



Metro

**PLANNING AND PROGRAMMING COMMITTEE
FEBRUARY 16, 2005**

**SUBJECT: WILSHIRE/WESTERN STATION
TRANSIT ORIENTED JOINT DEVELOPMENT**

**ACTION: APPROVE REVISED CONCEPTUAL SITE PLANS AND
REVISED BASE TERMS**

RECOMMENDATION

Authorize the Chief Executive Officer to enter into a revised Joint Development Agreement (JDA) with Wilshire Entertainment Center, LLC (WEC) for joint development at the Metro Red Line Wilshire-Western Station (Station) with the following primary revisions:

- A. Revised Project and Conceptual Site Plans by WEC for the joint development at the Station (Attachment A);
- B. A modification of the previously approved land exchange to allow Metro to exchange land fronting Western Avenue for land fronting 6th Street, as described in the discussion section of this Board Report and as shown on Attachment A, and to allow WEC to develop and sell condominium units in lieu of rental units; and
- C. Business Terms revisions as a result of revised project and land exchange (Attachment B).

ISSUE

On April 16, 2003, the Board entered into a Joint Development Agreement (JDA) with WEC. WEC was to negotiate with the Community Redevelopment Agency (CRA) to obtain financial and land acquisition assistance for the approved development project consisting of 50,800 square feet of retail/restaurant space, 200 apartment units (20% of which were to be affordable) and a 700-space parking garage. In addition, a 12-bus layover facility (with parking for five articulated buses) was to be provided for use by Metro, and 110,000 square feet of self-storage facility was to be constructed directly above the bus layover facility. The land assemblage was to be comprised of 72,700 square feet of land owned by Metro, 29,000 square feet of land owned by the Los

Angeles Department of Transportation (LADOT), and 21,400 square feet of land to be acquired by WEC from two private parties. Since the approval date, WEC has contracted to acquire one of the two privately held parcels, but has been unable to enter into a contract to acquire the second. WEC was also unable to obtain financial or land acquisition assistance from the CRA. As a result, WEC has revised the project to:

- occupy a slightly smaller footprint with an increased building height;
- omit the self-storage facility;
- build and sell approximately 195 condominium units instead of 200 apartment units;
- slightly reduce the retail space (49,500 square feet instead of 50,800 square feet); and
- provide off-site affordable housing via the payment of an in-lieu fee to the City.

To facilitate development, Metro will exchange a portion of its land for a portion of WEC's adjacent land that WEC will acquire from a private party and LADOT (WEC and LADOT are currently finalizing the terms of their contemplated transaction). The commencement of rent has been extended by approximately one year, depending on the start of construction. However, WEC will pay an increased non-refundable option payment (or holding rent) to compensate for the time delay. In addition, WEC will pay higher construction and base rents based on an updated appraisal.

POLICY IMPLICATIONS

The recommended action is consistent with Metro's Joint Development Policy to:

1. Promote and enhance transit ridership;
2. Enhance and protect the transportation corridor and its environs;
3. Enhance the land use and economic development goals of surrounding communities and conform to local and regional development plans; and
4. Generate value to Metro based on a fair-market return on public resources.

OPTIONS

The Board could choose not to approve the revised terms of the joint development agreement. Staff is not recommending this option because it would unnecessarily delay development of the Station site. The revised site plan provides for mixed residential and retail usage similar to the plan previously approved by the Metro Board; however, the revised site plan differs from the previously approved plan by proposing development of high-rise condominium units rather than mid-rise apartment units and by eliminating the self-storage facility. The ground lease payments to Metro have been increased. Upon completion, the overall development will integrate into the existing urban environment, offering a vibrant mixed-use

development to the neighborhood surrounding the Station. The proposed terms and conditions are fair, and were arrived at after considerable negotiation.

FINANCIAL IMPACT

The development will generate rental income for Metro (Attachment B).

DISCUSSION

The Station has 1.67 acres of Metro owned land which is currently improved with a subway portal, transit plaza and a 12-bus layover facility. The planned development would include a portion of the Metro property plus additional parcels.

Revised Product and Site Plan- The former project consisted of a four-story residential and retail mixed use building fronting Western Avenue with a storage facility of 110,000 square feet fronting 6th Street. The new project has been revised into a 22-story tower comprised of 16 floors of condominium units, above four levels of residential parking, above two floors of retail space fronting Western Avenue. In addition, WEC will build approximately 11,300 square feet of retail space on the transit plaza. Two levels of subterranean parking will be constructed by WEC below both WEC's mixed use building and the bus layover facility. WEC will build and maintain a public restroom for use by Metro patrons. WEC will construct a bus layover facility for use by Metro with space for 12 buses (including five articulated buses) and an operator restroom. The bus layover facility will be "L" shaped, fronting both 6th Street and Oxford Avenue. WEC will retain a permanent easement for vehicle ingress and egress over a portion of Metro's land fronting Oxford Avenue. Metro will retain a permanent easement for vehicle ingress and egress to and from its portion of the two-level subterranean parking structure over a part of WEC's portion of the two-level subterranean parking structure. Additionally, Metro will retain a permanent easement for pedestrian ingress and egress to and from its portion of the two-level subterranean parking structure over and through a part of WEC's portion of the two-level subterranean parking structure and certain common areas in WEC's development. Metro will covenant that at the termination of the ground lease it will lease in perpetuity 62 parking spaces in its portion of the two-level subterranean parking structure to WEC (or its successor-in-interest) at the then-market rate. WEC will remove or relocate one billboard currently located on Metro's property and will be seeking approval from Metro and the City to locate a billboard on that portion of WEC's project that is located on the transit plaza and fronts Wilshire Boulevard.

Land Exchange- WEC will exchange a portion of the land it has contracted to acquire fronting 6th Street for a portion of Metro land fronting Western Avenue; however, Metro will retain the subway portal and the transit plaza land fronting on Wilshire Boulevard and on Western Avenue. Once the development is complete, Metro will own the bus layover facility, the land beneath it, the portal and transit plaza and the land beneath them. WEC will own the land under the mixed use building it plans to

construct. WEC will lease from Metro the land under the bus layover facility and under 11,300 square feet of retail to be built on the transit plaza. Because the land to be leased to WEC by Metro will be smaller than under the original plan, the base rent and future fair market land value rent will be based on the appraised value of the land which was to have been leased under the original plan. In order to secure its rental obligations under the ground lease, WEC will provide Metro with a letter of credit in an amount equal to three times the then current annual rent, or such other equivalent security acceptable to Metro, until such time as the retail space located on the transit plaza earns rental revenues sufficient to secure the ground lease.

Revised Rental Terms- Base rent has been revised to conform to an updated appraisal of Metro property and annual base rent has been increased from \$267,264 to \$365,500 and annual construction period rent has been increased from \$133,632 to \$182,750.

Revised Schedule- The outside start date of construction rent has been moved from the end of April 2004 to June 2005 or the start of construction, whichever comes earlier. The start of base rent has been extended in a similar fashion.

Revised Joint Development Agreement (JDA) and Draft Ground Lease Agreement- The JDA and Ground Lease are being revised to include the revised business terms and site plan.

NEXT STEPS

Upon approval of the recommended actions, the Chief Executive Officer will execute a revised Joint Development Agreement and, upon WEC meeting the conditions of the JDA, a Ground Lease Agreement.

ATTACHMENTS

- A. WEC Site Plans and Renderings
- B. Wilshire & Western Business Term Revisions

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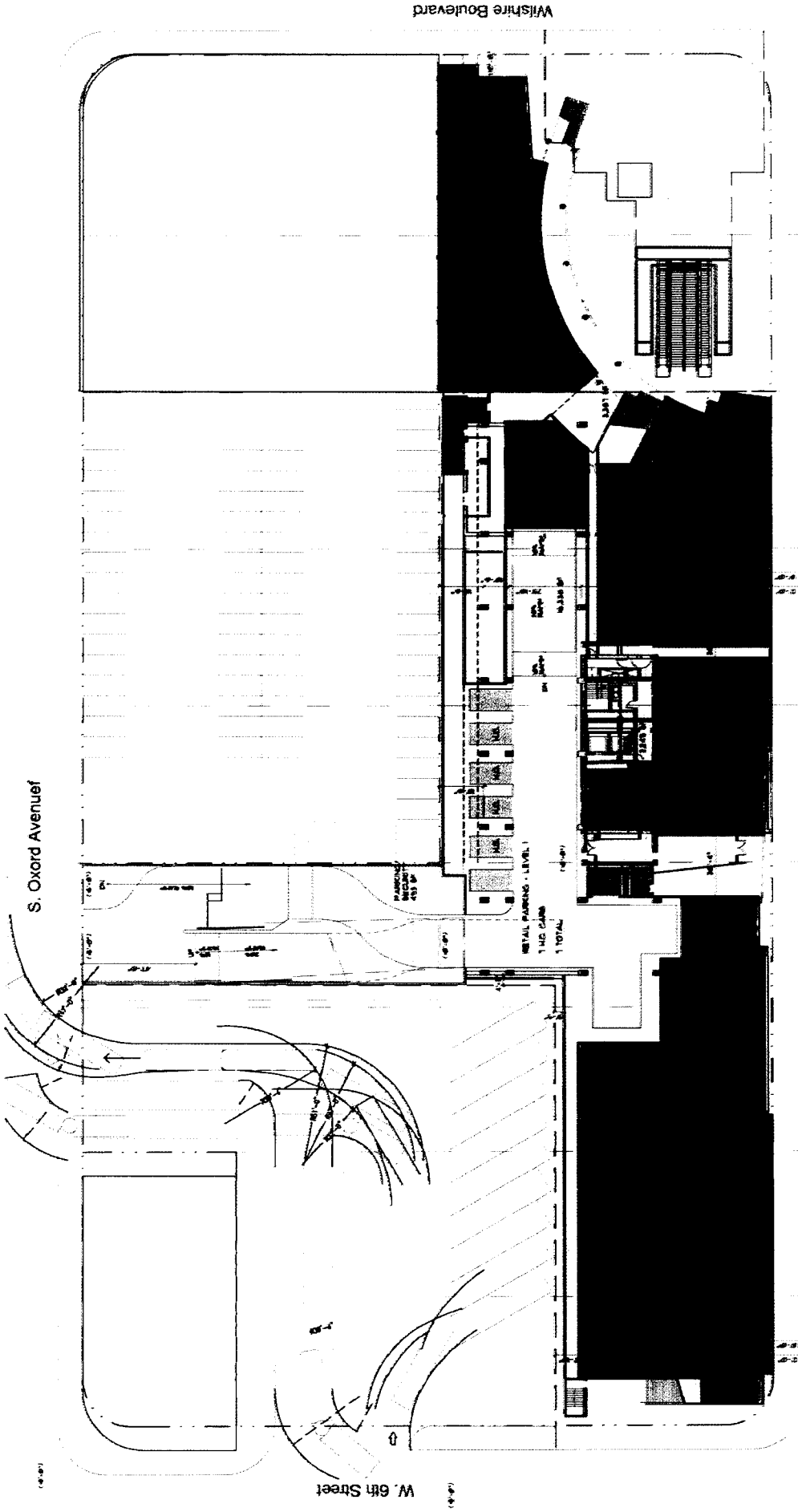
Roger Snoble
Chief Executive Officer

Attachment A

Wilshire Entertainment Center
Proposed Wilshire/Western Station
Transit-Oriented Joint Development

SITE PLANS AND RENDERINGS

Attachment A



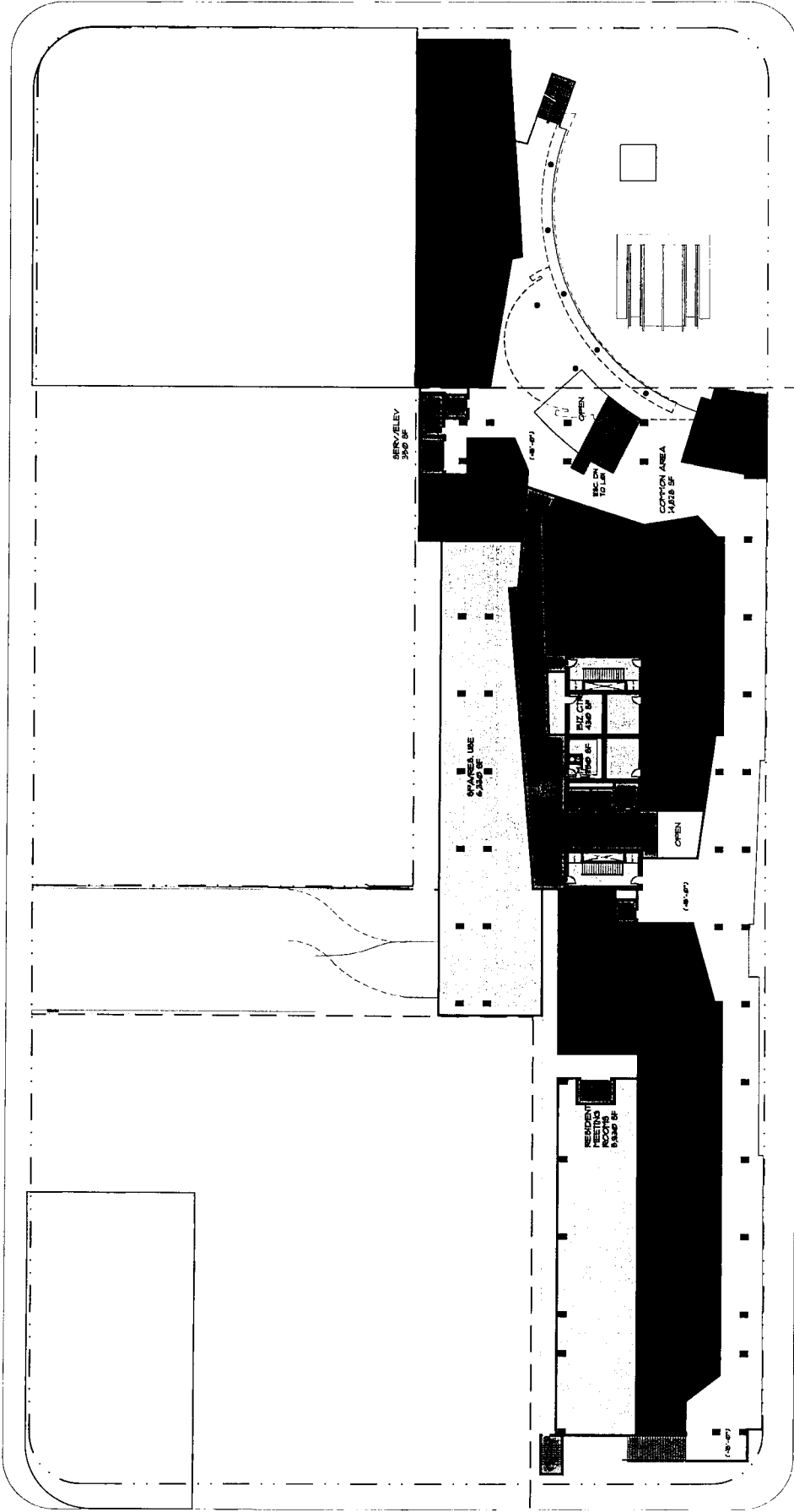
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Wilshire & Western

CONCEPT DESIGN

NOVEMBER 12, 2004
 0' 10' 20' 40'



LEVEL 2 - RETAIL

Level L02

november 12, 2004
 0 10' 20' 40'
 ZONE
 04-013-00

Wilshire & Western

CONCEPT DESIGN

A Mixed Use Project in Los Angeles, California

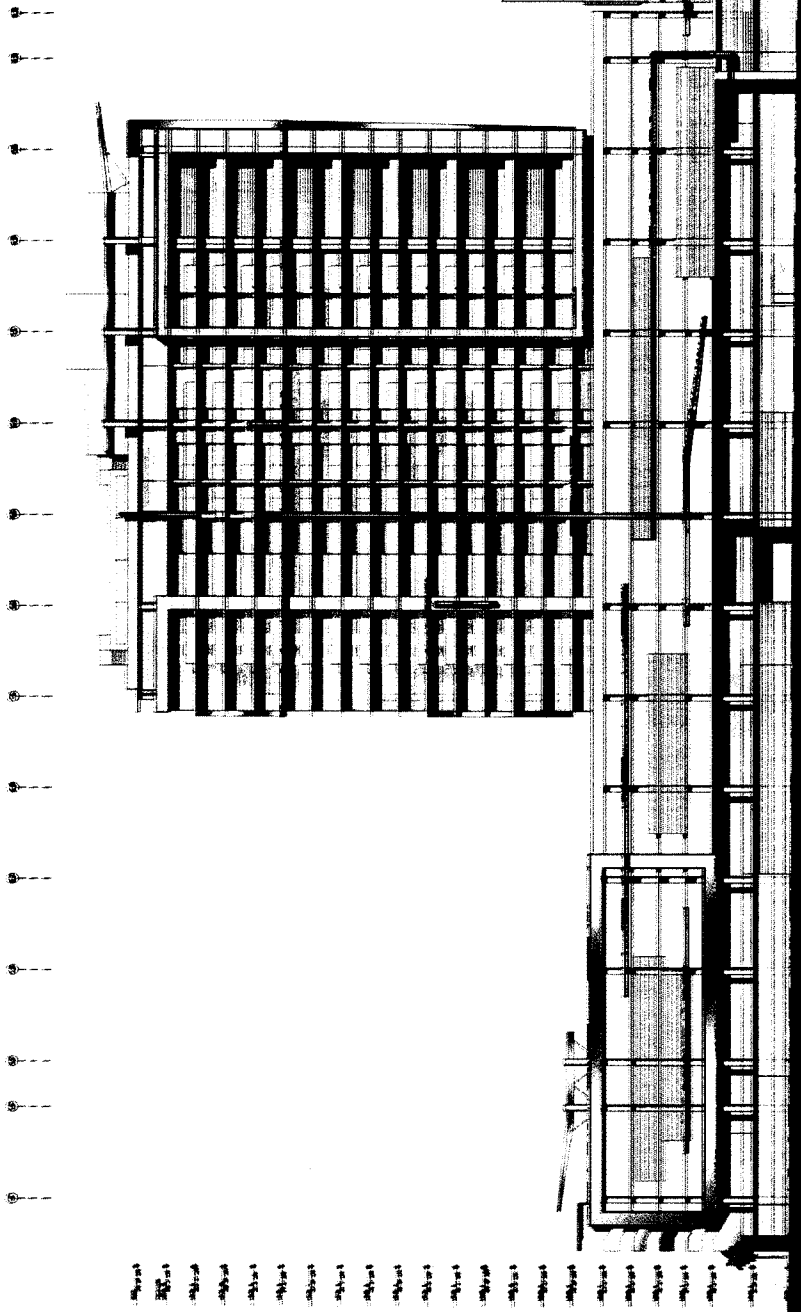


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SD-210

Attachment A



WEST ELEVATION

Wilshire & Western

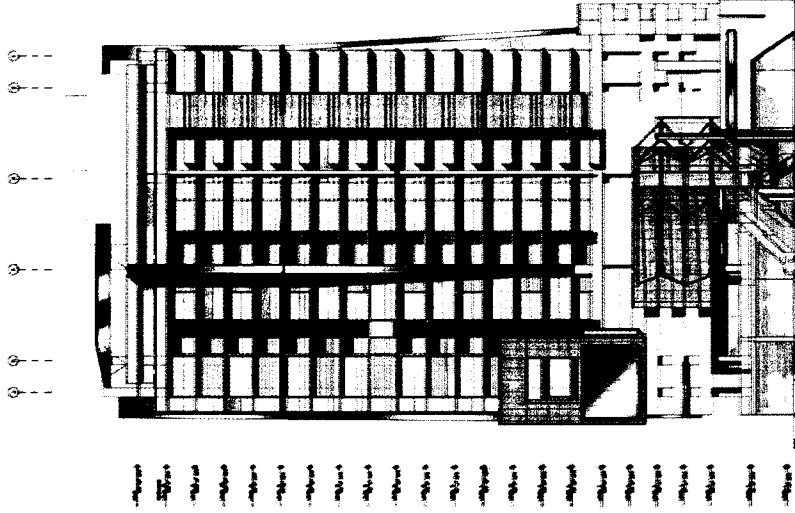
CONCEPT DESIGN

November 10, 2004 0' 10' 20' 40'

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Attachment A



SOUTH ELEVATION



Wilshire & Western

0' 16' 10" 40'

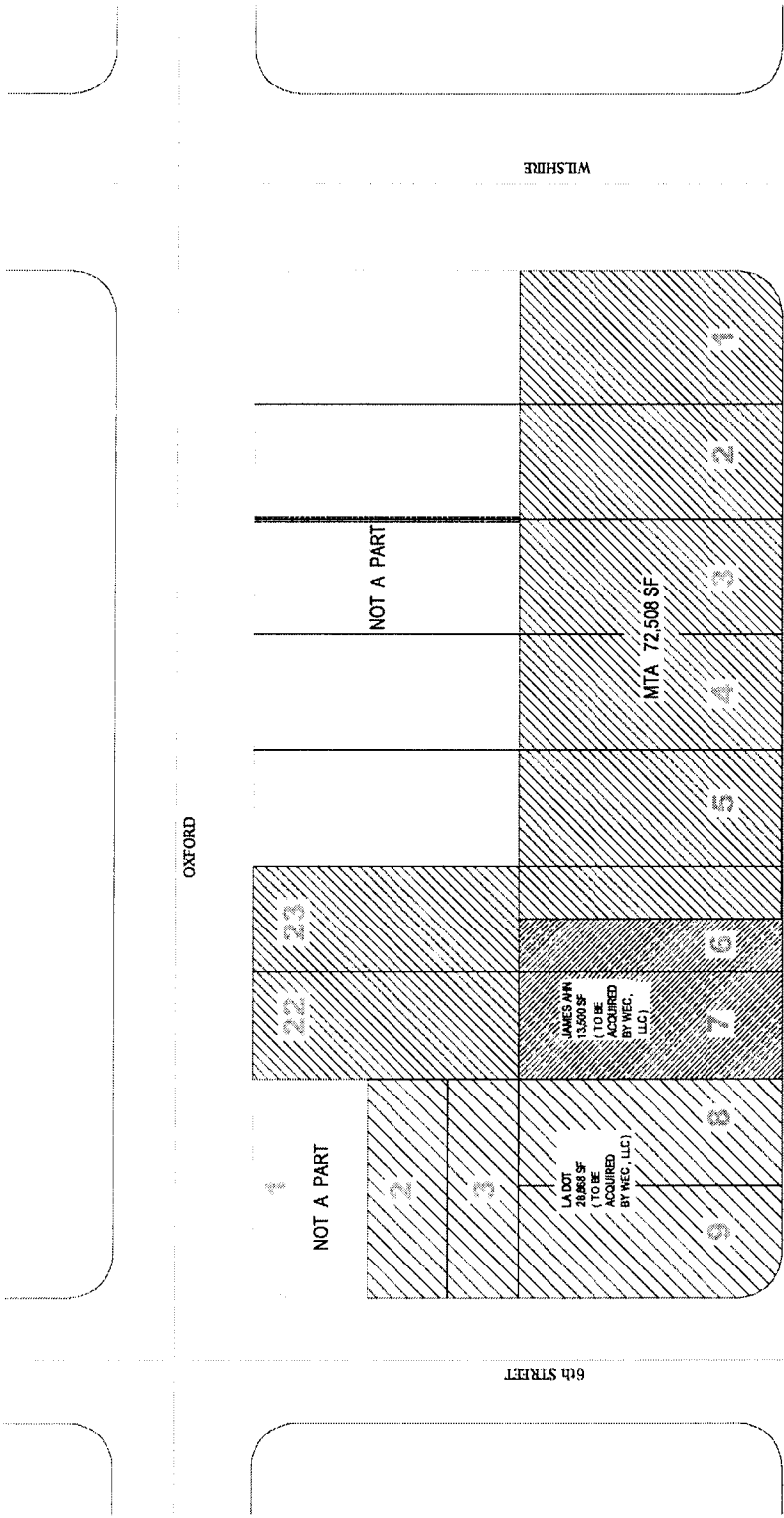
NOVEMBER 13, 2014

CONCEPT DESIGN



REGISTERED ARCHITECTS
REGISTERED ENGINEERS
REGISTERED PLANNERS
REGISTERED SURVEYORS
REGISTERED CIVIL ENGINEERS
REGISTERED ELECTRICAL ENGINEERS
REGISTERED MECHANICAL ENGINEERS
REGISTERED CHEMICAL ENGINEERS
REGISTERED ENVIRONMENTAL ENGINEERS
REGISTERED INDUSTRIAL ENGINEERS
REGISTERED AERONAUTICAL ENGINEERS
REGISTERED AGRICULTURAL ENGINEERS
REGISTERED CIVIL ENGINEERS
REGISTERED ELECTRICAL ENGINEERS
REGISTERED MECHANICAL ENGINEERS
REGISTERED CHEMICAL ENGINEERS
REGISTERED ENVIRONMENTAL ENGINEERS
REGISTERED INDUSTRIAL ENGINEERS
REGISTERED AERONAUTICAL ENGINEERS
REGISTERED AGRICULTURAL ENGINEERS

Attachment A



WILSHIRE & WESTERN
 MIXED USE PROJECT

OXFORD

6th STREET

WILSHIRE

WESTERN

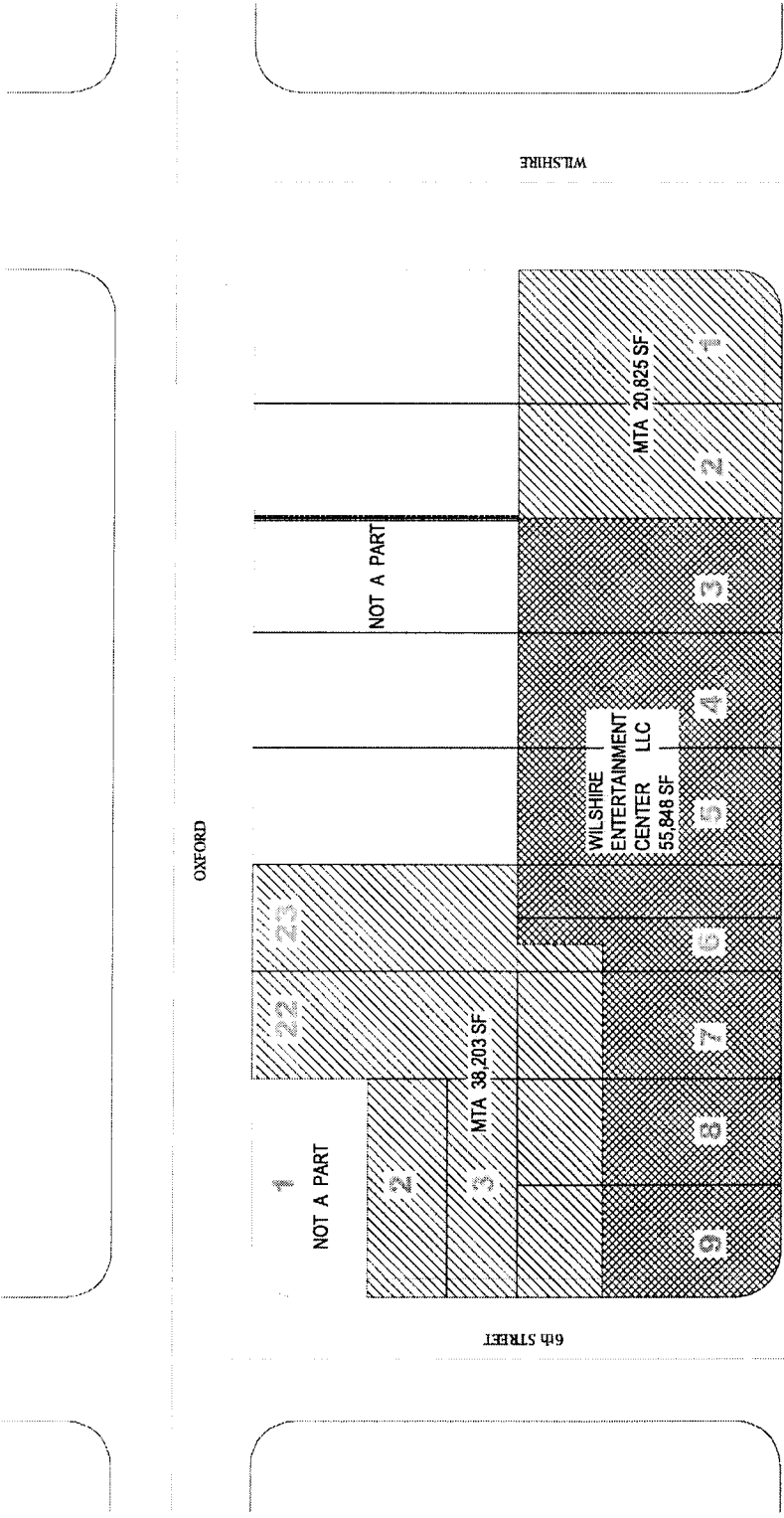
TOTAL LAND AREA : 72,508 SF + 13,500 SF + 28,868 SF
 = 114,876 SF

01.14.2005 pro#01022

ARCHEON GROUP
 ARCHITECTURE INTERIOR PLANNING

PROPERTIES LIMIT
 BEFORE LAND SWAP





OXFORD

WILSHIRE

6th STREET

WESTERN

TOTAL LAND AREA : 20,825 SF + 38,203 SF = 59,028 SF + 55,848 SF = 114,876 SF

WILSHIRE & WESTERN
MIXED USE PROJECT

PROPERTIES LIMIT
AFTER LAND SWAP

01.14.2005

proj#01022

ARCHEON GROUP
ARCHITECTURE INTERIOR PLANNING



Wilshire and Western Business Terms Revisions

The primary business terms conform to the project originally approved in April 16, 2003, except for the following changes:

Project Description:

WEC will build a mixed-use development encompassing approximately 195 condominium units (and comply with any City requirements for affordable housing by providing in-lieu fees), 49,500 square feet of retail/restaurant space, a public restroom, a parking garage that satisfies City parking requirements and includes 76 spaces to replace the existing City community parking lot, additional parking to serve the MTA properties, and a 12-bus layover facility that includes five spaces for articulated buses and an operator restroom.

WEC will exchange a portion of its land fronting 6th Street for a portion of MTA's land fronting Western Avenue (excluding the MTA's land under the subway portal and the transit plaza, which shall remain the property of the MTA). Once the development is complete the MTA will own the bus layover facility, the land beneath it, the transit plaza and portal and the land beneath them. WEC will own the condominium and retail mixed-use building fronting Western Avenue and the land beneath it. WEC will lease the land beneath the bus layover facility and the land beneath the retail space it will build on the MTA plaza. The project will remove or relocate one billboard currently located on the site. WEC will remove or relocate one billboard currently located on Metro's property and will be seeking approval from Metro and the City to locate a billboard on that portion of WEC's project that is located on the transit plaza and fronts Wilshire Boulevard.

The land leased by the MTA to WEC will be smaller than under the original plan, but the base rent and future fair market land value rent will be based on the appraised value of the land which was to have been leased under the original plan. In order to secure its rental obligations under the ground lease, WEC will provide the MTA with a letter of credit in an amount equal to three times the then current annual rent, or such other equivalent security acceptable to MTA, until such time as the retail space located on the transit plaza earns rental revenues sufficient to secure the ground lease.

Non-Refundable Option Payment or Holding Rent:

WEC has previously paid \$100,000 to the MTA in an option payment covering the period from April 16, 2003 to April 24, 2004. WEC will pay additional option payments at the rate of **\$75,000/year or \$6,250/month for the period** from April 25, 2004, to the earlier of the start of construction or May 31, 2005. WEC will pay the option payment or holding rent in two installments. The first installment of \$38,750, which represents the option payment or holding rent due for the period of April 25, 2004 through October 31, 2004 is now due. The second

installment shall become due upon the earlier of the start of construction or May 31, 2005.

Unsubordinated Construction Period Rent:

To be payable from the earlier of commencement of construction or June 1, 2005, to the earlier of completion of construction or May 31, 2007 –

\$182,750/year or \$15,229.17/month

Unsubordinated Base Rent:

Unsubordinated base rent shall be due upon completion of construction, but no later than June 1, 2007 –

\$365,500/year or \$30,458.33/month