

MEMORANDUM

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DATE: JANUARY 18, 2007 CH3120

TO: AGENCY COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: DAVID RICCITIELLO, REGIONAL ADMINISTRATOR
LILLIAN BURKENHEIM, PROJECT MANAGER
CAROLYN HULL, MANAGER, CAPITAL FINANCE
SERGIO BARAJAS, DIRECTOR OF HOUSING

SUBJECT: ENVIRONMENTAL FINDINGS AND APPROVAL OF THE BLOSSOM PLAZA FUNDING AGREEMENT WITH CHINATOWN BLOSSOM PLAZA, L.L.C., AND THE CITY OF LOS ANGELES TO PROVIDE \$10.6 MILLION (PRESENT VALUE) IN FUTURE TAX INCREMENT AND HOUSING FUNDS AND \$3.8 MILLION IN CDBG FUNDS FOR THE DEVELOPMENT OF A MIXED USE PROJECT, PUBLIC PARKING AND MULTI MODEL TRANSIT FACILITIES ADJACENT TO THE CHINATOWN GOLD LINE STATION, CHINATOWN REDEVELOPMENT PROJECT DOWNTOWN REGION (CD 1)

RECOMMENDATIONS

That the Agency, subject to City Council review and approval:

1. Adopt a Resolution (Attachment "A") certifying that it has reviewed and considered the Mitigated Negative Declaration and the Addendum to the Mitigated Negative Declaration prepared by the City of Los Angeles' Bureau of Engineering, and adopt the mitigation monitoring program for the proposed Blossom Plaza project;
2. Authorize the Chief Executive Officer or designee to execute the Blossom Plaza Funding Agreement among the Chinatown Blossom Plaza, LLC, the City of Los Angeles and the Community Redevelopment Agency of the City of Los Angeles, to provide \$8 Million in Tax Increment funding for predevelopment and site preparation costs, \$2.6 Million in Housing funds for the moderate income condominium units and \$3.8 Million in CDBG Funds for site acquisition costs for the project.;
3. Grant a waiver to the Agency Housing Policy to allow the Developer to provide 18 moderate income for-sale condominiums on-site and 16 workforce housing units either on-site or through payment of an in lieu fee of \$100,000 per unit for each workforce housing unit to be built off site; and
4. Grant a waiver to the Agency Arts Policy to allow the Developer to apply all Arts Fees to site development including the cultural plaza, art, and art design.

SUMMARY

Blossom Plaza is a proposed mixed use development on the north side of College Street between Broadway and the Chinatown Gold Line Station, located at 900 North Broadway, on the 1.9 acre site, former home of the Little Joe's restaurant. See Attachment "B", Site Map. The project would create a new eastern gateway to Chinatown, connecting the Gold Line Station to Broadway and the historic center of the community. The proposed transaction is contemplated to include the City of Los Angeles, through the Los Angeles Department of Transportation (LADOT) and Community Development Department (CDD), Chinatown Blossom Plaza LLC (Developer) and the Community Redevelopment Agency of the City of Los Angeles (CRA/LA or Agency). Together the entities are proposing to develop this public/private project. The development would consist of not less than 344 parking spaces, between 166 and 169 residential condominiums, 40,259 rental square feet of retail and restaurant space, a 18,000 square foot Cultural Plaza, Transit Pedestrian walkway connecting the Metro Gold Line Station to Broadway and various intermodal improvements including a 1,891 square foot Metro Station platform expansion and a 1,607 square foot bike shop. There are three agreements with the Developer contemplated to set forth the roles and responsibilities for implementing this project. The Agency is party only to the Funding Agreement.

The development of an active mixed-use complex at this key intersection has been a priority for the community, Council Office, City and Agency. Trying to balance the uses on this site with the needs of the community and the economic feasibility of the project has been a challenge. LADOT and CRA/LA commissioned Walker Parking Consultants in November 2005 to analyze the parking demand for the proposed parking facility, including public parking and parking for the proposed uses on site. Their conclusion showed that the best source of funding for the parking facility would come from the patrons of Blossom Plaza.

The project contemplates the development of between 166 and 169 residential condominium units with not less than 169 associated private parking spaces. The unit mix includes 55 studios, 5 junior 1-bedroom, 71 1-bedroom and 38 2-bedroom units. The residences were originally designed to be market rate units. However, CRA Policy requires that 20% of the units be set aside for families at or below 120% of Area Median Income. The cost of the development created a large gap in financial feasibility to meet Agency policy. A compromise was reached whereby the Developer would provide 18 studio units on site for Moderate-Income families (earning not more than \$46,250 a year). The CRA/LA would subsidize these units for \$2,593,800 (an average of \$144,100 per unit). These funds would be secured by an Agency Note pledging future housing tax increment generated from this development to be reimbursed to the Developer with a 6% interest rate. Additionally the Developer will cause to be created 16 workforce housing units for households at 150% of Area Median Income (earning not more than \$78,600 a year) either on site or elsewhere in Chinatown. If the Developer has not created the workforce-housing units prior to completion of the project, the Developer will deposit \$1.6 million into a Chinatown Housing Trust account established to provide additional affordable or workforce housing units in or adjacent to the project area.

While providing affordable housing, the proposal does not meet the Agency's housing policy. First 20% of all affordable units are not being developed on site. Second, the units on site are not several levels of affordability, but all at moderate-income level (120% AMI). And lastly, the unit mix is not spread throughout the project for all housing types, but is limited to studio units. Staff is recommending a waiver of the Agency policy in order to make this project financially feasible within the range of available resources.

Since Blossom Plaza came to the Board for approval in 2004, there have been major cost increases to the project. Initially the project was redesigned to respond to issues raised by the

adjacent property owner. Then further site investigation showed that there were two major environmental issues that needed to be addressed: 1) methane and hydrogen sulfide from naturally occurring oil, gasoline and diesel fuel were in the soil from a former gas station and floating gasoline and diesel free product at the groundwater surface (40 feet below ground surface at Broadway), and 2) a very large liquefaction area was found on the eastern portion of the site. This caused a need for additional remediation, which was cited in the original Phase I and Phase II investigations of the site as potential issues. The cost and disruption that would be caused by driving piles into the ground to secure the buildings was exorbitant. The best solution was to redesign the project to move the major buildings away from the liquefaction area and not to excavate into the water table. This caused a reduction in the scope of the project. During this same time period, the land and construction costs escalated, as discussed below. The project was not financially feasible to move forward without substantial financial assistance, although it is situated on a critical intersection for Chinatown.

These changes resulted in a feasibility gap for the project. Whereas before it was contemplated that the Agency would not need to provide any subsidy for the project, it became evident over the last year that, if there were not additional funds invested in the project, the project would not be built. Thus to assist the Developer in making this project happen, the Agency would need to provide the Developer with an \$8 million subsidy. These funds would come as a site specific pledge of tax increment, secured by an Agency Note.

Located adjacent to the Chinatown Gold Line Station, the Cultural Plaza will serve as a grand entrance to Chinatown. The 18,000 square foot Plaza will be dedicated to a variety of cultural and community activities such as art exhibits, arts festivals, plays and performances, Tai Chi, movies, classes, food festival and Chinese New Year events. The Plaza will be designed and landscaped, creating a Chinese garden, visually linking it with the Metro station garden and Los Angeles State Historic Park at the former Cornfields. Managed by the Developer, the space will be open to a variety of local non-profit organizations and community groups for their programming and use. An artist(s) will be commissioned to add to the artistic elements of the Plaza and development design. The Agency Art policy allows for all of the arts funds to go to a cultural facility, but limits the facility from multi-use space or amphitheaters. In an accompanying action, there is a proposal to amend the Art Policy to allow these uses as cultural facilities. That change will make this facility consistent with the revised Art Policy. However, because, the pending approval of the Art Plan by the Board at a future date, it is also requested that the Board waive the strict application of the Policy to allow the proposed operation and use of the multi-use space in the Cultural Plaza space to qualify for the full use of the Art funds.

A cultural plaza has been a community and Agency priority for this project. As negotiations continued, the Developer, City and Agency tried to expand that vision to create a cultural center. Previously it was contemplated that a 7,000 square foot cultural facility could be built within the development. As community concerns were assessed along with cost escalation and site constraints it became clear that 1) the construction of the center would cost more than was available, 2) the center was too small to accomplish what the community wanted from a center and 3) it would take between \$8 - \$12 million to build out the cultural center and those funds were not available or identifiable. It is still envisioned, however, that this cultural plaza will be a wonderful space that will be designed sensitively, reflecting the rich Chinese culture, and will be inviting to the many groups and organizations in Chinatown. It can become a cultural resource and home to many cultural activities. As the cultural plaza is utilized successfully, it will provide a track record that the community can use to attract additional dollars to build the cultural center they have wanted for so long.

CDBG funds were previously authorized for this project both through CRA/LA (\$1.2 million) as well as LADOT (\$600,000). On December 20, 2006, City Council authorized an additional \$2 million to be used for the acquisition of property for this project. Through the Funding Agreement, each agency/department will deposit their funds into the property purchase escrow.

Additional community benefits include a first source-hiring program for local low-income individuals. It is anticipated that this development will create no fewer than 109 jobs to be filled by the local residents. The project is aiming for LEED certification thus utilizing sustainable features such as recycling facilities and programs; water conservation, storm water management and energy efficiency in window systems, building and lighting design. The development will follow all of the Agency policies and City ordinances including paying Prevailing Wages, Living Wages, Worker Retention, Contractor Responsibility and Equal Benefits

FUNDING AGREEMENT

The development costs have increased from \$77 million to over \$122 million, while the scope of development has decreased. The amount of supportable investment by the private sector, allowing for a 11% return on investment, would be \$108.5 million, creating a feasibility gap of \$15.4 million. To try to help close this gap, the Funding Agreement contemplates the investment into the project of \$3.8 million in Community Development Block Grant funds, the reinvestment of the project's 1% Art contribution, approximately \$1 million, and an \$8 million pledge of future site specific tax increment. In addition, the Agency will reimburse the Developer up to \$2.6 Million from future Chinatown Low and Moderate Income Housing Funds to be generated from the Site.

The total development costs for the project, after accounting for \$19.4 million in City and Federal subsidies for the public parking facility and the Developer's anticipated in-lieu housing payment of \$1,600,000, is approximately \$123.8 million. These costs were reviewed and verified by several sources, including an independent cost estimator and an economic consultant. Despite the above average costs due to several factors including, but not limited to the topography and environmental remediation of the site and specific design elements that are required to link the Gold Line to the development the amount of supportable investment by the private sector, allowing for a 11.0 % return on investment, is estimated at \$109 million. The difference between the total development costs and the estimated maximum private investment creates a feasibility gap of approximately \$15.4 million.

As indicated in the table below, the Funding Agreement contemplates using several sources of funds to support the Project, including a pledge of future site-specific tax increment, not to exceed a net present value of \$8 million. In addition, the Agency will reimburse the Developer up to a net present value of \$2.6 million from Chinatown Low & Moderate Income Housing funds to be generated from the Site for the 18 Moderate Income housing units. In total, the Project will receive approximately \$15.4 million in Agency tax increment and City CDBG funds to fill the feasibility gap.

Source	<u>Amount</u>
Site-Specific Tax Increment	\$8.0 Million
Chinatown Housing Funds	\$2.6 Million
Rebate of Art Contribution	\$1.0 Million
CDBG Funds	<u>\$3.8 Million</u>
TOTAL	\$15.4 Million

PURCHASE AND SALE AGREEMENT

Concurrently with the Funding Agreement, the City and Developer will enter into a Purchase and Sale Agreement for the Developer's construction and the City's acquisition of 175 (of the

344) parking spaces for public transit use. Included in the purchase are many of the multi modal aspects of the project, including the public walkways, bike station, taxi and bus layover areas. The City will purchase the 175 public parking spaces and public access easements for approximately \$21,140,000.

RECIPROCAL EASEMENT AGREEMENT

As part of the purchase of the intermodal public facilities, the City and Developer will enter into a Reciprocal Easement Agreement. The Reciprocal Easement Agreement will provide for public use easements over the public walkway and cultural plaza and the ongoing maintenance and management of the facility. It provides access through the project utilizing public easements, defines the operations of the parking facility, both the private as well as public. It specifies hours of operation, maintenance standards and insurance requirements. The parties to the agreement will be the Developer and the City.

RE

December 6, 2001 – various actions to facilitate acquisition and development of public parking, and intermodal facility and cultural plaza at the former Little Joe's site.

June 13, 2003 – Council Action to approve Memorandum of Understanding with Bond Chinatown Ventures LLC regarding the former Little Joe's site.

September 22, 2004 – Various actions related to the approval of residential and public uses and funding in the amount of \$1,215,400 for the cultural center/plaza portion of the proposed Blossom Plaza located at 900 North Broadway.

October 7, 2004 – Approval of a Cooperation Agreement between the Agency and Department of Transportation to transfer the funds in the amount of \$1,215,400 and amend the existing contract with the Community Development Department for the Proposed Blossom Plaza Project (Due to Changes in development financing this co-operation agreement was never executed.)

SOURCE OF FUNDS

Community Development Block Grants; Chinatown Tax Increment and Chinatown Housing Trust Funds

PROGRAM AND BUDGET IMPACT

The proposed action is consistent with the Approved Work Program and Budget for the Chinatown Redevelopment Project, under Objective CH3120 – Blossom Plaza

ENVIRONMENTAL REVIEW

The City of Los Angeles, acting through its Bureau of Engineering (BOE), is the lead Agency for the proposed project. The BOE prepared a Mitigated Negative Declaration (MND) for the project. The City Council adopted the MND on September 10, 2004.

Following adoption of the MND, an adjacent property owner threatened suit over the proposed project, due to its blocking the view of an historic building, Capital Milling, from Broadway as well as limiting access to the building along North Spring Street. To address these issues, the project was redesigned, triggering a need for an Addendum, due to changes in building location,

site lines, and vehicular access. The Addendum was prepared in June of 2005 and accepted as meeting the requirements of CEQA by Bureau of Engineering staff. The Agency's responsibility is to consider the addendum with the adopted MND prior to making a decision on the project.

Additionally since a large portion of the project is funded by the Federal Transit Administration and the U.S. Department of Housing and Urban Development, a National Environmental Protection Act Assessment was completed in August 2004 and approved both by the Community Development Department and the Federal Transit Administration.

BACKGROUND

Little Joe's was a significant restaurant located in the heart of Chinatown (and part of the Italian community that first settled in this area prior to its evolution into Chinatown). The restaurant closed in 1998 and the site has been vacant ever since. During that same period of time, the MTA was establishing a final configuration of the Los Angeles to Pasadena Gold Line light rail system, of which its only station serving Chinatown is immediately adjacent to the Site. Meanwhile LADOT was also looking for a site to develop much needed parking for the Chinatown community. The size and configuration of the Little Joe's site, with excellent access from both the east and the west and a confluence of public transit immediately adjacent to the Site, make it an attractive one for public parking.

During the community workshops held by MTA on a land use plan surrounding the Gold Line Station, the community wanted a physical connection between the elevated Gold Line Station and Broadway. The public parking garage is being designed in such a manner that it will provide a direct link between the station platform and Broadway. The community further indicated that they did not want a sterile path, but an interesting walkway with shops. These elements have been incorporated into the design of the Blossom Plaza mixed-use development.

The Environmental Assessment began with the Initial Study/MND for the Blossom Plaza mixed-use development and intermodal facility proposed by the Bureau of Engineering (BOE). The Study was noticed, published and circulated in April 2004. Linda Moore, from the BOE Environmental Management Group, was the City's lead and Christopher A. Joseph & Associates was the environmental consultant. The Agency assisted in mailing notices to the Study's availability to the Chinatown community and co-sponsored with the offices of Councilmember Ed Reyes, three community meetings to discuss the project. The meetings were held in Chinatown (May 6, 7, and 16, 2006), in the evening, lunchtime and on Sunday afternoon to allow for the greatest amount of participation possible. All the verbal comments were noted and four written comment letters were received.

Responding to the comments received additional studies were conducted. Specifically a concern was raised regarding the Zanja Madre, a historical irrigation system that flowed through Chinatown. It was believed that the Zanja Madre was located on the Site. Three trenches were dug at what were thought to be the most likely sites. There was no evidence of the irrigation system found. However, during excavation for the project there will be additional monitoring done to ensure that, if it is found in another location on the site, the Zanja Madre would be addressed at that time.

The design of the project reflects a high level of concern for cultural, architectural and urban design principles. The Project architect, Nakada+ Associates, has design several features into the project, including connecting bridges and walkways; courtyards in the housing component; and modern Chinese architecture with historic elements illuminating the character of Chinatown.

The proposal has been presented in several community meetings. In response to reviews by the Chinatown community the design has been refined, site lines strengthened, and the building mass reduced.

Councilmember Ed Reyes has expressed strong support for this project.

Cecilia V. Estolano
Chief Executive Officer

Glenn F. Wasserman
Chief Operating Officer

There is no conflict of interest known to me that exists with regard to any Agency officer or employee concerning this action.

Attachment A – Environmental resolution
Attachment B - Site Map
Attachment C – Project Design