

REPORT TO THE GOVERNING BOARD

ON

THE VERMONT MIXED-USE PROJECT

WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA

March 1, 2012

PURPOSE

In connection with that certain Owner Participation Agreement (“OPA”), entered into on June 6, 2011, by and between CRA/LA and Snyder Wilshire Vermont LLC (“Developer”) for the Vermont Mixed-Use Project (the “Project”), this report informs the Governing Board (“Board”) of the Chief Executive Officer’s (“CEO”) intent to: (i) approve a revised financing plan proposed by the Developer, (ii) approve the transfer of land and assignment of the OPA from the Developer to its affiliate, and (iii) execute various documents in order to implement the OPA. Additionally, this report informs the Board of the CEO’s previous approval of a “Logical Evolution” in the Project’s design/configuration. This Project is an Enforceable Obligation executed on June 6, 2011, and these actions are in compliance with the Standards Applicable to Execution of Approvals, Consents, Waivers, Subordination Agreements and Other Documents Contemplated by Contracts that Constitute Enforceable Obligations Under AB1x-26 presented to the Governing Board on February 16, 2012.

REPORT

The Vermont Mixed-Use Project (“Project”) is located at 3150 Wilshire Boulevard, at the southeast corner of Wilshire Boulevard and Vermont Avenue (Attachment A). The Project consists of 464 market rate multi-family rental units in two high rise towers, which bridge over 41,000 square feet of retail space. The Project has a total of 895 parking spaces; 736 residential parking spaces and 159 retail parking spaces (Attachment B). Pursuant to a parking covenant to be recorded, 77 of the 159 retail parking spaces will be designated as public parking for a 55-year period. The Project will also provide an 11,860 square foot publicly accessible plaza/park area, which will front Wilshire Boulevard. The Project is expected to create 70 permanent and 857 union construction jobs.

Under the OPA, and subject to the terms thereof, CRA/LA has agreed to: (i) pay the Developer for the value of the open space covenant and (ii) pay/reimburse the Developer for a portion of certain “Eligible Development Costs” (i.e. costs relating to the construction of foundation/platform, the subterranean parking structure, and various offsite improvements). CRA/LA’s financial assistance is in the form of a Residual Receipts Loan up to \$5,000,000 and a pledge of site specific tax increment (“SSTI”) of up to \$12,500,000, for a total subsidy of up to \$17,500,000.

Subject to the terms of this Agreement, the CRA/LA intends to provide to the Developer financial assistance in the total amount not to exceed \$17,500,000 (in net present value) through the two following funding mechanisms: (i) the Residual Receipts Loan, which is a loan of funds from the CRA/LA to the Developer, providing funding for a portion of the Eligible Development Costs and (ii) the CRA/LA Note, which is a pledge of future Net SSTI (plus interest) from the CRA/LA to the Developer, providing funding for a portion of the remaining Eligible Development Costs and paying for the Open Space Covenant Value.

Residual Receipts Loan

The Residual Receipts Loan has an annual simple interest rate of three percent (3%). CRA/LA is to deposit funds into a Residual Receipts Loan Escrow, and it shall be disbursed to finance eligible costs incurred by the Developer. The Developer must submit a written itemized statement or draw request in a form that is acceptable to CRA/LA and include an itemized description of the Eligible Development Costs incurred, the amount expended, and invoices or other such documentation to evidence, justify and support the request.

The Residual Receipts Loan Note evidences the obligation of the Developer to the CRA/LA for the repayment of the Residual Receipts Loan. In the event that any portion of the outstanding balance (principal plus accrued interest) of the Residual Receipts Loan remains unpaid after the CRA/LA Capital Event Proceeds (the Sale that disposes all of the Property and the Improvements or in the event that portions of the Property and/or the Improvements are disposed pursuant to more than one Sale, the Sale that disposes the last remaining portion of the Property and/or Improvements), such portion of the outstanding balance of the Residual Receipts Loan shall be deemed repaid.

Site Specific Tax Increment Pledge

The SSTI pledge will be evidenced by a Promissory Note ("Note") in the principal amount of up to \$12.5 million. The Note carries an interest rate of six percent (6%) per annum, compounding annually, and the term expires on December 13, 2040 unless the Note is paid in full prior to this date. Any balance remaining at the end of the term will be forgiven. The funding source for the SSTI pledge is tax increment generated by the project area in future years. It is anticipated that the Note will be executed and delivered in March 2012. There is no payment obligation under the Note until after completion of construction. Construction start is anticipated in April 2012.

Issues that arose after the full execution of the OPA

Project Reconfiguration (Elimination of Subterranean Parking)

As drafted, the Scope of Development of the OPA required, among other things, the following: "The Project shall provide 913 parking spaces, 159 of which shall service the retail and public uses, and shall be located in a *fully subterranean structure*."

Since Board and City Council approvals of the OPA in April 2011, the Developer has been working with its design and engineering consultants to prepare construction drawings necessary to obtain the building permits for the Project. During this process, the Department of Water and Power ("DWP") and the Los Angeles Fire Department (the "Fire Department") required a subterranean DWP substation and two underground storage tanks, all of which were not previously anticipated in the original conceptual design. The Developer informed staff that, due to the DWP and Fire Department requirements, soil conditions, water table considerations, the need for a methane barrier, and other infrastructure requirements, the Project was being redesigned to accommodate all parking at grade level or above (rather than providing 159 parking spaces in a subterranean structure).

Staff met with the Project architect and reviewed the proposed redesign to ensure compliance with Article 4 of the OPA (Design Requirements). Section 4.1 of the OPA states "In designing and constructing the Development, the Developer shall cause all subsequent design documents to be substantially consistent with the Scope of Development....The Scope of Development and the Concept Design drawings shall establish the baseline design standards from which the developer shall prepare all subsequent Project Documents."

In addition, Section 4.4 of the OPA indicates that CRA/LA has the right to review and approve the Project documents (e.g., conceptual, schematic, development and construction drawings). Specifically, the OPA states "CRA/LA *shall be required to approve* those Project Documents which Logically Evolve from concepts set forth in previously approved Project Documents". For purposes of this Article 4, the phrase "Logical Evolution" or "Logically Evolve" means a refinement or amplification of the Concept Design Drawings into subsequently approved architectural drawings and design material which flow naturally and foreseeably therefrom,

which reflect good architectural and engineering design and local construction practices, code requirements, applicable plan check and permit conditions, and the timely availability of materials.”

The OPA requires the CRA/LA to approve or disapprove a design change within 30 days or else CRA/LA’s approval would be deemed granted. After careful consideration of this parking reconfiguration and its impact, on December 6, 2011, CRA/LA staff sent a letter to the Developer acknowledging that the elimination of subterranean parking was a “Logical Evolution” under the OPA. Please see the attached letter for a more detailed analysis on this issue (Attachment C).

Approval of Revised Financing Plan

As contemplated in the OPA and the original financing plan proposed by the Developer, the Project is to receive \$12.5 million in the form of a Section 108 loan from the City of Los Angeles. The Section 108 loan would provide front-end money for construction, and the CRA/LA’s \$12.5 million SSTI pledge under the OPA would be the source of funds to repay the Section 108 loan. The Schedule of Performance under the OPA requires full execution of the Section 108 loan Agreement between the Developer and the City “within 60 days prior to the close of the construction loan, but in no event later than 16 months from the Effective Date”. The Developer closed its construction loan for this Project on December 22, 2011. The Developer has been unable to provide evidence showing that the \$12.5 million Section 108 loan has been secured. The City of Los Angeles’ Community Development Department (“CDD”) has submitted the Section 108 loan application to the United States Department of Housing and Urban Development (HUD); however, HUD has not concluded its review.

On January 19, 2012, the Developer proposed a revised financing plan that includes an alternative funding source, a \$12.5 million loan from Snyder Family Partners LLC, an affiliate of the Developer. The alternative funding source will function like the Section 108 loan described above and be taken out by the Section 108 loan if and when it is approved by HUD.

On February 9, 2012, the Developer provided additional financing commitment under the revised financing plan in order to address CRA/LA’s concern relating to a funding gap caused by a reduction in eligible costs under the OPA. Particularly, due to the fact that construction costs relating to the subterranean parking structure are eligible costs under the OPA, the elimination of the subterranean parking structure reduces the total amount of “Eligible Development Costs” by approximately \$1.3 million. The Developer has filled this \$1.3 million funding gap by providing a \$1.3 million gap funding commitment from Jerome Snyder himself. Please see the attached commitment letter (Attachment D).

Keyser Marston and Associates, Inc. (“KMA”), economic adviser to CRA/LA, reviewed: (i) the Developer-proposed alternative \$12.5 million loan and (ii) the \$1.3 gap funding commitment. KMA recommends approval.

The OPA indicates that the Financing Plan for the Project may be amended from time to time, subject to the CEO’s approval, based on a reasonable standard. The OPA also indicates that the Schedule of Performance is subject to modification from time to time.

Approval of Transfers

The Developer, Snyder Wilshire Vermont LLC, established a single purpose limited liability company, 3150 Wilshire LLC, pursuant to a requirement of the construction lender. 3150 Wilshire LLC is the current owner of the Project site, and is comprised of one member, Snyder Vermont Apartments LLC. Snyder Vermont Apartments LLC is managed by Snyder Wilshire Vermont LLC.

In order to meet the construction loan closing deadline, the Developer transferred the site to 3150 Wilshire LLC on December 22, 2011 without CRA/LA's approval, as required by Section 7.4 of the OPA. Under the OPA, CRA/LA has 30 days to approve or disapprove a transfer (but there is no "deemed approved" language associated with this approval). At the time of transfer, a Successor Agency was not yet in place and, with the enactment of AB1x-26, the CEO was cautious with respect to the exercise of discretion. In addition, the Developer is now asking CRA/LA to approve another type of transfer, namely the assignment of the OPA to 3150 Wilshire LLC.

Both the transfer of land and the assignment of the OPA are subject to CEO's approval, based on a reasonable standard.

Execution of Documents

Like many CRA/LA contracts, this OPA explicitly contemplates the execution of additional documents by CRA/LA in order to complete the work contemplated by the contract. The OPA specifically contemplates the future execution of various documents by the CRA/LA, including:

- (i) a land use and maintenance covenant;
- (ii) an open space covenant;
- (iii) a parking covenant;
- (iv) one or more subordination agreements in connection with other lien holders,
- (v) one or more intercreditor agreements in connection with other lenders;
- (vi) the SSTI pledge note;
- (vii) a certificate of completion if and when the Project is completed in accordance with the OPA;
- (viii) a certificate that specifies the actual principal amount of the pledge note and starts the payment obligation under the pledge note; and
- (ix) escrow instructions.

In connection with the parking reconfiguration and the approval of transfers (discussed above), it is anticipated that the CEO will need to take implementation actions such as executing:

- (i) a document that acknowledges and consents to the deletion of several references to subterranean parking set forth in the OPA; and
- (ii) a consent to the assignment of the OPA to 3150 Wilshire LLC.

Standards applicable to approvals, consents, modifications, and execution of documents contemplated in enforceable obligations

For projects in the pipeline with contracts executed prior to June 29, 2011, the standard for taking action under those contracts is the implied covenant of good faith and fair dealing that is generally applicable to contracts under California law.

Should any Member of the Governing Board have any questions or need additional information, please contact Barron McCoy, Regional Administrator, at (213) 368-0616 or Michelle Banks-Ordone, Project Manager, at (213) 368-0611.

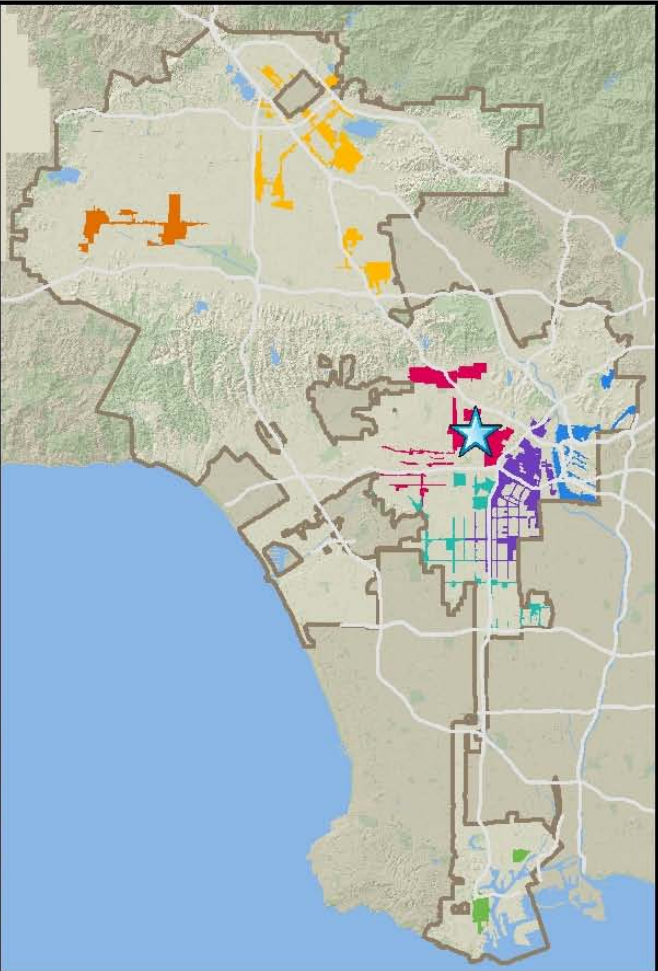
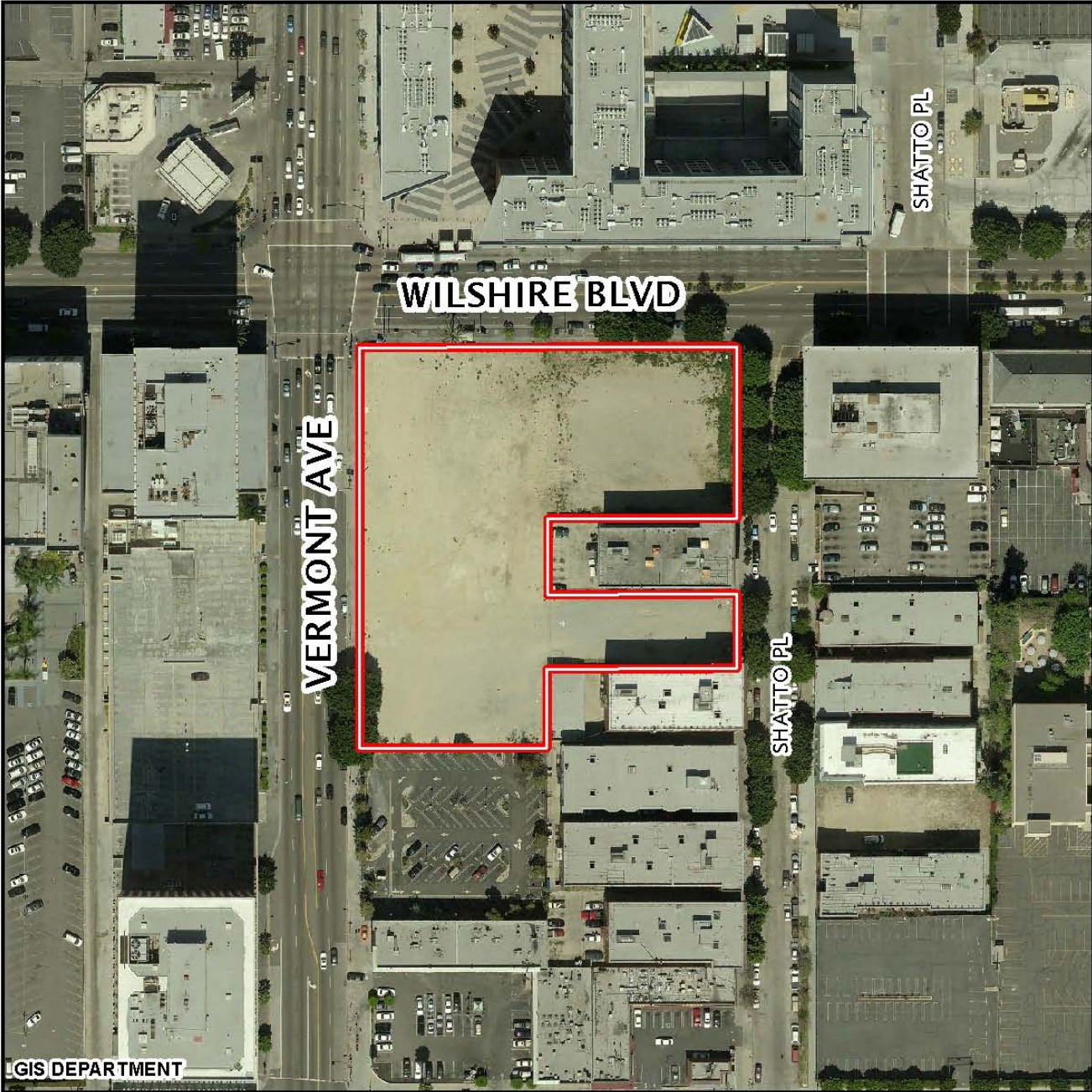
Christine Essel
Chief Executive Officer

By:

David Riccitiello
Chief Operating Officer

ATTACHMENTS

- Attachment A - Location Map
- Attachment B - Project Renderings
- Attachment C - Letter Regarding Logical Evolution
- Attachment D - Snyder Commitment



**Wilshire Vermont
Mixed-Use**

C R A / L A
 Community Redevelopment Agency
 of the CITY OF LOS ANGELES



THE VERMONT MIXED-USED PROJECT

Renderings



AERIAL WILSHIRE + VERMONT





COURTYARD





DATE / DEC 6 2011

FILE CODE /

1200 West 7th Street / Suite 500
Los Angeles / California 90017-2381

T 213 977 1600 / F 213 977 1665
www.crala.org

Snyder Wilshire Vermont, LLC
5757 Wilshire Blvd. PH-30
Los Angeles, CA 90036
Attn: Michael Wise

Re: Owner Participation Agreement ("OPA") by and between the Community
Redevelopment Agency of the City of Los Angeles ("CRA/LA") and Snyder Wilshire
Vermont LLC (The Vermont Mixed Use Project)

Dear Mr. Wise:

Snyder Wilshire Vermont LLC, together with its attorneys and affiliates (collectively, "Snyder") have submitted the attached documents labeled "Current Design" (Exhibit A, Pages 1-6) and "Original Design" (Exhibit B, Pages 1-5). Taken together, these documents reflect the evolution of the design concept for the Project over the past several months, including such changes as the elimination of the subterranean parking, the installation of a DWP substation and the redesign of the swimming pool.

After the Conceptual Design was approved by the Board and City Council in April 2011, Snyder continued to work on the design using architects, engineers and other technical experts. The Hazardous Gas Assessment was completed on August 8, 2011. It determined that the mitigation levels could be limited to the mandatory minimums. The Geotechnical Engineering Investigation (Soils Report) was issued on August 10 and revised on October 7.

You have also advised us that:

"The parking design has evolved from concept to current design as a result of additional information gained from consultants, engineers and City departments subsequent to the CRA/LA Board and Council approval of the initial concept, including the requirement for a DWP substation and two fire water storage tanks under the building, and within the basement area. The substation requires an auxiliary generator, as well as duct banks that connect to the infrastructure systems within the two towers. In addition, the project is being structurally designed such that the sheer walls and columns from the buildings extend all the way through the parking structure to the basement. The fire water storage tanks are expected to hold approximately 150,000 gallons of water each; the DWP substation is 22 feet deep, and approximately 6,000 square feet in area, not including the generator and ducting bank. While these requirements and dimensions will continue to evolve as we finalize our plans and garner Building and Safety approval via plan check and ultimate issuance of the building permit, the

Vermont Mixed Use Project

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size, dimensions and location of these elements greatly impact the initial parking design. Note that DWP and LAFD also require unobstructed access to these elements. Location of these required, but previously unanticipated, elements impacts the ramping, ingress and egress, as well as the overall number of spaces, which can be provided underground. It is estimated that these additional infrastructure requirements would reduce the number of parking spaces underground by approximately 50 spaces.”

In addition to these representations, we have considered the practical impact of these changes to the public and note that, among other things, the egress and ingress for vehicles to the building is not changed, ventilation for the above ground parking is improved and the pedestrian ambience and open space is preserved. The design evolution although it removes the subterranean parking, and reduces the number of residential parking spaces, does not reduce the number of spaces for public and retail use. Further the parking covenant required by the CRA/LA under the OPA is for 77 parking spaces and will be adequately fulfilled. Finally, the design continues to ensure that the “retail and street experience is designed as the public realm with a seamless connection to the surrounding neighborhood, and provides new social gathering spaces for residents and visitors.”

For all of the foregoing reasons, and based on your representations to us, we hereby acknowledge that this evolution in design change as reflected in Exhibit A and B to this letter meets the standard of “Logical Evolution” under section 4.4 of the OPA in that it “flows naturally and foreseeably” from the Concept Design Drawings in accordance with Section 4.4 of the OPA.

With respect to the other submittals you have made, we recommend that together we review the list of submitted documents to determine the status of each and the expected review timeframe. An email dated Monday, December 05, 2011 8:13 AM from Kacy Keys to David Riccitiello attached two proposed option letters both of which included this language: “notice is hereby given that the review and approval period for this request is 30-days. Failure to approve or disapprove the matter requested within 30 days shall be deemed approval.” In order to give adequate time to review all of the issues raised by such letters, the matters so requested are denied. The purpose of this denial is merely to stop the clock from running and not a reflection of our analysis of the merits of any particular request. We will continue to work with you to resolve the issues.

Vermont Mixed Use Project

Page 3 of 3

As you are aware, we are still reviewing the materials you have provided in connection with the Financing Plan. In particular due to the above described evolution in the design we are reviewing the revised budgets that you submitted, including the eligibility of the proposed additional costs. When we have concluded our review we will promptly so advise you. Unfortunately, because of the stay imposed by the California Supreme Court under the case of *California Redevelopment Association, et. al. v. Ana Matosantos, et. al.* (S194861) we are currently prohibited from taking certain actions. We acknowledge that further modifications or approvals may be required as a result of this design evolution and our inability to act on them as a result of the stay is subject to the "Force Majeure" provisions of Section 10.4 of the OPA.

We understand that you are in the process of closing your construction loan. We have reviewed the commitment letters that you have provided from JP Morgan Chase Bank, N.A. dated July 21, 2011, Bentall Kennedy dated July 7, 2011 and acknowledge that such entities are acceptable sources of funds, although as stated above we have not completed our review of the Financing Plan, including the proposed costs.

Sincerely,



Christine Essel
Chief Executive Officer

cc: Kacy Keys, JH Snyder Company

Attachments
Exhibits A and B

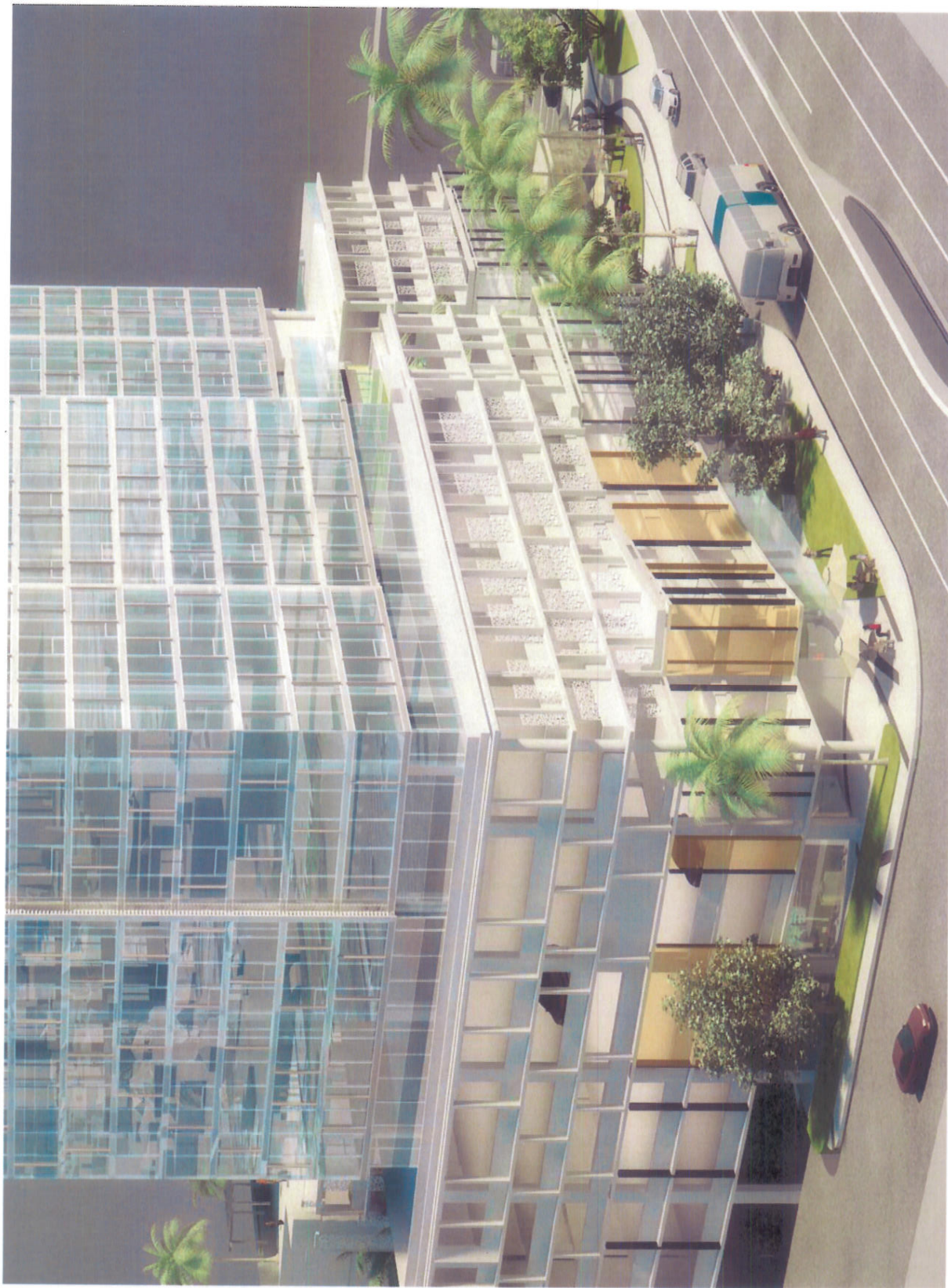
THE VERMONT MIXED-USED PROJECT

Current Design





COURTYARD



WILSHIRE + SHATTO

FLOOR PLAN KEYNOTES

1. FOR TYPICAL BARBERS FREE TOILET ROOM TYPES AND ACCESSORIES REFINISHES AND LOCATIONS - SEE DWG. AX-XXX.
2. FOR TYPICAL HOUSEKEEPING CLOSETS, ACCESSORIES REFINISHES AND MOUNTING LOCATIONS - SEE DWG. AX-XXX.
3. SEE DWG. AX-XXX FOR TYPICAL PARTITION TYPES. ARE "Y" TYPICALLY UNLESS OTHERWISE NOTED.
4. SEE CORRELAR DRAWINGS FOR ALL EXTERIOR BUILDING AND ELEVATION FINISHES.
5. ALL PARTITION TYPES ARE "Y" TYPICALLY UNLESS OTHERWISE NOTED.
6. COORDINATE PARTITION FIRE RATES, REQUIREMENTS AS INDICATED ON REFLECTED CEILING PLANS. DRAWING SERIES "AX-XXX" THRU "AX-XXX".
7. ALL WALLS TO RECEIVE 2" ACQUISITRAL INSULATION.
8. PROVIDE 4" METE. STUDS PARTITION @ 16" ON C. PROVIDE EXHAUST LOCATIONS COORD. W/ MECH. DRINGS (TYP).
9. PROVIDE WALL REINFORCEMENT PER DETAIL # WA-XXX AT WALL JOINTS, SHELVES AND STORAGE UNITS.
10. PROVIDE SCHEDULES FOR ALL EQUIPMENT TO BE INSTALLED. TAG ROOMS, TELEVISIONS AND OTHER CONTRACTOR TO ACCESSORIES AND EQUIPMENT SCHEDULES. SEE DWG. AX-XXX.
11. FOR ALL CABINET TYPE CHANGES BETWEEN ROOMS PROVIDE SCHEDULES FOR ALL EQUIPMENT TO BE INSTALLED. TAG ROOMS, TELEVISIONS AND OTHER CONTRACTOR TO ACCESSORIES AND EQUIPMENT SCHEDULES. SEE DWG. AX-XXX.
12. COORDINATE DIMENSIONS W/ ASTENSK (E, "X", "Y") W/ EQUIPMENT VENDOR.
13. PROVIDE BULLNOSED CORNERS ON ALL CMU WALLS.
14. ALL DIMENSIONS ARE TO FACE OF SYSTEM BOARD OR MASONRY UNLESS OTHERWISE NOTED.

FLOOR PLAN GENERAL NOTES

1. FOR TYPICAL BARBERS FREE TOILET ROOM TYPES AND ACCESSORIES REFINISHES AND LOCATIONS - SEE DWG. AX-XXX.
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FLOOR PLAN LEGEND

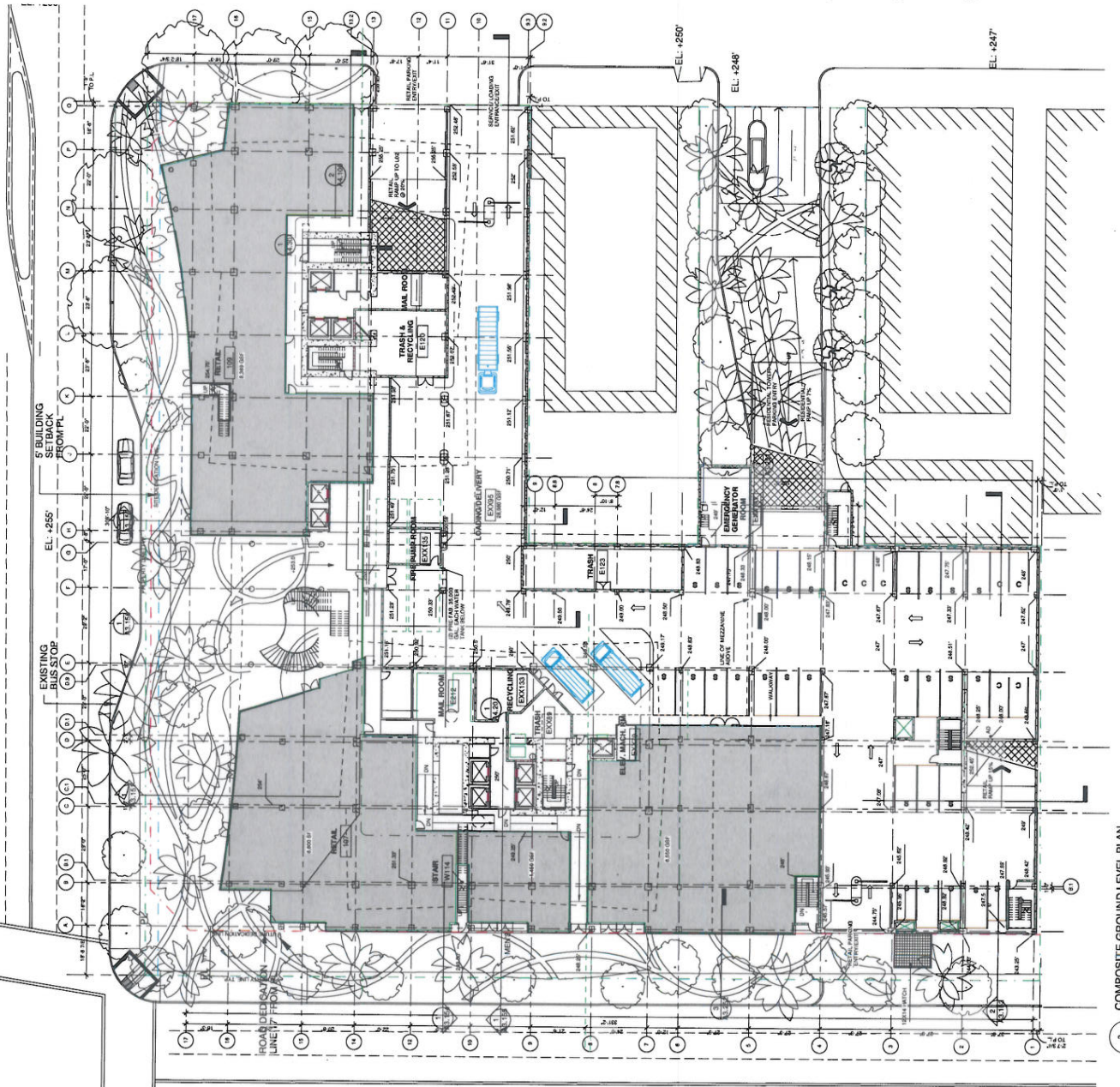
- COL NEW COLUMNLINE
- INDICATES ROOM NUMBER AND TYPE OF PARTITION. IF ADDITIONAL DOOR IN ROOM, NEW DOOR
- TYP (U.O.N)
- LI PARTITION TYPE - SEE A2-701
- ROOM NUMBER ONLY WHERE NO DOOR SERVES ROOM
- FLOOR SINK (FS)
- FLOOR DRAIN (FD)
- TRENCH DRAIN (TD)
- GYPSUM BOARD CONTROL PANEL
- SEE DETAILS ON DRAWING

GROUND FLOOR PARKING SCHEDULE

| Space Type | Number of Spaces |
|------------|------------------|
| Compact | 156 |
| Standard | 103 |
| Grandtotal | 259 |

GROUND FLOOR PARKING SCHEDULE

| Space Type | Number of Spaces |
|------------|------------------|
| Compact | 156 |
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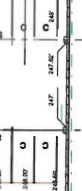
COMPOSITE GROUND LEVEL PLAN

SCALE: 1/8" = 1'-0"

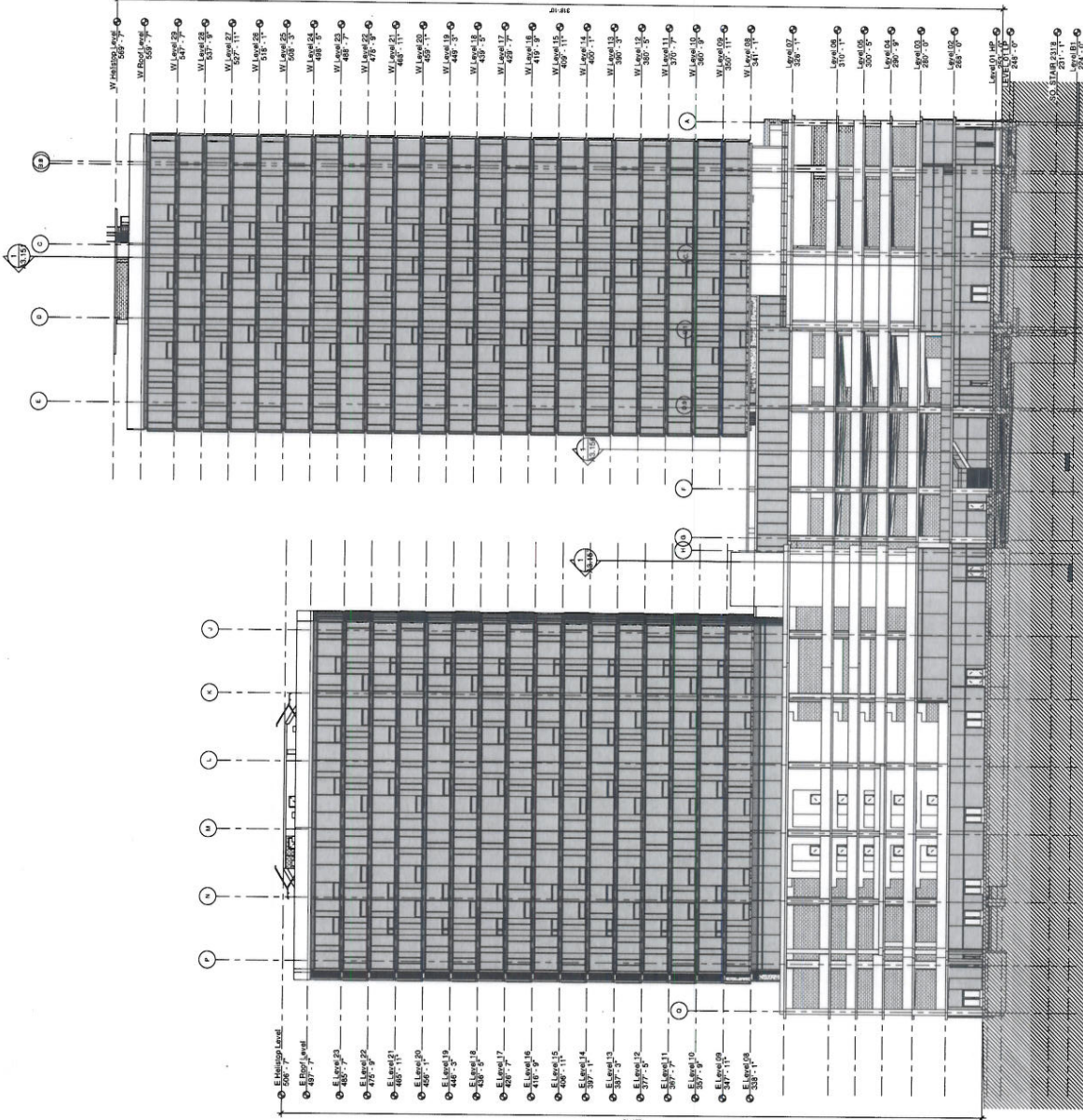


COMPOSITE BASEMENT LEVEL PLAN

SCALE: 1/8" = 1'-0"



A-6



NORTH ELEVATION

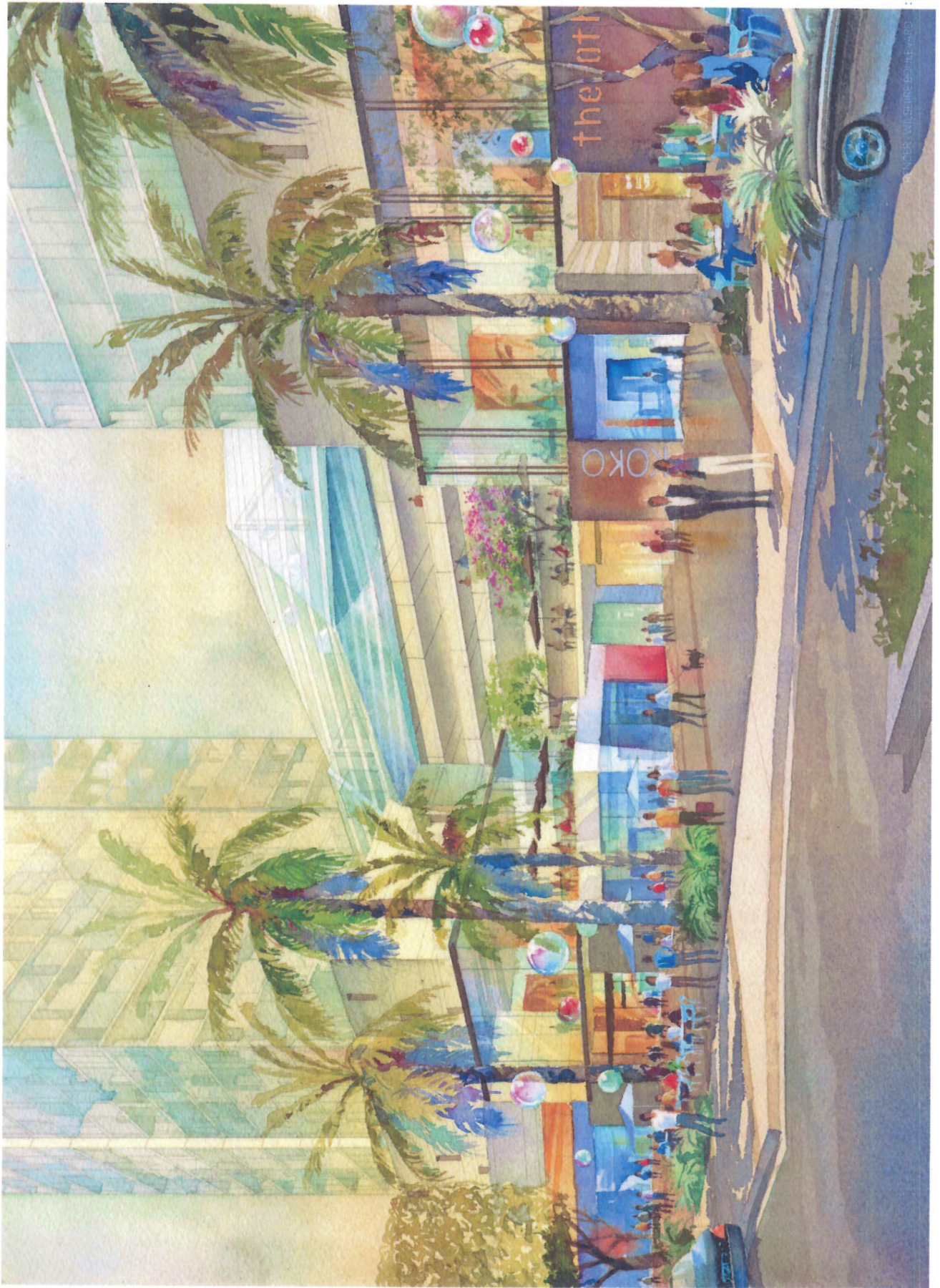
THE VERMONT MIXED-USED PROJECT

Original Design



AERIAL VIEW : the VERMONT

B-2

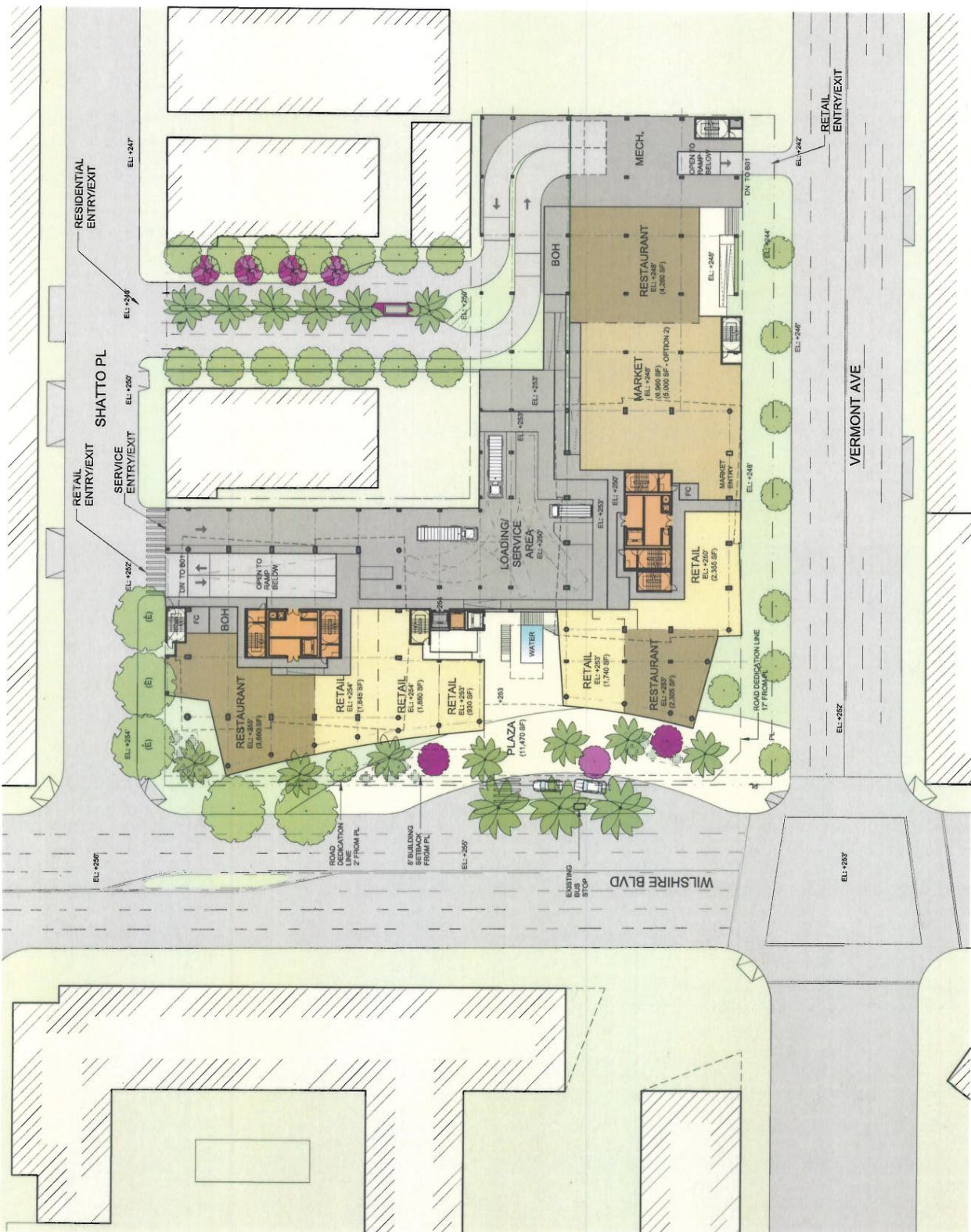


2011.03.16

the VERMONT

B-3

| KEY | |
|------------------------|----------------|
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| RETAIL | [Color swatch] |
| F & B | [Color swatch] |
| RESIDENTIAL | [Color swatch] |
| PARKING | [Color swatch] |
| CIRCULATION | [Color swatch] |
| BOH | [Color swatch] |
| WATER | [Color swatch] |
| LANDSCAPE | [Color swatch] |
| RESIDENTIAL AMENITY | [Color swatch] |
| ONE BEDROOM | [Color swatch] |
| ONE BEDROOM-FLEX SPACE | [Color swatch] |
| TWO BEDROOM-CORNER | [Color swatch] |



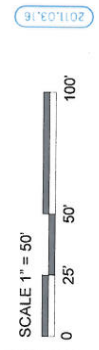
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LOT GROUND LEVEL PLAN : the VERMONT

B-4

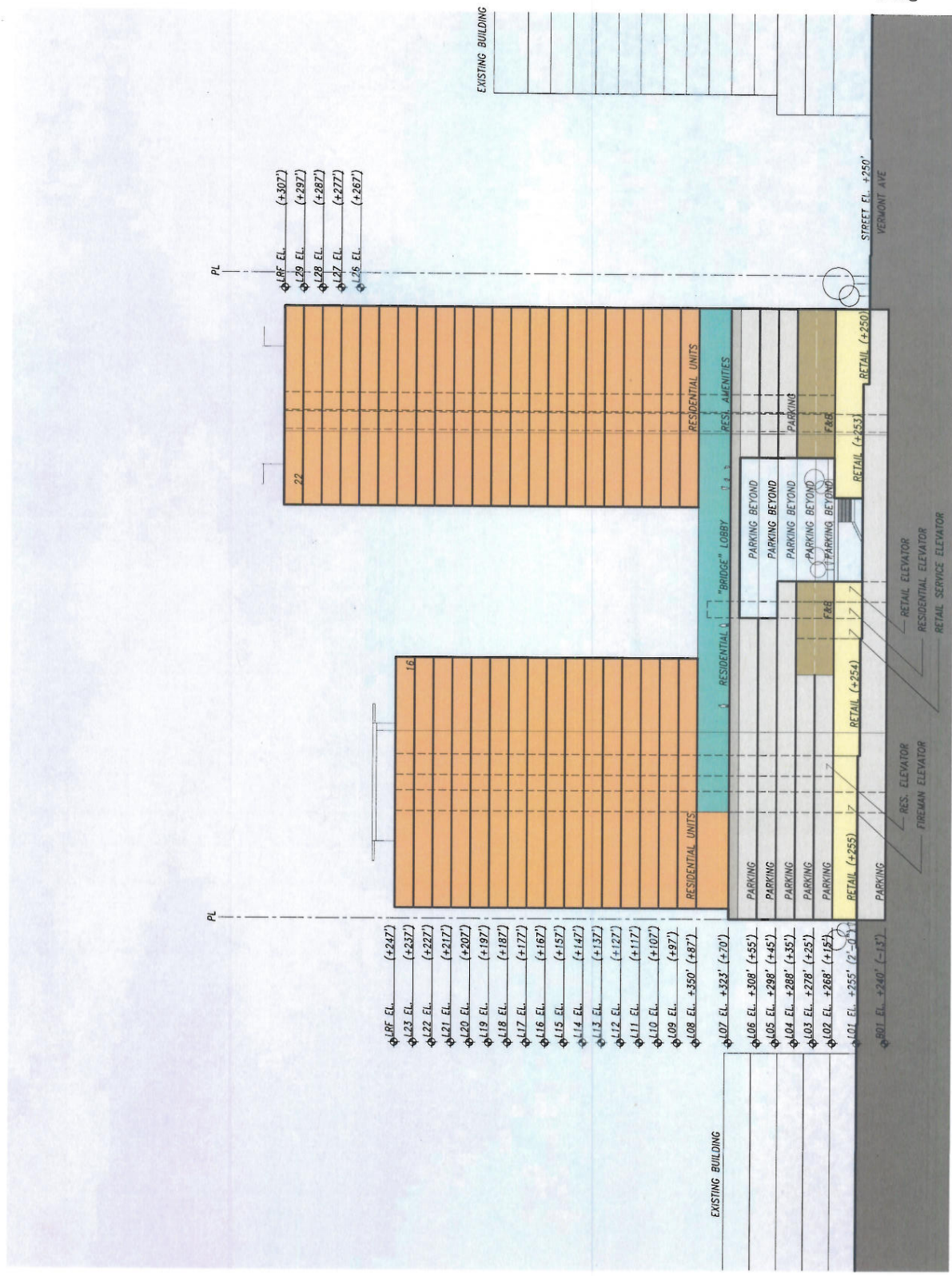
KEY

- SUPERMARKET
- RETAIL
- F & B
- RESIDENTIAL
- PARKING
- CIRCULATION
- BOH
- WATER
- LANDSCAPE
- RESIDENTIAL AMENITY
- ONE BEDROOM
- ONE BEDROOM-FLEX SPACE
- TWO BEDROOM-CORNER



EAST-WEST SECTION : the VERMONT

B-5



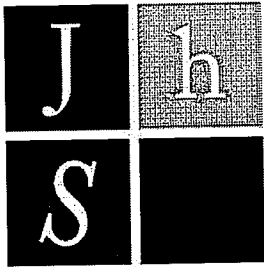
PL
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 +157' EL. (+157')
 +147' EL. (+147')
 +137' EL. (+137')
 +127' EL. (+127')
 +117' EL. (+117')
 +107' EL. (+107')
 +97' EL. (+97')
 +87' EL. (+87')

EXISTING BUILDING

STREET EL. +250'
 VERMONT AVE

RES. ELEVATOR
 FIREMAN ELEVATOR
 RESIDENTIAL ELEVATOR
 RETAIL SERVICE ELEVATOR



J. h Snyder Co.

Builders *and* Community Developers

February 9, 2012

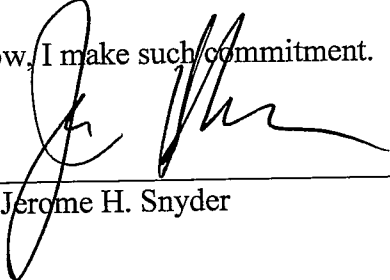
Barron McCoy
CRA/LA
3055 Wilshire Blvd. #1120
Los Angeles, CA 90010

Re: The Vermont – 3150 Vermont

Mr. McCoy;

I understand that the Agency is currently considering our submitted Financing Plan in association with the above referenced project. In association with the Financing Plan, we acknowledge that the Agency has identified a potential \$1.3M shortfall in our preliminary Eligible Development Cost estimates. In the event that the Eligible Development Costs actually incurred and/or approved by the Agency fall short of the originally estimated Maximum Principal Amounts, as defined within the Owner Participation Agreement, I commit to funding any such shortfall amount up to the estimated \$1.3M first referenced above.

By signature of this letter below, I make such commitment.



Jerome H. Snyder