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**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS**

*"To Enrich Lives Through Effective and Caring Service"*

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IN REPLY PLEASE  
REFER TO FILE

October 01, 2019

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**CONSTRUCTION-RELATED CONTRACT  
4TH AND HEWITT DEVELOPMENT PROJECT  
CITY OF LOS ANGELES  
AWARD EXCLUSIVE NEGOTIATION AGREEMENT  
(SUPERVISORIAL DISTRICT 1)  
(3 VOTES)**

**SUBJECT**

Public Works is seeking Board approval to authorize the execution of a 6-month Exclusive Negotiation Agreement with Urban Offerings, Inc., for the potential development of the 4th and Hewitt properties.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Find the proposed recommendations categorically exempt from the California Environmental Quality Act for the reasons stated in this Board letter and the record of the proposed project.
2. Delegate authority to the Chief Executive Officer or her designee to negotiate, execute, implement, and, if necessary, amend, extend, or terminate an Exclusive Negotiation Agreement with Urban Offerings, Inc.
3. Authorize the Director of Public Works or his designee, in consultation with the Chief Executive Office, to manage the predevelopment phase of the proposed 4th and Hewitt Development project.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommended actions will approve the execution of an Exclusive Negotiation Agreement (ENA) with Urban Offerings, Inc., for the potential development of the 4th and Hewitt properties and authorize Public Works, in consultation with the Chief Executive Office (CEO), to manage predevelopment activities.

### Background

This project involves the development of two sites in the Downtown Los Angeles Arts District. The first site is located at 813 East 4th Place and is occupied by the 2-story Department of Public Social Services (DPSS) Civic Center office. The second site is located at 321 South Hewitt Street and is occupied by a 2-level parking garage that serves the DPSS office. This office was identified in DPSS' 2016 Facilities Master Plan as being one of the oldest buildings occupied by DPSS and a priority for replacement.

The project's goals are to provide replacement offices for DPSS, some affordable housing, and other uses that will complement the Arts District. The project will provide a new, minimum 40,000-square-foot replacement for DPSS Civic Center office and associated parking with no capital costs to the County, included but not limited to: zero rental cost and no common area maintenance expenses over the lease term. In addition, DPSS will continuously operate within the community throughout the development period either in their current location or in a temporary one.

The County selected a ground-lease model for both sites, allowing for income-producing uses on any developable excess space after constructing the DPSS building and associated parking (DPSS facility). The profits from the income-producing uses will offset the cost to develop, finance, operate, and maintain the DPSS facility, allowing the County to obtain the space at zero annual rent. Income-producing uses will include creative office space, affordable artist housing, street-level retail space, and parking, with a high-quality design that complements the neighborhood and contributes to public benefits.

The ground-lease model also allows the County to resume control of the site at the end of the ground-lease term and provides for a potential revenue source during the ground lease term if profits from the income-producing uses exceed negotiated thresholds. Any revenue resulting from the ground lease can be used to support County goals related to housing, economic development, or other policies and programs.

In December 2018, Public Works issued a Request for Proposal (RFP) to select a developer for the properties. Public Works received two proposals, and in June 2019, an evaluation committee comprised of staff from Public Works, CEO, and DPSS determined that Urban Offerings, Inc., submitted the most advantageous proposal for the development of the properties. As proposed, this mixed-use project tentatively includes 43,000 square feet of office space for DPSS, 232,000 square feet of creative office space, 19,000 square feet of affordable artist housing, 11,000 square feet of street-level retail space, and approximately 870 parking spaces.

### ENA and Predevelopment Phase

Approval of the recommended actions authorizes the CEO to execute an ENA with Urban Offerings, Inc. The ENA would allow Urban Offerings, Inc., to proceed with predevelopment work related to the potential project, including but not limited to: (1) preparation of the required documentation by the California Environmental Quality Act (CEQA) for the project site;

(2) performance of all necessary onsite investigations, including geotechnical investigations, hazardous materials testing, topographic surveying, and environmental site assessments; (3) community outreach; (4) building programming efforts; and (5) development of the preliminary designs of the site and various buildings to a sufficient level of detail to allow Urban Offerings, Inc., to submit a final development plan inclusive of the final cost and financing. The costs for all predevelopment activities, including the County project management activities, provided pursuant to the ENA will be solely borne by Urban Offerings, Inc., including but not limited to all due diligence costs and costs associated with securing all entitlement and environmental approvals.

The ENA allows for an exclusive negotiation period between the County and Urban Offerings, Inc., during which deal terms will be identified. The initial negotiation period term will be set at six months and may be extended at the sole discretion of the County.

The predevelopment phase requires Urban Offerings, Inc., to make substantial investment in planning the project. The purpose of the ENA is to provide assurances to Urban Offerings, Inc., that during the term of the ENA, the County will be dealing with Urban Offerings, Inc., exclusively, while Urban Offerings, Inc., is investing resources to further study the feasibility of the project.

During the ENA period, the County and Urban Offerings, Inc., will formalize the deal terms of a development agreement that will be presented to the Board for approval before proceeding with the project. Environmental documents and recommendations will also be presented for the Board's approval at that time.

Should the Board ultimately approve the required environmental documents and development agreement with Urban Offerings, Inc., Urban Offerings, Inc., will be responsible for all costs associated with the demolition of the existing structures, design fees, site preparation, construction, utilities, taxes, permits, and inspection fees.

### **Implementation of Strategic Plan Goals**

The County Strategic Plan directs the provision of Strategy I.1.5, Increase Affordable Housing Throughout L.A. County; Strategy II.1, Drive Economic and Workforce Development in the County; Strategy II.1.2, Support Small Businesses and Social Enterprises; Strategy III.3.1, Maximize Revenue; and Strategy III.3.2, Manage and Maximize County Assets. In this case, the County is supporting these goals by proposing a project that provides affordable housing, uses a local and targeted workforce to construct the project, and promotes fiscal responsibility by providing a County facility replacement at no cost to the County.

### **FISCAL IMPACT/FINANCING**

There are no anticipated costs to the County during the ENA period. County costs during the ENA period to manage and oversee the project's predevelopment activities will be funded by Urban Offerings, Inc. The terms of the payments to the County will be included in the ENA.

The Chief Executive Office, with the assistance of Public Works, will provide a full analysis of the fiscal impacts when it returns to the Board with a recommendation related to the project's development agreement.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The proposed development will include a contribution to either or both of County's or the City of Los Angeles' civic art programs. This amount will be established when we return to the Board to award the development agreement.

The ENA is authorized by Government Code Section 25549.1, which allows the County to enter into leases and agreements relating to joint use of real property.

## **ENVIRONMENTAL DOCUMENTATION**

The recommended actions, including the award of an ENA, are not considered a project under CEQA because they are excluded from CEQA's definition of a project. The activities are administrative activities of government and the establishment of a government funding mechanism, which will not result in physical changes to the environment or reasonably foreseeable indirect changes to the environment pursuant to Section 15378(b)(4) and (5) of the State CEQA Guidelines.

The work contemplated thereby, such as preliminary survey work, hazardous materials testing, and other preliminary site investigation for feasibility and planning, are categorically exempt under Sections 15304 and 15306 of the State CEQA Guidelines and Classes 4 and 6 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. The activities involve basic data collection, research, and resource evaluation as information gathering or part of a study leading to an action, which the Board has not yet approved, adopted, or funded and may include minor alterations to land. The proposed testing and other feasibility related activities are also statutorily exempt under Section 15262 of the State CEQA Guidelines because the activities involve feasibility and planning studies for possible future actions, which the Board has not yet approved, adopted, or funded and for which the County has considered environmental factors. The recommended activities will not involve the removal of trees and are not located in an environmentally sensitive area. There are no cumulative impacts or unusual circumstances, and there would be no substantial adverse changes in the significance of historical resources or other limiting factors that would make the exemption inapplicable based on the record of the proposed activities.

By authorizing the recommended actions, the County is not approving or committing to the development of any project under CEQA. The County, as lead agency, may modify or decide not to proceed with any project for any reason. Nothing precludes the County from rejecting any proposed project or from weighing the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to grant approval.

Aside from the preliminary site testing and feasibility activities recommended herein, no activity that would constitute a project under CEQA will be commenced unless the Board takes further action to consider appropriate environmental documentation and make appropriate findings pursuant to CEQA in connection with approval of a project.

Upon the Board's approval of the proposed project, Public Works will file a Notice of Exemption with the Registrar-Recorder/County Clerk in accordance with Section 15062 of the CEQA Guidelines.

## **CONTRACTING PROCESS**

On December 6, 2018, Public Works issued an RFP and advertised this contracting opportunity on the County's "Doing Business with the County" and "Public Works Business Opportunities" websites, Los Angeles Daily Journal, Los Angeles Sentinel, and La Opinión.

On December 12, 2018, a non-mandatory preproposal conference was held to discuss the RFP requirements. Seventeen firms or organizations attended the conference. On January 15, 2019, a non-mandatory tour of the existing DPSS facility was held and eight firms or organizations attended.

On January 24, 2019, Public Works extended the date set for receiving the proposals to February 21, 2019, in response to requests from several proposing teams for additional time to respond to the County's RFP.

On February 21, 2019, Public Works received two proposals in response to the RFP. The evaluation committee consisted of staff from Public Works, CEO, and DPSS. The proposals were evaluated using objective criteria identified in the RFP, including but not limited to: qualifications and experience of the developer team with delivering projects comparable both in size and uses; proposed concept including the developer's approach related to engaging public input, managing public outreach, planning, design, entitlement approvals (including CEQA), financing, phasing, development, construction, and operation; proposed lease and/or acquisition terms offered to the County; financial capacity of the proposer; and references.

The evaluation panel determined that Urban Offerings, Inc., submitted a qualifying proposal that meets the County's objectives for the project. Urban Offerings, Inc., was invited to participate in a presentation and working meeting with the evaluation panel and was asked to present a Letter of Intent. Based on the evaluation of the proposal, presentation, working meeting, and Letter of Intent, the evaluation panel is recommending award of an ENA to Urban Offerings, Inc.

Public Works will return to the Board with a recommendation regarding certification of the environmental documentation and approval of a final development agreement to include a ground lease between the County and Urban Offerings, Inc.

In accordance with the Board's consolidated Local and Targeted Worker Hire Policy adopted on September 6, 2016, if the Board ultimately decides to have this project constructed, the project will require that at least 30 percent of the total California craft worker hours for construction of the project be performed by Local Residents and at least 10 percent performed by Targeted Workers facing employment barriers. Additionally, the 4th and Hewitt Development project will be subject to a Project Labor Agreement (PLA), if an applicable PLA, is successfully negotiated with the Los Angeles Orange Counties Building and Construction Trades Council and approved by the Board. Urban Offerings, Inc., has been advised that it will be subject to such a PLA, if it is ultimately adopted.

## **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no impact on current County services or projects during the performance of the recommended actions.

**CONCLUSION**

Please return one adopted copy of this Board letter to Public Works, Project Management Division II.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Pestrella". The signature is fluid and cursive, with the first name "Mark" written in a larger, more prominent script than the last name "Pestrella".

MARK PESTRELLA

Director

MP:VY:cl

c: Chief Executive Office (Capital Programs and  
Real Estate Divisions)  
County Counsel  
Executive Office