



**PLANNING AND PROGRAMMING COMMITTEE
OCTOBER 20, 2004**

**SUBJECT: CESAR CHAVEZ/SOTO RECOMMENDED JOINT
DEVELOPMENT PROPOSAL**

**ACTION: AUTHORIZATION TO ENTER INTO AN EXCLUSIVE
NEGOTIATION AGREEMENT WITH C. CHAVEZ/SOTO, LLC**

RECOMMENDATION

Authorize the Chief Executive Officer to enter into a six-month Exclusive Negotiation Agreement (ENA) with C. Chavez/Soto, LLC for the development of approximately 3.5 acres of Metro-owned properties located in the proximity of the intersection of Cesar Chavez Blvd. and Soto St.

ISSUE

In March 2004, Metro received two unsolicited proposals for the development of the MTA property at Chavez and Soto. Both development firms are well qualified and experienced with the development of similar sites. After evaluating the two proposals, MTA staff is recommending that the MTA enter into an ENA with C. Chavez/Soto, LLC (CCS LLC) for the development of a theater complex along with 139-unit multi family buildings and 74,000 sq. ft. of ground floor retail space (Attachment A).

Of the two proposals, the CCS LLC proposal demonstrates a significantly higher level of response to the MTA's Chavez and Soto conceptual design guidelines (Attachment B). The CCS LLC proposal also includes a higher intensity of development which is more likely to generate more rideship. The CCS LLC proposal also offers a higher financial return to the MTA.

In February 2004, the MTA Board approved the Chavez and Soto conceptual guidelines for joint development of this site. MTA staff developed the conceptual design guidelines in cooperation with the East Los Angeles Community during the fall of 2003. One of the primary needs expressed by that community was the expectation of an entertainment center currently not available in East Los Angeles. The CCS LLC proposal includes a retail and housing project centered around a theater complex. The other proposal presented by MJW Investments, includes retail and housing but does not include any entertainment components.

POLICY IMPLICATIONS

The recommended action is consistent with the goals of the Joint Development Policies and Procedures approved by the Board at its April, 2002 meeting. The goals of Metro's joint development program are to promote and enhance transit ridership, enhance and protect the transportation corridor and its environs, enhance the land use and economic development goals of surrounding communities, conform to local and regional development plans, and generate value to Metro based on a fair market return on public investment. Metro staff has concluded that the proposal meets the goals contained in the policies and procedures.

OPTIONS

Metro could choose not to enter into an ENA with C. Chavez/Soto, LLC and recommend awarding an ENA with MJW Investments, the other unsolicited development proposal received for this site. Staff is not recommending this option since the MJW Investments proposal is less responsive to the interests of the community as expressed in the community involved conceptual design guidelines, has a lower intensity of development and has offered a financial return less than the recommended firm. Alternatively, Metro could choose to not proceed with any project at this time. Staff is not recommending this because the C. Chavez/Soto, LLC proposal provides an appropriate development for the site and an experienced development team. Finally, Metro could choose to develop a request for proposal (RFP) for development of this site. Staff is not recommending this due to the additional time required to complete an RFP process and considering that only two unsolicited proposals have been submitted despite the property being open for proposals for almost one year.

FINANCIAL IMPACT

The recommended action will not impact Metro's FY05 budget. Ultimately, development of Metro-owned properties will result in revenues to Metro. Construction offices and parking relocation will be included in the negotiations to insure no cost to Metro or delay to the Metro Gold Line Eastside Extension.

BACKGROUND

This Metro property extends two-blocks eastward from Soto on the south side of Cesar Chavez Blvd. across Matthews to Fickett St. The site is currently being utilized for construction office space and parking to support the construction of the Metro Gold Line Eastside Extension. The Cesar Chavez/Soto St. property was originally purchased as part of the Metro Red Line Eastside Extension project, which was halted in 1998. Upon re-scoping the project, Metro identified the lot for a construction office and parking to support construction of the new project, the Metro

Gold Line Eastside Extension, now under construction. CCS LLC will need to address the relocation issues of the construction offices and parking prior to moving forward into a joint development agreement.

A general financial offer is included in the Chavez/Soto, LLC proposal and appears consistent with MTA's joint development goals. The award of an ENA, however, is not an acceptance of the terms and conditions presented by the development team. The financial terms of the offer would be discussed and refined during the ENA period.

The Development Team of Chavez/Soto, LLC includes the following firms along with the firm contact:

- JSM Construction, Inc (Craig Jones, President)
- Polis Builders, Ltd. (Nick Patsaouras)
- Prudential Real Estate Investors (Michael J. Tyre, Principal)
- KeyBank National Association (Sandra Rahimi, Vice President)
- Barrio Planners Incorporated (Frank Villalobos, President)

JSM is the principal developer, general contractor and management entity of this partnership. They are a medium size development and construction firm specializing in multi-family and commercial developments. JSM is currently developing 473 units in Santa Monica, 78 units in Old Town Pasadena, and 568 units adjacent to the North Hollywood Metro Red Line Station.

The second proposal the MTA received was from the Development Team of MJW Investments. This proposal was for 28,300 square feet of retail/commercial uses and 130 rental-housing units. MJW Investments includes the following firms along with the firm contact:

- MJW Investments (Mark Weinstein, President)
- Moule & Polyzoides (Stefanos Polyzoides, Principal)

MJW Investments is medium size development, adaptive reuse, construction and management real estate firm.

NEXT STEPS

After execution of an Exclusive Negotiation Agreement with C. Chavez/Soto, LLC, Metro staff will negotiate in good faith over a six-month period to determine the specific financial arrangements, engineering and construction coordination and schedules for this development. At the end of the negotiation period, Metro staff anticipates presenting a draft Development Agreement for Board approval. Metro, however, is not obligated to enter into a Development Agreement if the development team does not meet the negotiation points to the satisfaction of the

Board. Once the Board approves the Development Agreement, the developer would start final design and construction of the project.

ATTACHMENTS

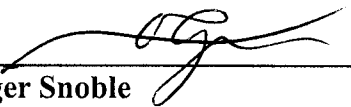
- A. Cesar Chavez/Soto Conceptual Development Plan
- B. Conceptual Development Guidelines

Prepared by:

Ray Sosa, Deputy Project Manager, Eastside Gold Line
Diego Cardoso, Director Central Area Team

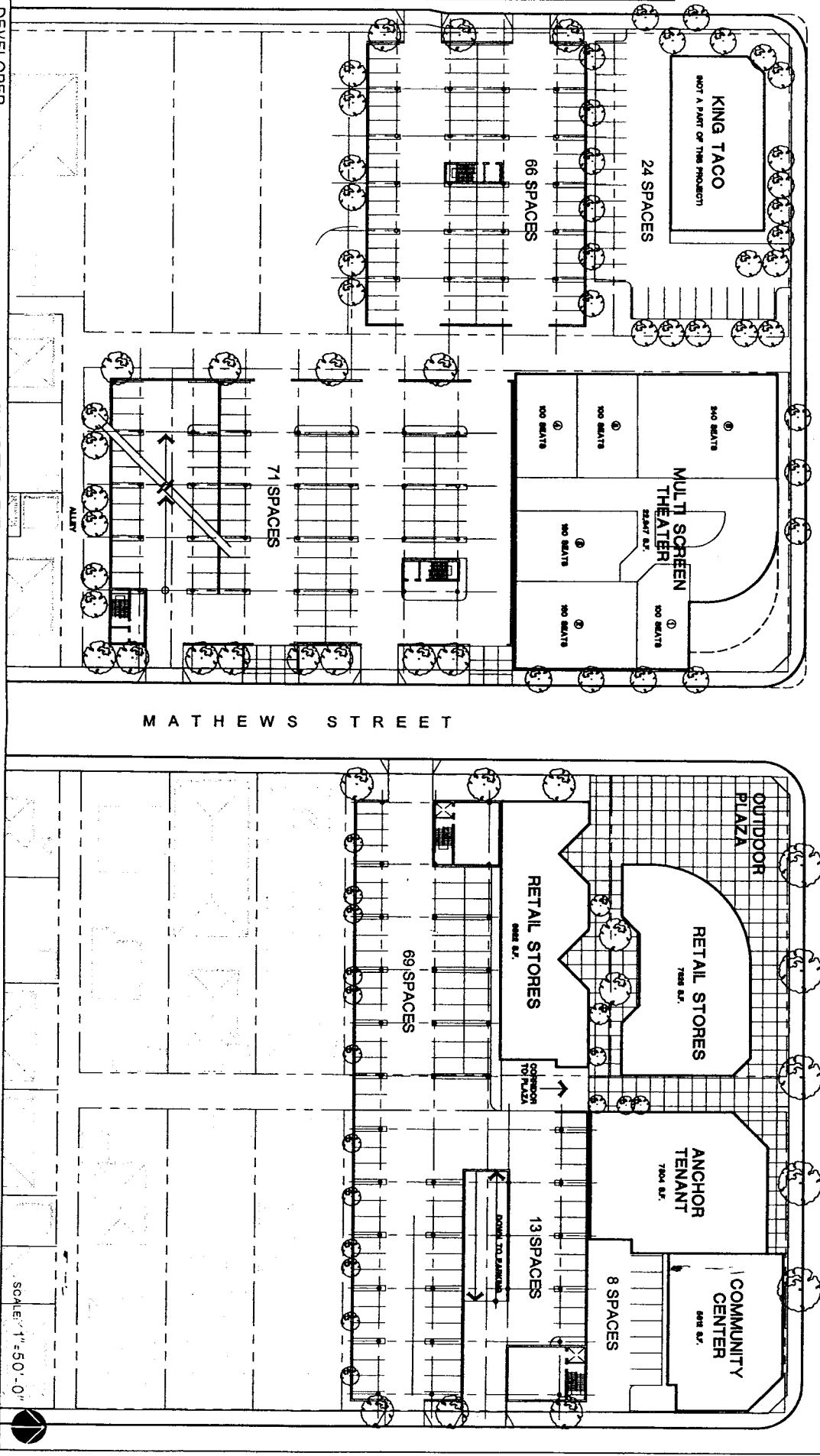


James L. de la Loza
Chief Planning Officer
Countywide Planning and Development



Roger Snoble
Chief Executive Officer

CESAR E. CHAVEZ AVENUE



MATHIEWS STREET

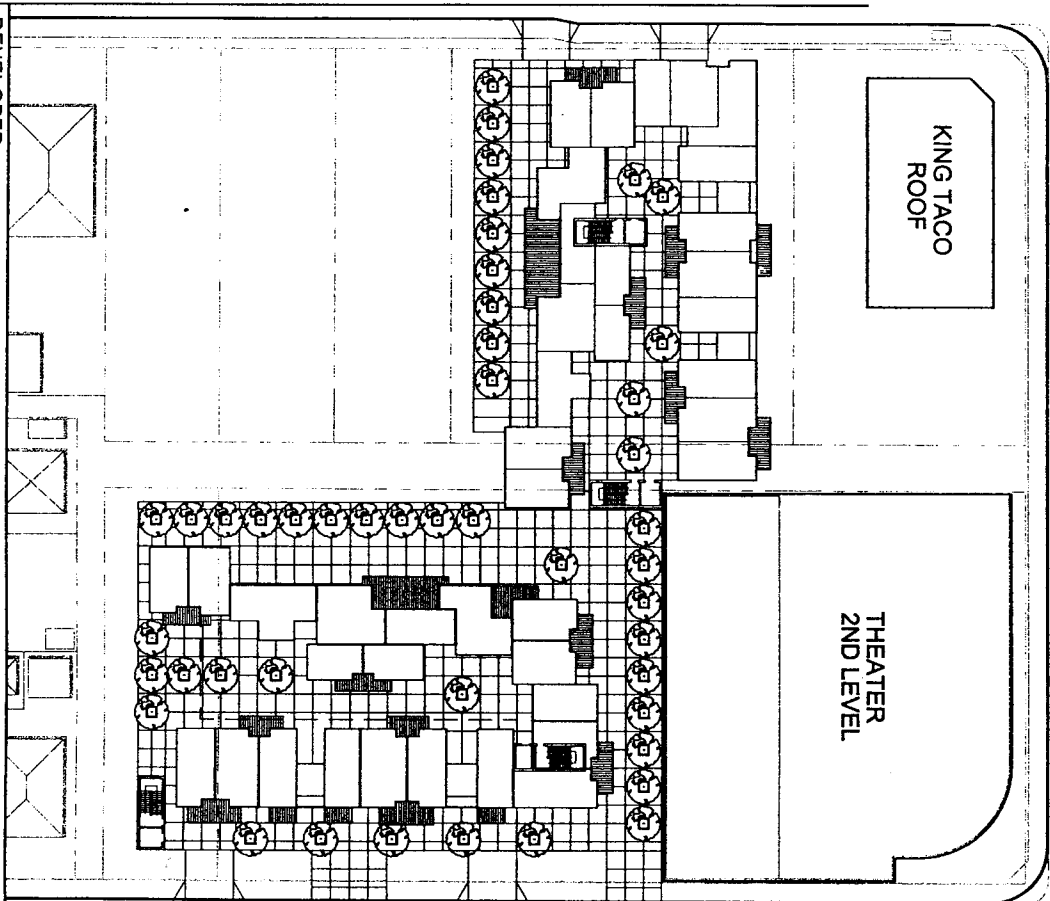
DEVELOPER:
POLIS BUILDERS, LTD.
JSM CONSTRUCTION CORP.

PASEO DE LAS FLORES MIXED USE DEVELOPMENT
Ground Level

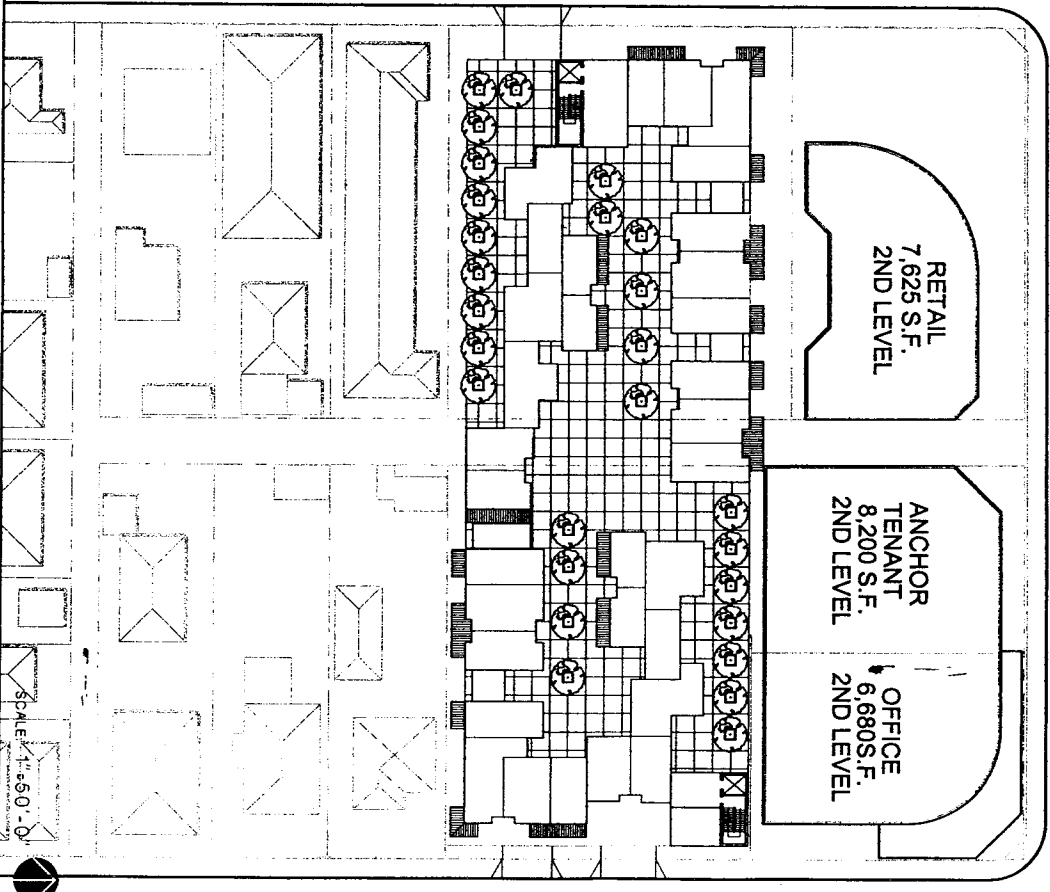
ARCHITECT:
BARRIO PLANNERS INCORPORATED

SCALE: 1" = 50'-0"

CESAR E. CHAVEZ AVENUE



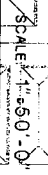
MATHEWS STREET



DEVELOPER:
POLIS BUILDERS, LTD.
JSM CONSTRUCTION CORP.

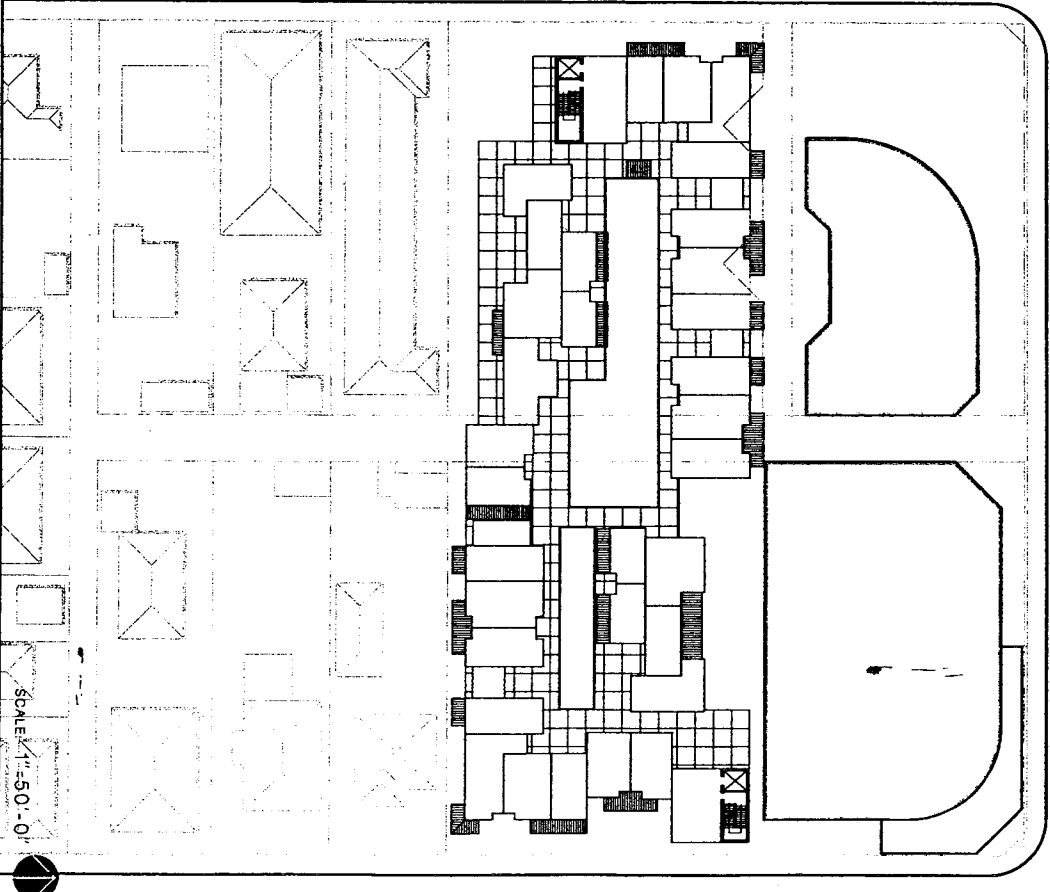
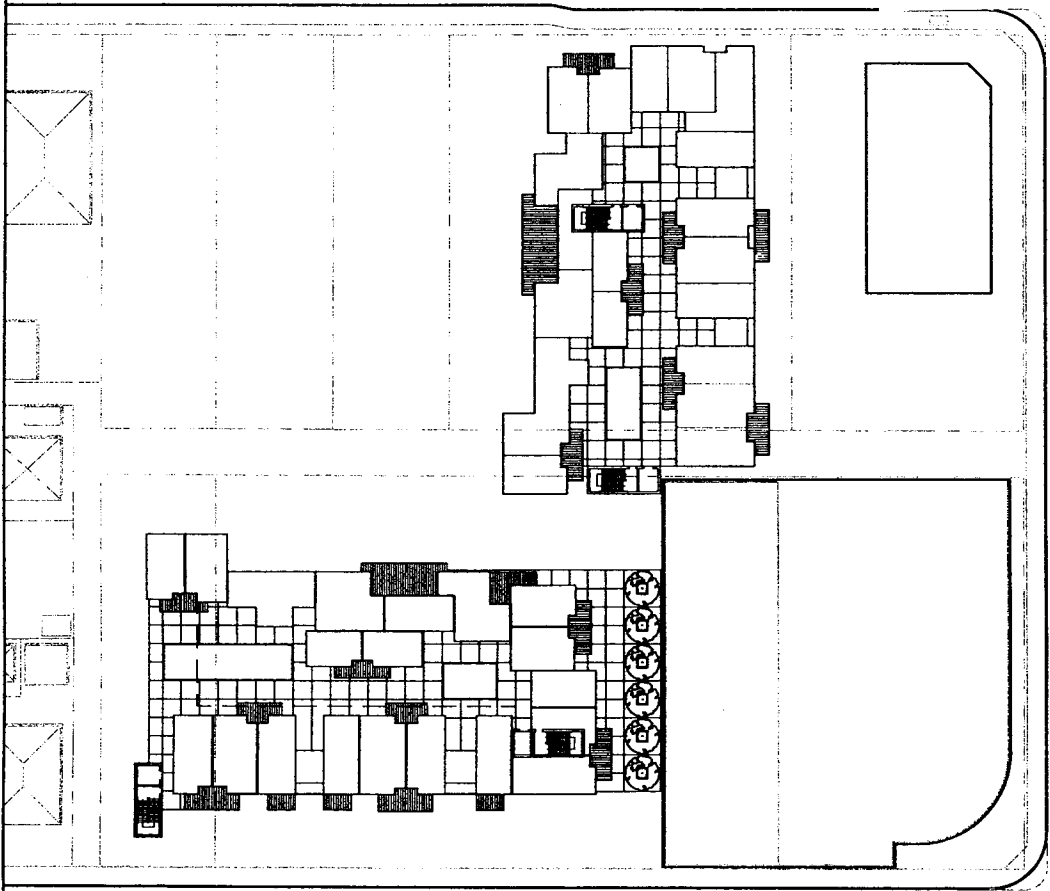
PASEO DE LAS FLORES MIXED USE DEVELOPMENT
First Level

ARCHITECT:
BARRIO PLANNERS INCORPORATED
BARRIO PLANNERS INCORPORATED



CESAR E. CHAVEZ AVENUE

MATHEWS STREET



DEVELOPER:
POLIS BUILDERS, LTD.
JSM CONSTRUCTION CORP.

PASEO DE LAS FLORES MIXED USE DEVELOPMENT
Second Level

ARCHITECT:
BARRIO PLANNERS INCORPORATED
BARRIO PLANNERS INCORPORATED

SCALE: 1/4" = 50'-0"



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Cesar Chavez/Soto Area Conceptual Development Guidelines

SITE CONDITIONS AND HISTORY

The MTA-owned property consists of 3.55 acres. The first 1.95 acres is located on the corner of Cesar Chavez and Mathews with Soto Street bordering the west side of the property. An alley way runs through this property. Cesar Chavez, Mathews Street and Fickett Street border the second parcel of 1.60 acres. This property is also divided into two by an alley.

AREA PLANS AND ZONING

CENSUS TRACT: 2042.000
R3 Multiple Dwelling

BACKGROUND

The Eastside Gold Line planning work included a task called "Eastside Gold Line Community Linkages Program". The purpose of the program is to identify, plan and implement urban design concepts and strategies to maximize integration of the light rail stations/transit service with the communities that it will serve. This integration is achieved through careful design of pedestrian improvements, crosswalks, bicycle access and amenities, streetscape improvements, way finding signage, traffic calming strategies and tree plantings along pedestrian corridors. One element of the program included a task to address future development around stations were MTA owns property that could be used for future joint-development.

Staff and consultants conducted analysis, meet with community stakeholders and conducted community presentations to review recommendations. The Eastside Review Advisory Committee endorsed the Eastside Conceptual Development Guidelines.

COMMUNITY VISION

The Community Linkages Program of the Metro Gold Line Eastside Extension generally recommends a mixed-use project that is integrated with the Gold Line Station. The proposed land uses include one large public/private commercial development that would include a major grocery market, drug store, major cinema theaters, restaurants, condominiums, housing, and retail. The community expressed that the area surrounding Cesar Chavez/Soto has tremendous potential to become a major neighborhood commercial/entertainment center.

AREA CONTEXT

The Cesar Chavez and Soto Street parcels are located in the heart of a thriving commercial corridor. Located within the Adelante Eastside Community Redevelopment Zone, Cesar Chavez is home to a number of successful restaurants and flourishing businesses. The area is renowned for its dynamic pedestrian activity and energetic atmosphere. There is multi-family housing and pockets of single-family homes in the neighborhood. The area is well known for its many murals, which both celebrate and depict the history of the area's peoples, cultures and plights.

DEVELOPMENT GUIDELINES

This site's development scenario consists of retail commercial or a mixed-use (commercial and housing) project on MTA-owned properties.

Entertainment / Retail / Commercial

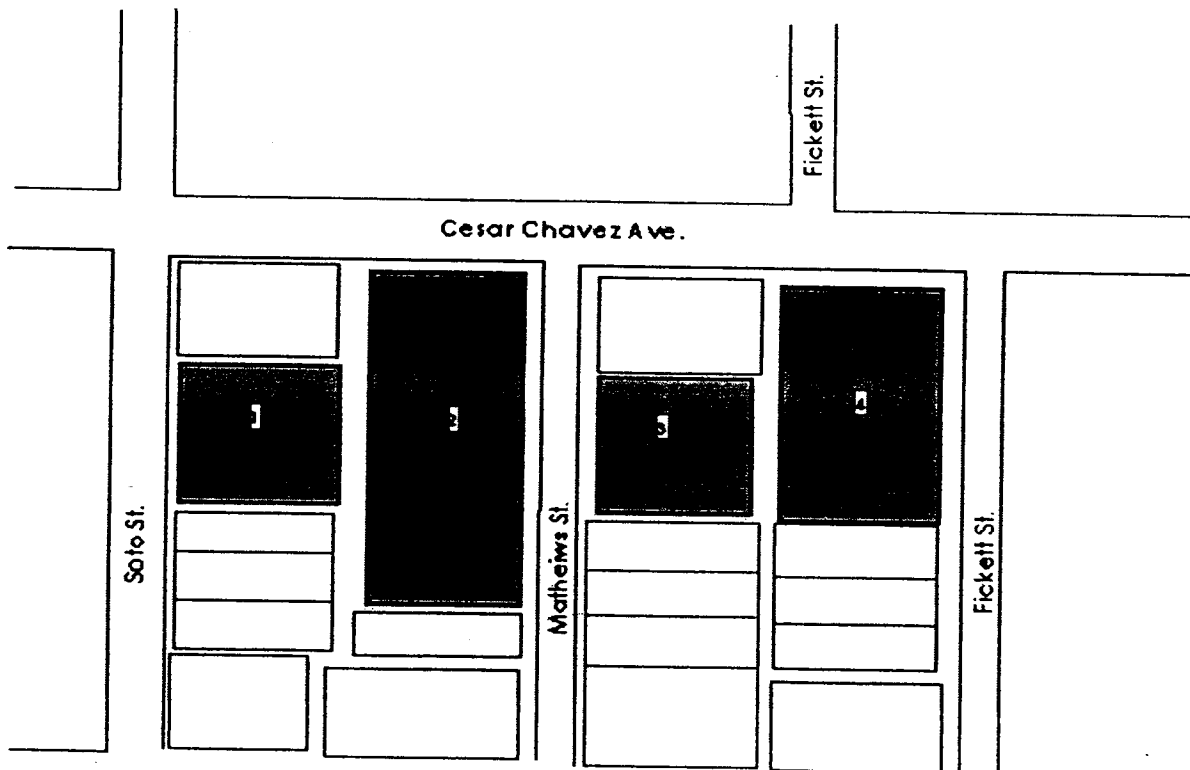
The area has high pedestrian activity and the development of a major commercial and retail center would be appropriate at the station site. The community representatives indicated that the establishment of a major commercial/entertainment center at the Cesar Chavez/ Soto site would greatly benefit the community. This parcel of land is one of the largest vacant parcels in the area.

Housing

Multi-family residential is a good development type. The low inventory of multi-family, senior, affordable housing complexes within Boyle Heights indicates a substantial market for this type of development. Market rate residential exhibits some potential, but any project would have to meet the strict specifications of the city council and city planning. If public subsidies were available, then affordable housing would likely be well received in the market. The need for available condominium units was deeply expressed by the community in order to increase ownership-based housing in the area.

Los Angeles County Metropolitan Transportation Authority

Cesar Chavez/ Soto St.



 MTA PROPERTY

