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**BOARD OF BOARD OF
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November 7, 2023

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

Dear Supervisors:

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**AUTHORITY TO EXTEND THE TERM OF THE
EXCLUSIVE NEGOTIATING AGREEMENT WITH WEST
LA COMMONS, LLC FOR THE WEST LOS ANGELES
COURTHOUSE AND CITY CIVIC CENTER (THIRD
DISTRICT) (3 VOTES)**

SUBJECT

This letter requests the Board of Supervisors (Board) to authorize and delegate authority to the Director of the Department of Economic Opportunity (DEO), or her designee, to extend the term of the Exclusive Negotiation Agreement (ENA) with West LA Commons, LLC (Developer) until March 22, 2024 for the West Los Angeles Courthouse and City Civic Center project (Project Site).

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed extension request is exempt from the California Environmental Quality Act (CEQA), for the reasons stated in this Board letter and in the record for the project.
2. Authorize and delegate authority to the Director of the DEO, or her designee, to extend the term of the ENA between the County and West LA Commons, LLC through March 22, 2024 with the option to extend the term for up to two (2) additional 12-month periods, if necessary, for the potential development of the Project Site and to effectuate predevelopment needs of the project to the County's satisfaction.



PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The primary purpose of the recommended actions is to continue the negotiations with the selected development team. The ENA with the West LA Commons, LLC will terminate on November 11, 2023. Since the Board last considered this project, the legal, entitlements, environmental, community outreach, and financing strategies for the creation of the project have all been advanced by Developer in their interactions with both the County and City. Developer produced a set of project deliverables to the County and City on July 31, 2023 that identified a current project funding gap, a distinct change in the financial condition of the project when last reviewed with the County and City. In light of recent market changes that have moved Developer's intended yield from 5.98% to 5.1%, Developer has requested more time before entering into ground leases to gain site control to allow for market conditions to improve, while diligently engaging in the pursuit of entitlements and CEQA approvals. The portions of the Project Site owned by the City are also being updated to move the two-story Felicia Mahood Senior Center into the five-story Municipal Building, providing space for the development of a Municipal Park on that parcel of land. This change to the Project Site needs to be further programmed and incorporated into Developer's financial projections, site plan and project description to fully enable this change to the project. There must also be further considerations among Developer, the County, and the City to ensure that Developer can close the project funding gap over the next year of the project's planning to ensure its feasibility.

Therefore, DEO is seeking to extend the ENA to March 22, 2024, as a short-term ENA extension, with the option to extend the term for up to two (2) additional 12-month periods, if necessary, to continue negotiation of the best possible County position, given current development conditions, and to inform updated financial summary and Environmental Impact Report (EIR), entitlements, legal, construction and delivery schedules with Developer to ensure their ability to effectively deliver development of the Project Site.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions support Countywide Strategic Plan Goals 1 and 2, specifically: (i) Objective 1.1.5– Develop or preserve affordable housing units in the County; and (ii) Objective 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. The proposed amendment secures the process to achieve these goals by allowing the additional time needed to complete the transaction with the developer for the construction of the affordable housing project.

FISCAL IMPACT/FINANCING

There is no impact to the County General Fund from these actions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS/NEXT STEPS

On November 5, 2019, the Board approved a 24-month lease agreement for the County's use of the West Los Angeles Courthouse, located at 1633 Purdue Avenue, Los Angeles (Property). The County entered into a Lease Agreement with the Option to Purchase with the Judicial Council of California (JCC) on February 1, 2020. The Lease term was for 24-months and was set to terminate on January 31, 2022. On August 4, 2020, due to the COVID-19 pandemic and the uncertain economic and real estate forecasts for the upcoming years, the County requested the first JCC lease extension for an additional 12-months through January 31, 2023. On March 9, 2021, the Board approved the negotiation and execution of an ENA with the developers AvalonBay Communities and Abode Communities. On May 19, 2021, the ENA commenced and was set to terminate on November 18, 2022, but was extended by ninety days to February 13, 2023, by letter to the Developer. Due to unforeseen complexities relating to environmental review, historic preservation, and the entitlement process to be jointly undertaken by the City of Los Angeles and County, a second amendment was requested from the JCC. The County executed a second extension with the JCC for the lease to terminate on January 31, 2024. On January 26, 2023, the County exercised its option to purchase by sending a letter to the JCC to take ownership of the Courthouse. The Courthouse is now successfully owned by the County.

The Courthouse acquisition was achieved to maximize the ability for the County to purchase the asset under the JCC Option to Purchase before its expiration date. This option included rent credits accrued against the fair market value of the price of the Courthouse to enable the site for dedication to the Project Site. The asset is now being managed by the County. The Courthouse was originally intended to have already been purchased by Developer, but project delays relating to the complexity of this multi-jurisdictional mixed-use new construction project prevent the timely full completion of the CEQA process.

The Project Site will now need to incorporate the City's authorization of (a) the Municipal Park being added to the Project Site; and (b) the move of the Felicia Mahood Senior Center from its own freestanding building into the ground-level and first-floors of the Municipal Building. Such updates to the Project Site to enhance the overall project must now be appropriately incorporated into the project site plan and financing structure with significant inputs and interactions among Developer, the City, and the County Project Management Teams for the incorporation.

The recommended ENA extension would extend the negotiations with Developer to allow developer to seek all environmental clearances, secure necessary financing and continue negotiations of the development agreements that will come before the Board for approval.

The potential development and extension of the ENA is pursuant to the open and competitive bid exemption for surplus land at Cal. Government Code Section 54221(f)(1)(F).

ENVIRONMENTAL DOCUMENTATION

The action is not a project pursuant to CEQA because it is an activity that is excluded from the definition of a project pursuant to Section 15378 (b) of the State CEQA guidelines. The proposed action is an administrative activity of the government which will not result in direct or indirect physical change to the environment. The appropriate environmental studies and documentation will be completed prior to returning to the Board for consideration and approval of any discretionary action that may impact the environment, such as any construction or exercising the purchase option and consummating the purchase of the Property.

CONTRACTING PROCESS

The Developer was procured through a jointly issued Request for Proposal (RFP) by the County and the City of Los Angeles, which was released on May 15, 2020, authorized by a Resolution consistent with Government Code section 25515 et seq. On May 19, 2021, the County and Developer entered into an exclusive negotiating agreement for the duration of 18 months, set to terminate on November 15, 2022. The County used its sole discretion pursuant to Section 2.A.i of the ENA to execute four 90-day extensions, the last of which will expire on November 11, 2023.

IMPACT ON CURRENT PROJECTS

The proposed recommendation will allow DEO the time needed to continue to process agreements and project entitlements with the development team and to enable the drafting of a fully negotiated ground lease and development agreement for the development of affordable housing.

CONCLUSION

If you should have any questions please contact Jessica Ku Kim, Chief Deputy of the Department of Economic Opportunity at jkim@opportunity.lacounty.gov or (213) 422-4786.

Respectfully submitted,



KELLY LOBIANCO
Director

KL:JJK:DK:ag

c: Chief Executive Office
Executive Office, Board of Supervisors
County Counsel