foot, to which was added an additional payment of \$5 as compensation for the TFAR donor site, resulting in a total TFAR payment equal to \$40 per square foot, which was equal to 8.33% of the land value (\$480).

In reviewing and updating the TFAR/Community Benefits methodology, several different scenarios were explored, and the consensus was that the original methodology still had merit. However, instead of setting a specific price that would be applied everywhere, the consideration is setting the price based on the land value of the development site. So that land that was purchased at \$240 a foot would have a different Community Benefits Payment than land that was purchased at \$300 or \$490 a square foot. The site of the

Thermo Grand mixed use development was purchased for \$300 a square foot. Thus, if this was a Transfer of Floor Area instead of a variation and if the proposed TFAR/Community Benefits methodology were already adopted, the Community Benefits Payment would have been \$22.00 a square foot or \$3,300,000.

The developer, under the proposed TFAR/Community Benefits methodology, would have the option of paying the entire amount into the Community Benefits Fund or paying half into the fund and expending the other half on Community Benefits either on the site and surrounding neighborhood by providing affordable housing, historic preservation, public open space, job training and employment; affordable child care, making regional transportation improvements, streetscape improvements or providing homeless services programs. Here the developer is voluntarily making a cash contribution of \$1.5 million to Skid Row Housing Trust for the provision of housing for homeless individuals and is committing to provide public open space; streetscape improvements and linkage between the project and the regional transportation system.

Council District 9, represented by Councilwoman Jan Perry, endorses the Proposed Project as presented.

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Cecilia V. Estolano  
Chief Executive Officer

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

Attachment A – Resolution  
Attachment B – Site Map  
Attachment C – Community Context  
Attachment D – Master Plan  
Attachment E – Draft Method of Valuation