

MEMORANDUM

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DATE: JULY 7, 2011 CN6400

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: JENNY SCANLIN, ACTING REGIONAL ADMINISTRATOR II
STEPHEN K. ANDERSON, SENIOR REAL ESTATE DEVELOPMENT AGENT

SUBJECT: **BYD Los Angeles Headquarters, 1800 S. Figueroa St., Public Improvements.** Adoption of findings and authorization for CRA/LA to amend the proposed FY12 budget to accept \$400,000 in CBDG grant funds for public improvements associated with the BYD Headquarters Project, and authorize CRA/LA to enter into a contract with CDD to transfer and disburse the funds to facilitate the opening of BYD Motor Corp's Los Angeles Headquarters at 1800 S. Figueroa Street in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area. Downtown Region (CD 9)

RECOMMENDATION(S)

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

1. Adopt and request the City Council to adopt a Resolution under the California Health and Safety Code Sections 33445 finding: (i) the use of CBDG funds of \$400,000 to pay for the construction of public improvements to City-owned sidewalks and alleys in and around 1800 S. Figueroa Street and adjacent portions of 18th Street and Lebanon Street (alley) will benefit the Project Area by eliminating blight within the Project Area; (ii) the proposed expenditure is the only reasonably available means of financing these improvements; and (iii) the construction of public improvements is consistent with the Five-Year Implementation Plan adopted by the CRA/LA Board of Commissioners ("Board") for the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area ("CD9" or "Project Area"), Downtown Region (CD9); and
2. Recognize receipt and disbursement of \$400,000 in CDBG grant funds for public improvements associated with BYD Headquarters project in the proposed FY12 budget (pending City Council approval); and
3. Authorize CRA/LA Chief Executive Officer (CEO) or designee to negotiate and enter into a contract with CDD to transfer and disburse \$400,000 of CBDG funds related to public improvements necessary to facilitate the opening of BYD Motor Corp's Los Angeles Headquarters at the property located at 1800 S. Figueroa Street in CD9, Downtown Region (CD9).

SUMMARY

The recommended actions would allow CRA/LA to enter into a contract with the Los Angeles Community Development Department to accept and disburse \$400,000 of CBDG funds to fund public improvements required for the development of the BYD Motor Corp Los Angeles headquarters (“Project”) located at 1800 S. Figueroa Street (“Site”) within the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area (“CD9 Project Area”).

The Project is improved with a two-story, 30,000 square foot building. The existing structure has been vacant for many years and is in blighted condition. Other public funds have been appropriated to assist in rehabilitation of the building to prepare it for use by a world-class tenant. In addition, the sidewalks and alleys and alley fence adjacent to the Project are in severe disrepair and in need of rehabilitation and improvement. CRA/LA proposes to administer the CBDG funds and disburse them to various city departments to repair the paving conditions of the alley named Lebanon Street, repair the sidewalks in and around the Site including the planting of street trees consistent with the surrounding neighborhood, and repair the dilapidated fence at the southeast corner of Lebanon Street and 18th Street. Funds may also be disbursed to the County of Los Angeles, who is undertaking the repaving of a portion of the Lebanon Street alley as part of their rehabilitation of the Bob Hope Patriotic Hall, which is immediately adjacent to the Project. All improvements are necessary for the opening and operation of the Project.

PREVIOUS ACTIONS

March 7 2010 – Board and City Council authorization to enter into agreements between (1) CRA/LA and Auto Center, LLC and (2) CRA/LA and BYD Motor Corp to facilitate the lease transaction between BYD Motor Corp and Auto Center LLC and support the location of BYD’S Los Angeles headquarters at 1800 South Figueroa Avenue. (CF#10-1184)

DISCUSSION & BACKGROUND

About BYD

BYD or “Build Your Dreams” produces technology advancements that allow consumers to make a green life without much change to their current lifestyles; from transportation to green building to stormwater capture to battery technology. BYD was founded in 1995 in China, with 20 employees and \$300,000 of private capital. BYD’s business has grown to a workforce of 160,000 with \$3.1 billion in annual revenue. Their business can be classified into four major categories: (1) rechargeable batteries, for which BYD has 70% of the global market share in nickel-cadmium batteries, (2) Automobile group, BYD is the fourth largest auto manufacturer in China, and has recently launched a plug-in hybrid vehicle that can exist without gasoline if being driven 50 miles or less per day, (3) Green energy group, which focuses on solar panel technologies and production; and (4) Components, BYD produces parts of, or develops and produces entire products for, large consumer product brands such as Nokia, Apple and Sony Ericsson. BYD’s US Headquarters will focus on research and development as well as sales and marketing. BYD has proposed a three-phase expansion into the US:

- Phase I (mid to late 2010): Establish US headquarters. 50 jobs comprised of 25% management, 25% light research and development and 50% sales and marketing;
- Phase II: (mid to late 2011): Establish distribution and logistics center. Create an additional 100 jobs.

- Phase III (post 2011): Establish assembly facility. Potential creation of 5,000 jobs, plus.

Project Description

Total project costs for the BYD Headquarters development are \$6.05 million and include \$5.65 million in tenant improvements: \$2.25 million funded through the Owner, \$2 million funded through CDBG, \$1.4 million provided by BYD in product and technology investments.

In addition, Auto Center LLC (the property owner) will be completing improvements on the sidewalk of 18th Street and completing the abandonment of 3 underground storage tanks.

The benefits associated with the Project include:

- Headquarters will be in Los Angeles, in the CD9 Project Area for a minimum of 10 years;
- 100 high level professional jobs within two years, include 50 that will be relocated from Chicago and China and 50 new jobs;
- BYD will use the Port of Los Angeles for importing goods;
- BYD will make reasonable efforts to locate any future logistics facilities and assembly and manufacturing centers in the City of Los Angeles.

CD9 Project Area Redevelopment Plan Goals & CRA/LA Strategic Plan

The Project will be located in the CD9 Project Area's Figueroa/Washington Auto Row, home to the Downtown Los Angeles car dealerships. This area is one of the few remaining urban auto centers in the nation. The dealerships serve the residents living in and around Los Angeles' urban core and draw people to Downtown. The CD9 Project Area FY09 – FY14 Five-Year Implementation Plan identifies the Figueroa Corridor Auto Row as an area targeted for assistance through streetscape improvements, signage and assistance with business expansion and retention. Promoting the Auto Row ensures that services and amenities remain accessible and available to residents of the Project Area and new business attraction maintains the vitality of the auto row as a hub for the auto industry.

The recommended actions will support the following objectives of the CRA/LA Strategic Plan:

- 1.1.2. Invest in projects and programs to provide 2,000 family-supporting permanent jobs;
- 1.3.1. Retain and grow employment in each region's key sectors (such as cleantech, biomed, entertainment);
- 1.3.2. Grow firms by 20% in each region's key sectors;

The proposed improvements conform to the following Project Area Objectives established in the Redevelopment Plan:

- Funding for public improvements, including infrastructure streetscape, alley repaving, and beautification efforts
- Supplementing development projects with funds to cover required public improvements

- Job retention and generation by supporting existing employers and attracting new employers
- Business expansion and creation of new businesses through public and private funding and business development activities

Required Public Improvements

The public right of way at the Project site of Lebanon Street at 18th Street is currently in disrepair with large pot holes and inconsistent paving conditions, the adjacent sidewalks lack street trees consistent with the neighborhood and the southeast corner of Lebanon Street and 18th Street is blighted by a fence in extreme disrepair. As a condition for the development of BYD Motor Corp's Los Angeles headquarters, the City requires the installation of off-site public improvements to repair the paving on the alley, rebuild the fence and upgrade the sidewalks with street trees surrounding the BYD headquarters Site. The cost for this scope of improvements is approximately \$400,000 to be funded by a grant from CBDG. Pursuant to the recommended action, CRA/LA will enter into a contract with CDD to accept the CBDG funds and administer them to fund the Project.

The proposed improvements will repair the Lebanon Street alley, add street trees, helping fill a gap between the improved sidewalks and streets to the south and north of the Site, and repair adjacent deteriorated curbs and gutters. The proposed improvements will enhance both vehicular and pedestrian traffic on Figueroa Street and 18th Street, among the Project Area's major north-south and east-west corridors.

SECTION 33445 FINDINGS

California Health and Safety Code Section 33445 permits a redevelopment agency to use redevelopment funds to pay for publicly-owned improvements within or contiguous to a project area if three findings can be made, which are summarized here and set forth in the proposed Resolution attached hereto as Attachment "B."

- Finding 1:** **33445(a)(1)** *The improvements must benefit the funding Project Area by eliminating blight.* The proposed improvements are located within the CD9 Project Area, which Redevelopment Plan identifies deficiencies in the Project Area's public infrastructure conditions and public improvements as significant blighting conditions. The proposed improvements, including sidewalk and street improvements, will improve the deteriorated conditions of the public right of way, and enhance the circulation system in and around the Project Area. In addition, by assisting the locating of a high-profile corporate tenant, BYD Motor Corp, to the community, the Project will help promote a positive public image and support other investments in removing and preventing the recurrence of blight. The Project eliminates blight by supporting the redevelopment of older properties, expanding businesses with the Project Area, and generating new jobs.
- Finding 2:** **33445(a)(2)** *The proposed expenditure must be the only reasonably available means of financing the public improvements.* The public improvements will be funded entirely through \$400,000 of funds awarded through a CBDG grant. Due to the severe recession, the City of Los

Angeles and CRA/LA have no funds available in their respective budgets to fund these necessary improvements. The CBDG grant will cover badly needed street and sidewalk improvements in and around 1800 S. Figueroa Street without using CRA/LA tax increment funds or funds from the City of Los Angeles general fund budget.

Finding 3: **33445(a)(3)** *The improvement must be consistent with the Five-year Implementation Plan.* The proposed improvements are consistent with the CD9 Project Area's Five-year Implementation Plan for FY2008-2012, where goals and objectives include installation of public improvement projects and programs (Section III.C.).

SOURCE OF FUNDS

CBDG Grant

PROGRAM AND BUDGET IMPACT

The public improvements around the Site required for the Project will be funded by a \$400,000 CBDG grant. CRA/LA will recognize receipt and disbursement of CDBG funds in the proposed FY12 budget (which is pending City Council approval) to Los Angeles city departments through a contract with the Los Angeles Community Development Department and, as needed, other inter-departmental agreements.

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

ENVIRONMENTAL REVIEW

The proposed construction of the public improvements is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15301(c) and 15304 (b) of the State and CRA/LA CEQA Guidelines.

This action is strongly supported by the Office of Mayor Antonio Villaraigosa and Councilmember Jan Perry.

Christine Essel
Chief Executive Officer

By:

Dalila Sotelo
Deputy Chief of Operations

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

ATTACHMENTS

- Attachment A: Site Map
- Attachment B: 33445 Resolution
- Attachment C: Lease Guarantee CRA/LA BYD Board Memo