

MEMORANDUM

DATE: MAY 1, 2008 NH1990

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: MARGARITA H. DE ESCONTRIAS, REGIONAL ADMINISTRATOR  
GAZALA PIRZADA, PROJECT MANAGER  
STEVEN BRADY, SENIOR REAL ESTATE DEVELOPMENT AGENT

SUBJECT: AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT WITH VINELAND HABITAT, LLC FOR THE DEVELOPMENT OF A 58 UNIT RESIDENTIAL PROJECT LOCATED AT 4900 N. VINELAND AVENUE IN THE NORTH HOLLYWOOD REDEVELOPMENT PROJECT AREA EAST VALLEY REGION (CD4)

RECOMMENDATIONS

That the CRA/LA Board of Commissioners, subject to City Council review and approval, authorize the Chief Executive Officer or designee to:

1. Execute an Amendment to the Owner Participation Agreement with Vineland Habitat, LLC to allow the development of either a rental or for-sale project; and
2. Execute a first amendment of Agreement Containing Covenants with Vineland Habitat, LLC.

SUMMARY

Vineland Habitat, LLC ("the Developer") is requesting an amendment to an existing OPA executed on July 16, 2007 between CRA/LA and Vineland Investors, LLC ("the Original Developer") to construct fifty-eight (58) for-sale residential units in the North Hollywood Project Area consisting of five (5) live-work units, forty-six (46) two-bedroom two-bathroom units and seven (7) two-story penthouse units. The purpose of the amendment is to permit the project to be for-sale or rental as determined by the Developer upon completion of the project. The Project is located at 4900 N. Vineland Avenue ("Site") on approximately 29,400 square feet of land. A Location Map is included as Attachment A. The mid-rise development will contain significant amenities including distinctive building design, concrete construction, spacious courtyards, private patios and balconies and well-appointed unit interiors. It will be landscaped and provide open space in conformance with CRA/LA requirements.

The Site is zoned C4-1-CA which allows by-right residential development in a commercial zone. Under Section 604 of the Redevelopment Plan, CRA/LA's discretionary approval to allow the Project's residential uses on commercially designated parcels was granted by the Board of Commissioners in August 2006 and subsequently approved by the City Council in September 2006.

Due to changing market conditions, the Original Developer (Vineland Investors, LLC) lost its condominium construction financing and, as a result, obtained a new equity investor and construction lender. The new investor and lender require that the Project have the flexibility to be operated as a for-sale or rental property dependent upon market conditions at the time of completion of construction, and the Developer has requested amending the OPA to allow this option. On January 30, 2008, the CRA/LA administratively approved an ownership transfer from the Original Developer to Vineland Habitat, LLC. The transfer created a new LLC entity, as required by the equity investor, but the ownership structure remained the same with the three original principals, Richard Loring, Clyde Wood and David Sudeck.

The proposed OPA amendment would enable the Developer to a) operate the property as a for-sale or rental residential property to be determined at time of completion of construction, b) maintain the affordable unit obligation as two (2) units (for-sale or rental) at moderate income; and c) provide the Developer with a two (2) year period to begin construction of the approved project without the expiration of rights granted under the OPA.

Pursuant to the original OPA prepared for this project, the Developer has agreed to a number of conditions on the proposed Project:

- The Project will consist of a maximum of 58 for-sale condominium or rental units, five of which will be ground floor live-work units.
- The Developer will provide two (2) two-bedroom, two bathroom 960 square foot units to be affordable to moderate-income households in either of the two options – for-sale or rental. If the Project is a for sale development, the two affordable units will be sold to qualified households that are required to execute an individual Covenant Agreement and Performance Deed of Trust with the CRA/LA, and remain affordable for 45 years. If the Project is a rental development, the two affordable units will be rented to qualified moderate income households and remain affordable for 55 years. The executed Agreement Containing Covenants details each option and includes the required documents and the respective terms of affordability.
- The Developer has also offered to provide up to seven (7) additional moderate-income units with CRA/LA assistance in the form of a soft second if the for-sale option is selected.
- The Developer will comply with CRA/LA design guidelines and development standards, including Project finishes and landscape and open space requirements.
- The Developer will incorporate the requirements of the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) System at the Silver level, and incorporate sustainable design principles and practices, which are included in the OPA.
- Although there are no CRA/LA funds provided to this Project, the Developer has voluntarily agreed to comply with the CRA/LA's Living Wage Policy for all direct hires and all contractors and subcontractors for building and landscape maintenance and security personnel, post-construction. This provision is included in the OPA.

- In addition to the above requirements which were set forth in the original OPA, the Developer has agreed to include a Local Hiring requirement by which the Project will use best commercially reasonable efforts to employ Community Area Residents and Local Residents (including low-income persons) in the construction of the Project. This provision has been added to the amended OPA.

Since the Project Area has a surplus of very low income units, the two units set aside at the moderate income level in the proposed project will not adversely impact the Project Area's 15% inclusionary housing requirement. To date, including the proposed 4900 Vineland project, 3,678 housing units have been created in the Project Area of which 888 (or 24%) units are low and moderate income units, thus exceeding the inclusionary requirement of 15% or 551 units. Forty percent (40%) of the 888 units or 355 units need to be for very low income households. However, the actual number of very low income units built in the Project Area is 795 units, thus, yielding a surplus of 440 very low income units.

## RE

August 7, 2006 – CRA/LA Board approval of Environmental Action and Authorization to execute an Owner Participation Agreement with Vineland Investors, LLC.

September 27, 2006 – City Council approval of Environmental Action and Authorization to execute an Owner Participation Agreement with Vineland Investors, LLC.

## SOURCE OF FUNDS

No CRA/LA funds are required for this action. No CRA/LA financial assistance is provided to this Project.

## PROGRAM AND BUDGET IMPACT

Approval of the recommended action is consistent with the proposed FY08 Budget and Work Program.

## ENVIRONMENTAL REVIEW

The City of Los Angeles was the lead agency for the Project for purposes of the California Environmental Quality Act (CEQA). The City, acting through its Planning Department, prepared a Mitigated Negative Declaration ("MND"), ENV-2006-2006-MND, which was adopted on July 7, 2006. Subsequent to actions by the City of Los Angeles, the CRA/LA Board of Commissioners adopted a Resolution certifying that the CRA/LA Board of Commissioners had reviewed and considered the information in the MND and approved the execution of an Owner Participation Agreement for the Project. The Project, as currently proposed, is the same as analyzed in the MND and there are no substantial changes with respect to the circumstances under which the project is undertaken involving new significant environmental effects or a substantial increase in the severity of previously identified significant effects. Therefore, no additional environmental documentation is needed.

## BACKGROUND

The North Hollywood Redevelopment Plan specifically requires developers to enter into "owner participation agreements or development agreements" with the CRA/LA in cases requiring

discretionary actions on land use even when such approvals are provided “by right” under the City’s zoning ordinance. These Agreements tend to improve projects and achieve additional public benefits. Quality design, landscaping and open space are of special concern to the North Hollywood community. To insure that the CRA/LA possesses design control and approval, the Project Area Committee (“PAC”), during the amendment process for the Plan in 1995-96, inserted special language in the Plan requiring that developers enter into an agreement for any development requiring a CRA/LA discretionary land use action. This differs from other CRA/LA redevelopment plans that do not require such agreements.

Since there are no CRA/LA, Federal or other City of Los Angeles funds being provided for this Project, the CRA/LA’s prevailing wage policy shall not be required for this Agreement. This is in accordance with Section 508 of the North Hollywood Redevelopment Plan which states that prevailing wages shall not be required on any project or any portion of a project within the Project Area that is not funded by tax increment or other CRA/LA funds.

There are a number of significant public benefits associated with the development of this privately financed Project, including development of well designed housing and the elimination of substandard, obsolete buildings that have fallen into disrepair. The proposed Project is in conformance with the goals of the North Hollywood Redevelopment Plan to increase the amount of new housing and to provide housing opportunities for all income groups.

Project amenities will include among others: fully equipped kitchens, washers and dryers in each unit, Energy Star appliances and mechanical equipment, granite or Caesarstone countertops, high speed internet/data lines pre-wired to each unit, secured individual storage for residents, private patios or balconies for all units and secured subterranean parking.

Sustainable design requirements include, among others, “smart-building” technology, active and passive energy conservation systems and techniques, use of recycled and sustainably produced building materials as available, water conservation techniques and equipment, waste reduction/recycling, and storm and surface water separation, retention and treatment.

Vineland Habitat, LLC’s managing member is Vineland Sponsors, LLC which is comprised of three co-managing members including Habitat Group Los Angeles, LLC (Richard Loring), C.O. Wood Development, LLC (Clyde Wood), and BRIX Properties, LLC (David Sudeck). Together, the three principals have a varied and extensive background in multi-family residential development. The Developer has built a number of residential projects in West Hollywood and other locations. This is their first project in the North Hollywood Redevelopment Project Area.

Cecilia V. Estolano  
Chief Executive Officer

By:

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Glenn F. Wasserman  
Chief Operating Officer

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

Attachment A – Location Map