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**Agenda Number:**

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**PLANNING AND PROGRAMMING COMMITTEE  
APRIL 15, 2020**

**SUBJECT: LITTLE TOKYO/ARTS DISTRICT STATION JOINT DEVELOPMENT**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute an 18-month Exclusive Negotiation Agreement and Planning Document (ENA), with the option to extend up to 30 months, with Innovative Housing Opportunities, Inc. (Developer) for the development of the Metro-owned Regional Connector Little Tokyo/Arts District Station (Site), subject to resolution of protest(s) if any.

**ISSUE**

In August 2018, Metro released a Request for Interest/Qualifications (RFI/Q) for the development of the Metro-owned Regional Connector Little Tokyo/Arts District Station Site (see Attachment A - Site Map). After evaluating eight responses received, Metro invited four qualified developers to respond to a Request for Proposals (RFP). After thorough evaluation, staff recommends entering into an ENA with Innovative Housing Opportunities, the highest-scoring firm.

**BACKGROUND**

Joint development of the Site is a required mitigation measure for the Regional Connector Transit Project (Project) and presents an opportunity to activate the Little Tokyo/Arts District Station area with transit supportive uses that connect to the surrounding community. The Site is approximately 1.2 acres with approximately 30,000 square feet of developable area due to transit infrastructure constraints. While ideally situated to be both a regional transportation hub and gateway to culturally rich surrounding communities, its small size and physical constraints demand innovative approaches to create a compelling and financially stable project.

Metro's joint development process typically begins with creating Development Guidelines which accompany an RFP for a site. Given the Site's unique opportunities and challenges and the extensive community visioning and planning already completed in the Little Tokyo and Arts District communities, staff instead worked with community stakeholders and consultants to prepare an "Opportunity Overview" of the Site that built upon the existing community-driven visioning documents and planning efforts. The team analyzed relevant regulatory plans and policies, identified the real estate development opportunities and developable areas around Metro's transit infrastructure, and

conducted outreach to better understand community priorities for the Site.

### Community Outreach

Metro and the consultant team held two roundtables with Little Tokyo and Arts District community leaders in January and February 2018. Staff circulated a public survey from February to March 2018 which drew over 600 responses, and in May 2018 hosted an interactive booth at the Regional Connector “Halfway There!” celebration. From this engagement process, the following community goals for the Site emerged:

- Create a safe, vibrant, transit-supportive project;
- Provide community-oriented uses and programming;
- Integrate community preferences for design and character;
- Support existing local businesses and draw new visitors to the area; and
- Incorporate strategies for environmental and financial sustainability.

To confirm that community priorities were accurately captured, Metro staff made available a draft of the Opportunity Overview on Metro’s website and accepted public comments from July to August 2018.

To generate interest in the development of the Site and to promote the RFI/Q, Metro staff hosted a “Building Partnerships” networking event in June 2018, which attracted over 100 participants representing real estate developers, architecture/design firms, service providers, community-based organizations, general contractors and subcontractors, cultural/arts organizations, and small businesses. The event aimed to introduce potential project proposers to one another, encourage local partnerships and small business participation, and ultimately facilitate collaborations that could result in innovative proposals. Metro partnered with the Asian Pacific Islander Small Business Program, Little Tokyo Business Improvement District, and the Regional Connector Community Leadership Council Little Tokyo/Arts District Station Area Committee to promote the event.

### Developer Selection

Given the unique potential and constraints for the Site, staff followed a “two-step” procurement process, first releasing an RFI/Q from which qualified developers were invited to respond to an RFP. A summary of the developer selection process is provided as Attachment B - Procurement Summary.

## **DISCUSSION**

### Developer Proposal

The highest scoring proposal was submitted by Innovative Housing Opportunities, Inc. (IHO), a California non-profit public benefit organization, in conjunction with Western Pacific Housing, LLC (Developer). IHO was formed in 1976 to address the lack of low to moderate income housing in the City of Irvine and has completed over 550 affordable residences throughout Orange, Los Angeles, Riverside and San Diego counties. Today, IHO’s portfolio includes housing communities throughout Southern California, with approximately 380 units in predevelopment. Western Pacific Housing, LLC is a consortium of real estate development professionals who have collectively completed 1,200 affordable units, 400 market rate units, and over 200,000 square feet of retail/commercial space. In addition, the developer team includes LA Commons, a regional cultural and arts non-profit with

experience working in communities surrounding the Site.

The Developer's Project proposal includes:

- 78 residential units, including
  - 40 affordable units at 30-50% area median income (AMI), 21 of those for transition-age youth (TAY)
  - 30 affordable units at 80% AMI
  - 7 live/work for artists at 120% AMI
  - 1 manager unit
- Approximately 10,000 sq. ft. of ground floor commercial space with space set aside for Little Tokyo legacy businesses at a discounted rate.
- Dedicated community space including a "Makers Space" to provide skills training and employment opportunities for TAY and area residents.
- Activation of the Metro plaza with cultural programming and events such as farmers markets, movie nights, kiosks, etc.
- Transit-supportive amenities such as wayfinding and space for car-share, micro-mobility devices and/or a bike hub.
- Transit passes will be provided to residents living in the 30-50% AMI units for their first 18 months of occupancy.
- 65-year ground lease term.
- A one-time capitalized payment and annual ground lease payments equivalent to approximately \$600,000.

See Attachment C - Site Plan and Rendering for additional information on the proposed Project.

Metro's Joint Development Program seeks to facilitate construction of affordable housing units, such that 35% of the total housing units in the Metro JD portfolio are affordable for residents earning 60% or less of AMI. Including the Project, the total affordable units that have been completed, are in construction and/or in negotiations in the Joint Development portfolio will be 36%. The Project will also create employment opportunities in construction and will be required to comply with Metro's Project Labor Agreement and Construction Careers Policy.

#### ENA Term

The ENA provides Metro and the Developer the opportunity to refine the Project and seek community feedback, negotiate terms of a Joint Development Agreement and Ground Lease, and seek environmental approvals and City of Los Angeles entitlements. In addition, the ENA term will provide the opportunity to address the following concerns raised by the PET:

- a) While the Developer proposal articulates a vision that meets a number of the objectives highlighted in the Opportunity Overview, the PET concluded that the Project needs further refinement of its urban design and architectural features. With support from an urban design consultant, Metro will provide feedback on the conceptual design, particularly focusing on strengthening the open space as it relates to the transit station, building façades and circulation through the Site.

- b) In addition, the Metro Joint Development Policy strongly encourages partnerships with community-based organizations (CBOs). Staff believes the Developer team would be strengthened with the addition of a locally-based community partner. Within six months of execution, the Developer will be required to partner with a CBO experienced in working with Little Tokyo and the Arts District communities.

#### Equity Platform

Consistent with the Equity Platform pillar “listen and learn”, the Project undertook a lengthy community engagement process beginning with the creation of the Opportunity Overview which set the vision for this publicly-owned property. The Developer will be required to engage with stakeholders and refine the Project in response to feedback. Furthermore, the Project is an opportunity to “focus and deliver” by adding much needed, transit-oriented affordable housing and other community benefits in the downtown Los Angeles community.

#### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety. The eventual implementation of this Joint Development Project at the Regional Connector Little Tokyo/Arts District Station will offer opportunities to improve safety for transit riders through better pedestrian and bicycle connections.

#### **FINANCIAL IMPACT**

Funding for staff time related to the ENA and the proposed Project is included in the FY 2020 budget in Cost Center 2210 (Joint Development) under Project 401046 (Little Tokyo/Arts District Station Joint Development). In addition, the ENA will require a nonrefundable fee of \$50,000 as well as a \$50,000 deposit to cover third party expenses during the negotiation.

#### Impact to Budget

Metro project planning activities and related costs will be funded from local right-of-way lease revenues. Local right-of-way lease revenues are eligible for bus/rail operating and capital expenses. Execution of the ENA will not impact FY 2020 bus and rail operating and capital budget, Propositions A and C, TDA, Measure R or M administration budget.

#### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This recommendation supports the Strategic Plan Goal to “enhance communities and lives through mobility and access to opportunity”, specifically Initiative 3.2 which states “Metro will leverage its transit investments to catalyze transit-oriented communities and help stabilize neighborhoods where these investments are made.” The proposed Project will deliver a number of community benefits, including transit-accessible, income-restricted housing and new commercial/community space.

#### **ALTERNATIVES CONSIDERED**

The Board could choose not to proceed with the recommended action and could direct staff to continue clarification talks with the Developer outside of an ENA, or prepare and release a new

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solicitation for joint development of the Site. Staff does not recommend proceeding with these alternatives because the recommended action will ensure the most transparent process with the community and other stakeholders, and appropriately builds upon the significant community input and procurement process that has transpired thus far. A new solicitation process would delay the development of the Site, and Metro may fail to take advantage of currently favorable conditions in the real estate market. Further, if the outcome of the discussion during the ENA process does not create a project proposal suitable to Metro, other options could still be considered. Finally, pursuing joint development of the Site is required as a mitigation measure for the Regional Connector Transit Project.

### **NEXT STEPS**

Upon Board approval of the recommended action, the ENA will be executed, and Metro staff and the Developer will commence preliminary negotiations in parallel with design review. Additionally, staff will form the Little Tokyo/Arts District Station Joint Development Design Review Advisory Committee to serve as the formal means for the community to advise on the design of the Project. Securing a commitment to address the design challenges and identifying a local CBO partner in the first six months of the ENA will be a condition for proceeding with further negotiations.

### **ATTACHMENTS**

- Attachment A - Site Map
- Attachment B - Procurement Summary
- Attachment C - Site Plan and Rendering

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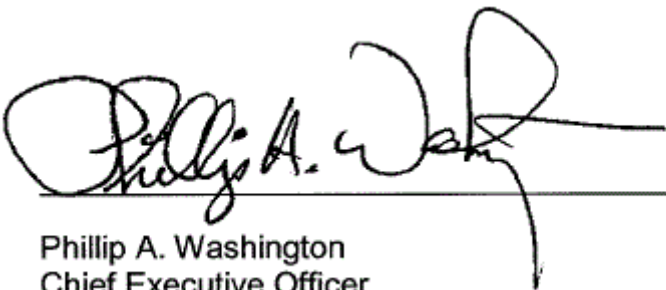
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