

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

2

DATE: NOVEMBER 7, 2019

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: DAN KAHN, SR. REAL ESTATE DEVELOPMENT AGENT

SUBJECT: PROPERTIES RETAINED FOR FUTURE DEVELOPMENT. Consider 24-month extension to the Option Agreement with the City of Los Angeles (“City”) for CRA/LA-owned property known as Marlton Square and identified as Long Range Property Management Plan (“LRPMP”) Asset ID Nos. 82 and 505-509.

RECOMMENDATION

That the Governing Board consider the City’s request to extend by 24-months (through September 1, 2021) the term of the Option Agreement for LRPMP Asset ID Nos. 82 and 505-509 (“Marlton Square”) (“Site”), providing additional time for the City to exercise its option to acquire CRA/LA’s fee interest in the assets.

SUMMARY

The Option Agreement (“Agreement”) expired on September 2, 2019. In a letter dated July 17, 2019, the City requested a 12-month extension to the term of the Agreement. After receiving the letter, CRA/LA and the City discussed the need for a longer extension to allow the City to complete environmental remediation and negotiations with the City’s selected developer. The City followed up with a revised letter, dated October 16, 2019 (**Attachment “A”**), requesting an extension of 24-months through September 1, 2021. The extension will allow more time for the City to exercise its option.

In September of 2017, the City and MLK Marlton, LLC, (“MLK Marlton”), entered into an Exclusive Negotiating Agreement (“ENA”). Though the ENA expired in March 2019, the City and MLK Marlton have continued to negotiate terms for developing the Site. In addition, MLK Marlton is negotiating with Capri Investment Group (“Capri”) to form a new business entity to develop the Site with a bioscience facility. Capri is the owner of the nearby Baldwin Hills Shopping Center.

If the arrangement between MLK Marlton and Capri is consummated, a Disposition Plan would be submitted to the Governing and Oversight Boards for approval. The proposed bioscience facility is envisioned to include 165,000 sf of incubator space, 196,000 sf of office

space, 360,000 sf of wet and dry labs, a 15,000 sq. ft. retail plaza, and approximately 800 parking spaces. The facility would be built on CRA/LA-owned parcels as well as adjacent parcels owned by the City and MLK Marilton, as shown on the Marilton Square Development Site and Property Ownership Map (**Attachment “B”**). The City has indicated its willingness to enter into an ENA with the new development team.

Marilton Square is located at 3700, 3742, 3750, 3760-3772 W. Martin Luther King Jr. Blvd. and 4023-4025 Marilton Avenue. CRA/LA owns 12 parcels (comprising 2.6 acres of land).

PREVIOUS ACTIONS

April 6, 2018 – Governing Board approved of an 18-month extension (through September 2, 2019) to the Initial Term of the Option Agreement for CRA/LA Asset ID Nos. 82 and 505-509.

January 8, 2015 – Following approvals by the Governing and Oversight Boards and DOF, CRA/LA entered into 10 Option Agreements with the City of Los Angeles for assets categorized as Retain for Future Development within the LRPMP.

DISCUSSION & BACKGROUND

As shown in the table, below, the initial Term of the Agreement was for three years, beginning on March 2, 2015, with an option to extend the Agreement by 18-months. On April 6, 2018, the Governing Board approved the 18-month extension through September 2, 2019. The City is currently requesting an additional extension of 24-months through September 1, 2021.

Term of Marilton Square Option Agreement								
Asset ID Nos.	Property Description	Agreement Effective Date	Initial Term	Initial Term Expiration	Extended Term	Approved Extended Term Expiration Date	Proposed Extension Term Request	Proposed Extended Term Expiration Date
82, 505-509	Marilton Square (vacant land)	3/2/2015	3 years	3/2/2018	18-months	9/2/2019	24-months	9/1/2021

SOURCE OF FUNDS

No funding is being requested for this item.

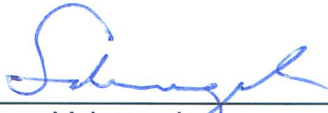
ROPS AND ADMINISTRATIVE BUDGET IMPACT

There is no ROPS impact anticipated with this action. There is no impact on the Administrative Budget associated with this action.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a Project pursuant to the California Environmental Quality Act (CEQA).

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.

ATTACHMENTS

Attachment "A" – Letter from Deputy Mayor William Chun of October 16, 2019

Attachment "B" – Marlton Square Development Site and Property Ownership Map

ATTACHMENT "A"



ERIC GARCETTI
MAYOR

October 16, 2019

Governing Board of CRA/LA, A Designated Local Authority
c/o Steve Valenzuela, Chief Executive Officer & CFO
448 S. Hill Street, 12th Floor
Los Angeles, CA 90013

**RE: REQUEST FOR TWENTY-FOUR MONTH EXTENSION OF OPTION AGREEMENT
CITY - CRA/LA OPTION AGREEMENT C-125179
MARLTON SQUARE PROPERTIES ASSET ID #s 82,505,506,507,508 & 509
Expiration of Current Extended Term: September 2, 2019
Additional Extended Term Requested to: September 1, 2021**

Dear Governing Board Members:

With this revised letter, the City of Los Angeles (City) provides written notice requesting that the Governing Board of CRA/LA, A Designated Local Authority (CRA/LA), approve an Extension of Term for the City - CRA/LA Option Agreement referenced above, for twenty four months to the Extended Term date shown above, in accordance with Section 7 of the Option Agreement.

Following is the City's report on key components of the significant progress made to date on the preparation and submission of the Disposition Plan and the exercise of the Option for this project:

- All Marlton Square litigants have completed a Global Settlement resolving all claims concerning access and related issues, allowing land holders to proceed to develop the site (Kaiser, Buckingham Senior Apartments, Leeds, City, and City/CRA/LA Option Properties Retained for Future Development);
- Appraisal updates were completed by both CRA/LA and the City in June 2019, per Section 12 of the Option Agreement. Additional appraisals will be required to meet the requirement that the Purchase Price be established by appraisals completed within six months of exercising the Option, as specified in Section 12 of the Option Agreement;
- The City received a \$100,000 grant through the US EPA's Targeted Brownfields Assessment program to complete a Phase II investigation ("Phase II Report") for the entire Marlton development site. The Phase II Report was completed on June 26, 2019, and has been reviewed by the Los Angeles County Fire Department Site Mitigation Unit, the designated oversight agency for the site. It appears that some site remediation or protective measures will be required, depending on the configuration of the final development site plan;

ATTACHMENT "A"

Mr. Steve Valenzuela
Request for Option Extension – Marlton Square
October 16, 2019
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- The City entered into an Exclusive Negotiation Agreement with MLK Marlton, LLC, a property owner in Marlton Square. Although the ENA has expired, the City has continued to be in discussions with all property owners in Marlton Square, and others, to determine the best path forward to develop the entire property for the maximum benefit of the community.
- At present, the primary private property owner (MLK Marlton, LLC) is in negotiations with Capri Investment Group to form a new business entity to carry the project forward. Collectively, this development team has completed over \$14 billion in real estate investments and developments.
- The new proposal is to bring a biosciences research facility to Marlton Square, which would encompass 165,000sqft of incubator space, 196,000sqft of office space, 360,000sqft of wet/dry labs, 15,000sqft retail plaza as well as provide for approximately 800 parking spaces.
- The development team will have additional information at the November 7, 2019 CRA/LA Governing Board, or whenever the extension request is to be heard, and will be prepared to make a presentation if desired.

The City will be prepared to enter into a new ENA with the new development team.

As noted by the above, the City has made significant progress toward the preparation and future submission of a Disposition Plan for the site, along with actions that will lead toward exercising the Option and bringing this important project to fruition. We look forward to completing all actions required to enter into escrow and purchase the property from CRA/LA consistent with the provisions of the Option Agreement.

An approved Disposition Plan will be transmitted at a later date, once a definitive land use configuration is determined.

We want to thank CRA/LA staff for their continuing cooperation and assistance in this endeavor.

Thank you for your consideration.

Sincerely,



WILLIAM CHUN
Deputy Mayor for Economic Development

c: Hon. Herb Wesson, Councilmember, 10th District
Richard H. Llewellyn, Jr., City Administrative Officer
Sharon M. Tso, Chief Legislative Analyst
John Reamer, Interim General Manager, EWDD

ATTACHMENT "B"

MARLTON SQUARE

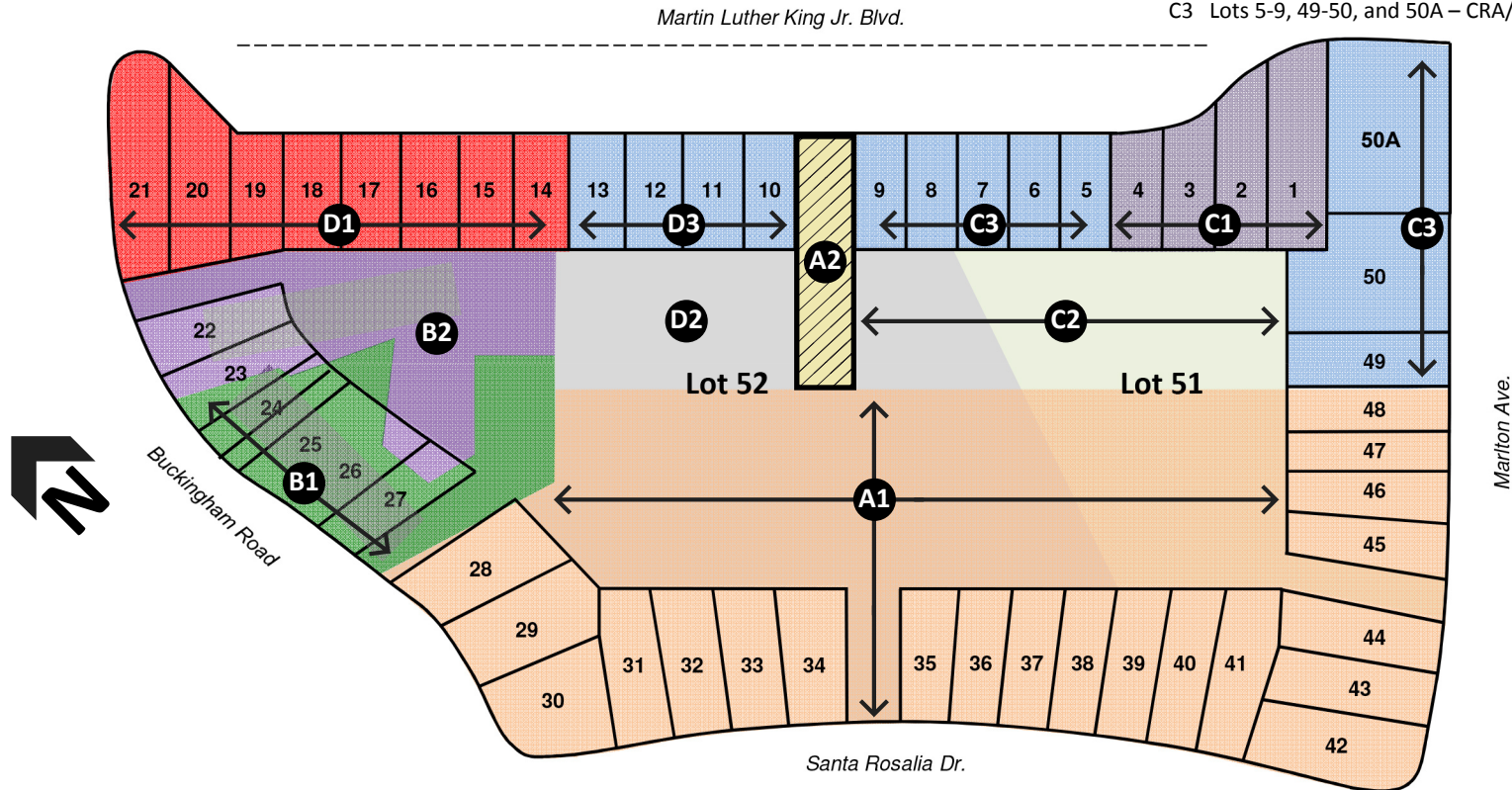
DEVELOPMENT SITES & PROPERTY OWNERSHIP

Parcel D: FUTURE CITY DEVELOPMENT SITE

- D1 Lots 14 - 21 portion of Lot 51 -- City
- D2 Portion of Lot 52 -- City
- D3 Lots 10 - 13 -- CRA/LA- DLA (City Option)

Parcel C: LEEDS DEVELOPMENT SITE

- C1 Lots 1-4 -- Leeds (MLK Marlton) Entities
- C2 New Leeds (MLK Marlton) Parcel -- portion of Lots 51 and 52
- C3 Lots 5-9, 49-50, and 50A -- CRA/LA-DLA (City Option) *



Parcel B: BUCKINGHAM PLACE SENIOR APARTMENTS

- B1 Portions of Lots 23 - 27 and a portion of Lot 52 -- META

Parcel B: METRO @ BUCKINGHAM SENIOR APARTMENTS

- B2 Lot 22, portions of Lots 23, 24, 25, 26, 27 and 52 -- META

Parcel A: KAISER MEDICAL FACILITY

- A1 Lots 28 - 48, portion Lots 51 and 52
- A2 Easement to Martin Luther King Jr. Blvd

*Not drawn to scale

1804554.2

*"CRA/LA-DLA is the successor to the City's former redevelopment agency (a "Designated Local Authority").