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February 8, 2022

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

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

Dear Supervisors/Commissioners:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

1-D February 8, 2022

CELIA ZAVALA
EXECUTIVE OFFICER

**AUTHORIZE GROUND LEASES FOR THE DEVELOPMENT, CONSTRUCTION, AND
OPERATION OF THE MIXED-USE COMPONENT OF THE VERNON
MANCHESTER TRANSIT PRIORITY JOINT DEVELOPMENT PROJECT,
AGREEMENTS TO ALLOCATE TRANSIT-ORIENTED DEVELOPMENT HOUSING
PROGRAM AND ECONOMIC DEVELOPMENT ADMINISTRATION FUNDS TO
THE PROJECT, AND INCLUDE THE PROJECT IN THE COUNTY'S
COMMUNITY WORKFORCE AGREEMENT
(SECOND DISTRICT) (3-VOTES)**

SUBJECT

Approval of the recommended actions will: (1) authorize and delegate authority to the Los Angeles County Development Authority (LACDA), acting as the agent of the County of Los Angeles (County) to negotiate and enter into modified ground leases with the development team, comprised of BRIDGE Housing Corporation (BRIDGE), a non-profit corporation, (Master Developer), Primestor Development, Inc. (Primestor) and the Coalition for Responsible Community Development, for the mixed-use component of the Vermont Manchester Transit Priority Project (Project), use United States Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee (Section 108 Loan)

Development (HUD) Section 108 Loan Guarantee (Section 108 Loan) funds previously allocated to the Project for an on-site Community Impact Entrepreneurship Academy (Entrepreneurship Academy), and approve an agreement with Master Developer to allocate Transit-Oriented Development (TOD) Program and Economic Development Administration (EDA) funds awarded for the development of the Project's infrastructure and off-site improvements. Approval will also determine that the mixed-use component of the Project should be included as a covered project within the current Community Workforce Agreement (CWA).

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the recommended actions are within the scope of the Board of Supervisors' (Board) December 5, 2017 determination that the Project is exempt from the California Environmental Quality Act (CEQA), pursuant to section 21155.1 of the California Public Resources Code, for the reasons stated in this Board letter and in the record of the Project.
2. Authorize the LACDA and its Executive Director or his designee, on behalf of the County, to modify the proposed four ground leases previously approved by the Board on August 13, 2019, for the senior and multifamily affordable housing, commercial development, and parking structure, pursuant to Government Code section 26227, between the County and Master Developer, upon approval as to form by County Counsel, that include: (i) lease terms up to 75 years; (ii) certain guarantees; and (iii) space to operate an Entrepreneurship Academy.
3. Authorize the LACDA and its Executive Director or his designee, on behalf of the County, to enter into an agreement with Master Developer to allocate \$5,000,000 in TOD Program funds for the development of the Project's infrastructure improvements, upon approval as to form by County Counsel.
4. Authorize the LACDA and its Executive Director or his designee, on behalf of the County, to use an estimated \$700,000 in HUD Section 108 Loan funds previously allocated to the Project for the development, construction, and operation of approximately 1,500 square feet of commercial space, to be occupied by an Entrepreneurship Academy selected by the County, and an estimated \$450,000 in previously allocated Section 108 Loan funds for required tenant improvements to this space.
5. Authorize the LACDA and its Executive Director or his designee, on behalf of the County, to apply for, accept and allocate funds in an amount not to exceed \$3,000,000 from the EDA for the Project's off-site improvements, and negotiate and execute any agreements, and any necessary amendments, with EDA and Master Developer, upon approval as to form by County Counsel.

6. Determine that the mixed-use component of the Project should be included as a covered project within the current CWA, and direct the Chief Executive Officer, or her designee, to send a letter to the Executive Secretary of the Los Angeles/Orange Counties Building and Trades Council (Council) informing them that, per Amendment 1 to the CWA, the Project is to be added to the CWA, and that Master Developer shall fulfill the CWA administrative duties normally fulfilled by the County for the Project.
7. Authorize the LACDA and its Executive Director or his designee, on behalf of the County, to negotiate and execute any other documents ancillary to the Project, upon approval as to form by County Counsel, and to take other actions consistent with the implementation of these recommendations.

IT IS RECOMMENDED THAT THE BOARD, ACTING AS THE COMMISSIONERS OF THE LOS ANGELES COUNTY DEVELOPMENT AUTHORITY:

1. Find that the recommended actions are within the scope of the Board's December 5, 2017 determination that the Project is exempt from CEQA, pursuant to Section 21155.1 of the California Public Resources Code, for the reasons stated in this Board letter and in the record of the Project.
2. Accept delegation to act on behalf of the County for this Project.
3. Authorize the Executive Director or his designee, to do the following:
 - a. Execute ground leases between the County and Master Developer, upon approval as to form by County Counsel, that include: (i) lease terms up to 75 years; (ii) certain guarantees; and (iii) space to operate an Entrepreneurship Academy.
 - b. Enter into agreements with Master Developer to allocate \$5,000,000 in TOD Program funds for the development of the Project's infrastructure improvements, upon approval as to form by County Counsel.
 - c. Apply for, accept, and allocate funds in an amount of up to \$3,000,000 from the EDA for the Project's off-site improvements, and negotiate and enter into any agreements, and any necessary amendments, with EDA and Master Developer, upon approval as to form by County Counsel.
 - d. Use an estimated \$700,000 in Section 108 Loan funds previously allocated to the Project for the development, construction, and operation of approximately 1,500 square feet of commercial space, to be occupied by an Entrepreneurship Academy selected by the County, and an estimated \$450,000 in previously allocated Section 108 Loan funds for required tenant improvements to this space.

- e. Accept and incorporate, as needed, up to \$5,000,000 TOD Program funds and approximately \$3,000,000 in EDA funds into the LACDA's approved Fiscal Year 2021-2022 budget, and future Fiscal Year budgets, as needed, for the purposes described herein.
- f. Authorize the Executive Director, or his designee, to negotiate and execute any other documents ancillary to the Project, upon approval as to form by County Counsel, and to take other actions consistent with the implementation of these recommendations.

PURPOSE / JUSTIFICATION OF RECOMMENDED ACTIONS

The recommended actions seek to approve and authorize the County, through LACDA, to execute modified ground leases, and agreements with Master Developer to allocate \$5,000,000 in TOD Program funds for the development of the Project's infrastructure improvements, and approximately \$3,000,000 in EDA grant funds for the development of the Project's off-site improvements, upon approval as to form by County Counsel.

On August 13, 2019, the Board authorized the County and Master Developer, through LACDA, to enter into an Option to Lease Agreement and execute four ground leases for the development, construction, and operation of the mixed-use component of the Project. The Project is a 4.2-acre development on County-owned property, located on the east side of the 8400 and 8500 blocks of South Vermont Avenue in the City of Los Angeles (Project Site). The Option to Lease Agreement was executed on August 15, 2019, between the County and Master Developer, and it provided for at least four ground leases, each with a sixty-six (66) year term. On August 24, 2020, a First Amendment to the Option to Lease Agreement was executed to provide for an Assignment and Assumption of Option to Lease, between the County and Master Developer's approved subsidiary, VM Mixed Use LLC. The Board approved the following terms on the ground leases:

- Affordable Housing Ground Lease: (a) rent to be repaid from residual receipts from the Master Developer, and (b) tenant party to be the Master Developer, who will sublease to an affiliate for development;
- Senior Housing Ground Lease: (a) rent to be repaid from residual receipts from the Master Developer, and (b) tenant party to be the Master Developer, who will sublease to an affiliate for development; and
- Commercial Ground Lease: (a) rent to be paid as the greater of fifty thousand dollars (\$50,000) annually (subject to a 12% escalation once every five (5) year period) or the percentage rent (the percentage will be at fair market value pursuant to an appraisal), and (b) the Master Developer will sublease to Primestor for development; and

- Parking Structure Ground Lease: (a) rent to be paid based on fair market value of the land on which the subject parking structure will be located, to be determined by an appraisal; and (b) the Master Developer will sublease for development.

The above four ground leases will be modified as follows:

- Revise from a sixty-six (66) year term to up to seventy-five (75) year term to provide a longer lease term to satisfy the Residual Value Analysis enabling debt on the affordable units be refinanced or repaid by the end of the lease term. The lease term of up to 75 years shall apply to all ground leases so that all ground leases have consistent terms.
- Additional guarantees which are further described below.
- Ground lease for the commercial component will direct the construction, use, and occupancy of approximately 1,500 square feet of commercial space within the Mixed-Use Component, to operate an Entrepreneurship Academy to further the Board's *Economic Mobility Initiative (Initiative)* to stabilize and grow women-owned businesses and businesses of color and incorporate the terms within the form of ground lease for the commercial component.

On July 21, 2020, the Board approved the County, through LACDA, to apply jointly with Master Developer for funding from the California Department of Housing and Community Development (CA-HCD) for the TOD Program to finance infrastructure improvements in support of the affordable housing component. On January 29, 2021, the County received an award announcement from CA-HCD for \$5,000,000 in TOD Program grant funds. On behalf of the County, the LACDA anticipates submitting an EDA grant application in February 2022, to apply up to \$3,000,000 in EDA grant funds for the development of the Project's off-site improvements.

In addition, for the benefit of the community and to ensure that the Project is not disrupted by any work stoppages, Master Developer has agreed to comply with the County's current CWA with the Los Angeles/Orange Counties Building and Trades Council (Council), and will work directly with the Council to implement the CWA, provided that this Board determines that the mixed-use component of the Project should be included as a covered project within the current CWA.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This action is consistent with the Countywide Strategic Plan. Specifically, the Project advances the following County goals: (i) Goal 1.1.5 – Develop or preserve affordable housing units in the County; (ii) Goal II.1.3 – Identify and align workforce development programs to provide career pathways for high-need, priority populations and to support the labor needs of the County's high-growth industry sectors; (iii) Goal II.2.4 – Conduct outreach to high-need, traditionally underserved populations within the County by supporting safe and comfortable built environments that encourage physical activity and

access to healthy foods; (iv) Goal II.3.2 – Promote diverse, clean, and renewable energy systems, support energy efficiency, and support strategies to ensure reliability of the energy work; and (v) Goal II.3.3 – Create and implement policies and programs to reduce the emission of greenhouse gasses from all sectors of our community; ensure that community climate resilience is integrated into our programs and plans; and inspire others to take action.

FISCAL IMPACT / FINANCING

There is no expected net County cost impact to the County General Fund. Funding for the acquisition of the Project Site and all activities necessary, incidental, or convenient to the acquisition of the Project Site, have been identified through the Second Supervisorial District Capital Projects budget. However, the proposed action could expose the County to additional liability should the County elect not to proceed with acquisition of the Project Site, as more fully described below. We will advise the Board of any material changes involving acquisition of the Project Site.

The County will utilize Section 108 Loan funds to pay Master Developer an estimated \$700,000 for the development, construction, and operation of approximately 1,500 square feet of commercial space, to be occupied by an Entrepreneurship Academy selected by the County, and an estimated \$450,000 for required tenant improvements to this space.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On December 5, 2017, the Board approved the acquisition of the Project Site and directed County Counsel to initiate eminent domain proceedings (Eminent Domain Action). The Board determined that acquisition of the Project Site is necessary for the development, construction, operation, and maintenance of the Project and that the public interest and necessity require the Project.

Additional Guarantees in Ground Leases:

On April 5, 2019, the County obtained title to, and possession of, the Project Site. However, the trial in the Eminent Domain Action, which will determine the final amount of just compensation for the Project Site, has been continued to April 2022, due to unanticipated delays, including from the COVID-19 pandemic. Until the County prosecutes the Eminent Domain Action to a final, non-appealable judgment or settles the action, the County has a statutory right to voluntarily abandon the Eminent Domain Action.

On October 23, 2020, the former owners of the Project Site filed a lawsuit challenging the CEQA determination for a street vacation by the City of Los Angeles associated with the Project (Street Vacation Action), which is expected to be heard in March 2022.

Master Developer and its subsidiaries or affiliates have requested additional guarantees from the County to ensure the Project will continue notwithstanding the unresolved pending legal actions described above. These guarantees are the same as those previously approved by your Board on April 20, 2021, for the SEED Los Angeles School ground lease for the Project and are as follows:

- County represents and warrants that it will: (i) prosecute the Eminent Domain Action until a final, non-appealable judgment is entered by the court and shall pay any such judgment in accordance with Code of Civil Procedure section 1268.010; or (ii) settle the Eminent Domain Action and pay sums due, pursuant to such settlement, if any. Although it is the understanding of the parties that the County intends and expects to take the actions described in the preceding sentence, if for any reason the County does not do so and the lessees' interest in the Project Site is terminated, the County agrees to pay or reimburse the lessees in an amount equal to the actual, documented amounts expended or incurred by the lessees after the effective date of the ground leases in connection with the construction of the Project, but in no event shall such an amount be in excess of \$60,000,000.
- County represents and warrants that it will diligently pursue the resolution of the Street Vacation Action.

Entrepreneurship Academy:

On June 22, 2021, the Board approved the establishment of the Initiative to target outreach to women and people of color, inclusive of the creation of an Entrepreneurship Academy to stabilize and grow women-owned businesses and businesses of color. In furtherance of this Initiative, the County will incorporate in the commercial ground lease with the Master Developer, the County's retained right for the use and direct occupancy of the Entrepreneurship Academy. The third-party operator of the Entrepreneurship Academy will be determined through a Request for Proposals. The third-party operator will have experience in operating a program containing key features such as assigned mentors, technical assistance, capacity building, and access to funding sources to off-set operating costs as well as credit/financing to businesses accepted into the Entrepreneurship Academy.

On August 13, 2019, the Board delegated authority to LACDA, as agent of the County, to apply for up to \$50,000,000 in HUD Section 108 Loan funds to assist with the commercial component of the Project. The LACDA will apply for approximately \$10,300,000 in a Section 108 Loan and use Community Development Block Grant (CDBG) funds allocated to the Second Supervisorial District for loan repayment. As part of the Section 108 Loan financing of the commercial component, LACDA will execute New Markets Tax Credits agreements. Of the \$10,300,000, approximately \$700,000 will be used for the development, construction, and operation of approximately 1,500 square feet of commercial space, to be occupied and used by the Entrepreneurship Academy. An estimated \$450,000 of the Section 108 Loan funds will be used for required tenant improvements to the space.

Infrastructure and Off-Site Improvements:

The Project was awarded \$5,000,000 in TOD Program grant funds for approved infrastructure improvements. Pursuant to the TOD Round 4 Guidelines, the County may contract with a private entity for the development and construction of the infrastructure improvements.

The LACDA will apply for approximately \$3,000,000 in EDA grant funds for the development of the Project's off-site improvements. Upon award of the grant funds, the LACDA will enter into a funding agreement with the Master Developer to develop the Project's off-site improvements.

CWA Compliance:

On November 12, 2019, the Board approved a CWA for identified capital projects to reflect the Board's priorities, such as ensuring the hiring of local and targeted workers and encouraging participation in the proposed projects by local small businesses, disabled veteran-owned businesses, and social enterprises. On December 19, 2019 the Board directed that the Chief Executive Officer and Director of Public Works or their designees negotiate with the Council to amend the CWA to automatically include in the CWA, without the need for any further amendment to that agreement, the relevant scope of work related to any proposed project designated by the Board as a proposed project to be included in CWA. Amendment 1 to the CWA was subsequently negotiated and executed to achieve this result. The recommended action will enable the County to apply the CWA requirement to the mixed-use component of the Project through Amendment 1 to the CWA and provide notification to the Council that Master Developer shall fulfill the CWA administrative duties normally fulfilled by the County, thus reducing the administrative costs to the County.

ENVIRONMENTAL DOCUMENTATION

On December 5, 2017, the Board determined that the Project was a Transit Priority Project, and therefore, exempt from CEQA, pursuant to the Sustainable Communities Project Exemption (sections 21155 and 21155.1 of the Public Resources Code). The recommended actions are within the scope of this prior determination of exemption from CEQA.

An Environmental Assessment (EA) was prepared for the Project, pursuant to the requirements of the National Environmental Policy Act. Based on the conclusions and findings of the EA, a Finding of No Significant Impact was approved by the Certifying Official of the LACDA. Following the required public and agency comment periods, HUD issued a Release of Funds for the Project on March 14, 2020.

Honorable Board of Supervisors/Commissioners
February 8, 2022
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IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the requested actions will support the County's efforts to develop compatible transit-oriented commercial uses and affordable residential units that will catalyze additional economic growth in an area that will benefit from private investment, and the creation of jobs and affordable housing.

Respectfully submitted,



FESIA DAVENPORT
Chief Executive Officer



EMILIO SALAS
Executive Director

FAD:ES:JMN:JTC
DL:JLC:MGR:ls

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller