

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

M E M O R A N D U M

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HW2450
ROPS # 1562

DATE: AUGUST 1, 2013

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, SENIOR OPERATIONS OFFICER
NEELURA BELL, SPECIAL PROJECTS OFFICER

SUBJECT: **1601 NORTH VINE STREET ASSIGNMENT OF DISPOSITION AND DEVELOPMENT AGREEMENT.** Consent to the assignment of the Disposition and Development Agreement to Snyder Vine, LLC.

RECOMMENDATION(S)

That the Governing Board consent to the assignment of the Disposition and Development Agreement (DDA) with 1601 North Vine, LLC to Snyder Vine, LLC.

SUMMARY

The recommended action will ensure the successful implementation of this commercial project by assigning the Disposition & Development Agreement (DDA) to Snyder Vine, LLC. Led by the J.H. Snyder Company, the new entity has a proven track-record of completing complex construction projects in the greater Los Angeles area, and within redevelopment project areas. In connection with the proposed assignment, the new development entity has agreed to assume all rights and obligations under the DDA, and to complete the project scope of development as designed and entitled, within the timeframes set forth in the schedule of performance.

Section 8 of the DDA (i.e. Assignments & Transfers) requires 1601 North Vine Street, LLC (the "Developer") to obtain the written consent of CRA/LA for the proposed transfer to be valid. To that end, an Assignment of the Disposition and Development Agreement and Consent to Assignment Agreement has been drafted for execution by 1601 N. Vine, LLC, Snyder Vine, LLC and CRA/LA.

DISCUSSION & BACKGROUND

Location

The Project site, 1601 North Vine Street, is located on the Northwest corner of Vine Street and Selma Avenue in the Hollywood Redevelopment Project Area. The site is 18,208 square feet and is currently operated as a surface parking lot.

Developer Entity

JH Snyder Company is a full service entity with the capacity to design, finance, entitle, and build real estate assets. The company's staff includes finance, construction, asset management, and property management expertise. The company is the developer of residential and mixed-use projects in CRA/LA project areas including NoHo Commons in North Hollywood and The Vermont in Wilshire/Koreatown (under construction). Importantly, the JH Snyder Company, through its affiliates, has completed over 4,000,000 square feet of office space in the Los Angeles region, including the following prominent projects:

- Gateway El Segundo (El Segundo) – 330,000 square feet of Class B office space and 11,500 square feet of retail space;
- Water Garden II (Santa Monica) – 1.3 million square foot office campus;
- 5670 Wilshire (Los Angeles) – 440,000 square foot, 27-story office building on the Miracle Mile; and
- Wilshire Courtyard (Los Angeles) – 967,000 square foot, low-rise class A office building.

The JH Snyder Company has established an affiliated entity Snyder Vine, LLC for the sole purpose of developing the 1601 N. Vine Street office tower project. In a meeting with JH Snyder and the Developer, JH Snyder articulated its interest in the project. Specifically, that it is prepared to move the project forward as approved in the DDA, without any modifications.

In February 2012, Keyser Marston Associates (KMA) conducted a confidential review of proprietary financial information of the JH Snyder Company in relation to its development of The Vermont project. The KMA review indicated that the JH Snyder Company had the financial wherewithal to meet its financial obligations on that project. In addition, the review indicated that Mr. Snyder's total personal assets exceeded its liabilities by over 10 times. The Snyder Company has recently provided a statement reporting that its financial position remains stable and that there have been no material adverse changes since February 2012.

Description, Project Context and Project History

In March 2011, the Former Agency entered into a DDA with the Developer for the development of new Class-A, 124,000 square foot, eight-story entertainment-oriented office building in the Hollywood Project Area.

In April 2013, the Governing Board authorized the First Amendment to the DDA, which modified the Agreement Containing Covenants and the Schedule of Performance. The entertainment-oriented restriction was removed from the Agreement Containing Covenants and the Schedule of Performance was modified to provide a 12-month extension to allow the Old Developer time to secure financing and close escrow. The Developer provided information regarding challenges in identifying entertainment-oriented tenants given the anticipated two-year construction period. Additionally, the Developer reported that financial institutions were unable to provide construction financing with the entertainment-oriented restriction.

Since assuming the role of Managing Member of 1601 Vine, LLC in August 2011, Workers Realty Trust (WRT), whose typical role is primarily as a financial conduit in real estate, has been looking to identify an experienced developer with whom to partner to complete the project. WRT has identified JH Snyder Company as an experienced local firm with the capacity to undertake the proposed development. The parties are proposing an assignment of the DDA to

Snyder Vine, LLC, a single-purpose entity created by JH Snyder Company for undertaking the project.

The Former Agency acquired the site in 2006 and entered into a DDA with 1601 North Vine, LLC on March 9, 2011. The DDA requires CRA/LA to sell the 18,208 square foot site for its fair reuse value of \$825,000. The DDA obligates the project developer to build an approximately 124,033 square foot, eight-story office building. Designed to meet LEED Gold standards, the Class-A office building will contain 108,324 square feet of leasable area, including 2,012 square feet of ground floor retail space and a 194-space, five-level subterranean parking garage. The DDA requires that the developer record a five-year covenant against the site restricting the use to a Class-A commercial office building.

The initial Schedule of Performance required the conveyance of the land to occur no later than June 30, 2012. However, the Schedule of Performance has been amended several times to allow the Developer additional time to secure financing for the project. The Schedule of Performance was also modified to allow time to remarket the project and secure construction financing. The current Schedule of Performance requires that construction start by April 24, 2014. The Snyder Company has indicated that construction for the project can begin by this date.

To date, several key Project milestones have been achieved which include completing, schematic drawings, opening escrow and making the good faith deposit, entering into a project labor agreement, and obtaining entitlements for the Project.

SOURCE OF FUNDS

No new CRA/LA funds are required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

This action has no impact on ROPS. The Successor Agency staffing costs associated with monitoring the 1601 North Vine Street project are characterized as specific program implementation activities. Pursuant to H&SC 34171(b), employee costs associated with specific program implementation activities are excluded from the administrative cost cap and are eligible for RPTTF funding. Pursuant to the DOF approved ROPS 13-14A, the Successor Agency has been allocated funding toward program implementation staffing costs for the current ROPS 13-14A period.

ENVIRONMENTAL REVIEW

On April 1, 2010, the CRA/LA Board adopted a resolution certifying that the CRA/LA had reviewed and considered the environmental effects set forth in the Final Environmental Impact Report for the proposed development of an approximately 124,033 gross square foot commercial office building ("Project") at 1601 Vine Street ("Site") and adopted the Mitigation Measures, Findings, Mitigation Monitoring Program and Statement of Overriding Considerations for the Project. The proposed action does not constitute an action requiring additional environmental review.

By:



Steve Valenzuela
Chief Executive Officer

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