

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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DATE: NOVEMBER 7, 2013 HW2450

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, NON-MONETARY AMENDMENT.** Second Amendment to the Disposition and Development Agreement with 1601 North Vine, LLC modifying the Schedule of Performance for development of the 1601 North Vine Street Office Tower Project in the Hollywood Redevelopment Project Area.

RECOMMENDATION(S)

That the Governing Board, subject to Oversight Board approval, authorize the Chief Executive Officer or designee to enter into the Second Amendment to the Disposition and Development Agreement with 1601 North Vine, LLC ("Developer") modifying the Schedule of Performance to provide additional time to allow for the close of escrow.

SUMMARY

In March 2011, the Community Redevelopment Agency of the City of Los Angeles ("Former Agency") entered into a Disposition and Development Agreement ("DDA") with the Developer for an agency-owned property located at 1601 N. Vine Street to be redeveloped as an entertainment-oriented, eight-story, Class A office building. Since the execution of the DDA, the CRA/LA Governing Board has taken several actions affecting the DDA, including three modifications to the Schedule of Performance to allow the Developer additional time to meet the conditions precedent to the conveyance of the land.

In April 2013, the CRA/LA approved the 1st Amendment to the DDA, which modifies the Agreement Containing Covenants and the Schedule of Performance for the proposed development. The Agreement Containing Covenants was modified to eliminate the entertainment-oriented use restriction and the Schedule of Performance was extended by 12 months and extended the close of escrow date to May 7, 2014.

In August 2013, the CRA/LA Governing Board consented to the assignment of the DDA from the Developer to Snyder Vine, LLC. However, the contemplated assignment has not yet occurred. The Developer has informed CRA/LA that no title company will issue title insurance without an exception relating to the requirement for Department of Finance approval of the transaction. The title companies indicate that conversations with DOF resulted in their understanding that the approval of the conveyance of the land would be evidenced by DOF's approval of the Long Range Property Management Plan ("LRPMP"), this asset is listed in the category of retained to fulfill an enforceable obligation.

Not knowing when DOF would conclude its review of CRA/LA's LRPMP, staff proposes this Second Amendment to the DDA, modifying the Schedule of Performance in anticipation of DOF's consideration of the LRPMP. If approved, the proposed amendment would extend the Schedule of Performance until the later of 1) four months following DOF's approval of the conveyance of 1601 N. Vine Street to the Developer or 2) December 31, 2014.

PREVIOUS ACTIONS

August 1, 2013 – CRA/LA Governing Board consent to the assignment of the Disposition and Development Agreement from 1601 North Vine, LLC to Snyder Vine, LLC.

April 18, 2013 – CRA/LA Governing Board approval of the 1st Amendment to the DDA, modifying the Agreement Containing Covenants and the Schedule of Performance to extend the closing date to May 7, 2014.

November 29, 2012 – CRA/LA Governing Board approval of a 90-day extension to Schedule of Performance to extend the closing date to March 31, 2013.

June 21, 2012 – CRA/LA Governing Board approval of a six-month extension to Schedule of Performance to extend the closing date to December 31, 2012.

DISCUSSION & BACKGROUND

Location

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

Developer Entity

1601 North Vine, LLC is the Developer for the Project. The entity was created in 2006 for the sole purpose of developing the Vine Street Tower Project. The LLC was initially comprised of two members: Selma & Vine Partners, LLC, with a 6% membership interest and serving as the Project Sponsor and Managing Member; and Workers Realty Trust II, L.P. (WRT) with a 94% membership interest. In August 2011, Selma & Vine Partners LLC exited as the Managing Member and WRT now serves in this capacity.

WRT is a Delaware limited partnership formed in 2005. The partnership is a \$124 million nationally focused closed-end fund. The principal objective of the fund is to provide benchmark-exceeding real estate investment performance by developing and/or redeveloping dominant properties in both primary and secondary markets. The fund focuses on value enhancement opportunities utilizing all union labor.

Project Context and Project History

On March 9, 2011, the Former Agency entered into a DDA with 1601 N. Vine, LLC for the disposition of the 18,208 square foot site and the development of an approximately 124,033 square foot, eight-story office building. The LEED Gold, Class-A office building would 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 Former Agency acquired the site in 2006 for \$5,450,000. However, the DDA requires CRA/LA to sell the site to the Developer for its fair reuse value of \$825,000. The Former Agency prepared a Section 33433 Summary Report and conducted a public hearing for this project pursuant to the California Health & Safety Code.

The initial Schedule of Performance required the conveyance of the land to occur no later than June 30, 2012. As mentioned above, the Schedule of Performance has been amended several times to allow the Developer additional time to secure financing for the project and to meet other conditions precedent to the conveyance of the agency land.

The Developer hired the firm of Avison Young to market the project and to identify entertainment-oriented tenants for the project. Avison Young subsequently reported lack of interest from entertainment-oriented tenants due to the anticipated two-year construction period for this project. Consequently, the Developer was able to secure an entertainment-oriented tenant. In addition, the conventional construction lenders indicated that the entertainment-oriented use restriction was problematic and that they would not provide financing to a project with such a restriction. Thus, the Developer requested and the CRA/LA Governing Board approved an amendment to the DDA modifying the Agreement Containing Covenants to remove the entertainment-oriented use restriction.

On August 1, 2013, the Governing Board consented to the assignment of the assignment of the DDA from 1601 North Vine, LLC to Snyder Vine, LLC. 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.

The 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 projects in CRA/LA project areas including NoHo Commons in North Hollywood and the Wilshire-Vermont Mixed-Use project in Wilshire/Koreatown, which is currently under construction. In addition, the JH Snyder Company, through its affiliates, has completed over four million square feet of office space in southern California.

SOURCE OF FUNDS

No CRA/LA funds are required for this action.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

This action has no impact on the ROPS and Administrative Budget.

ENVIRONMENTAL REVIEW

On April 1, 2010, the Board of the Former Agency 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 at 1601 Vine Street and adopted the Mitigation Measures, Findings, Mitigation Monitoring Program and Statement of Overriding Considerations for the Project. No evidence in the record demonstrates that general office uses have substantially greater, or different, environmental impacts than entertainment-oriented office uses; nor that substantial changes have occurred with respect to the circumstances under which the project is undertaken; nor that new information demonstrates additional environmental impacts than those reviewed in the Final EIR.



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.