



**PLANNING AND PROGRAMMING COMMITTEE
MARCH 24, 2005**

**SUBJECT: TAYLOR YARDS RECOMMENDED JOINT DEVELOPMENT
PROPOSAL**

**ACTION: AUTHORIZATION TO ENTER INTO AN EXCLUSIVE
NEGOTIATION AGREEMENT WITH TAYLOR YARDS, LLC**

RECOMMENDATION

Authorize the Chief Executive Officer to enter into a six-month Exclusive Negotiation Agreement (ENA) with Taylor Yards, LLC for the development of approximately seventeen acres of Los Angeles County Metropolitan Transportation Authority (Metro) owned properties located adjacent to the Metrolink Maintenance of Way facility along San Fernando Road and the Los Angeles River.

ISSUE

In July 2004 Metro received an unsolicited proposal from Taylor Yards, LLC to develop 238 for-rent housing units, 76 for sale housing units, and 74,400 square feet of local community serving retail/commercial space. At its January 19, 2005 meeting the Planning and Programming Committee considered a Staff recommendation to enter into a six month Exclusive Negotiation Agreement for this proposed project. Committee members requested that staff re-examine several issues related to this development project and to return to a future Planning and Programming Committee.

One of the key issues was that the density of the project was too low. The developer has submitted a new plan reflecting a higher density (Attachment A). The revised plan increases the development density from 338 housing units to 451 housing units. The increased housing density occurs in the northern end of the property. Condensing the retail area, changing the original building structures from two and three story row housing buildings to a higher concentration of three to five story central courtyard buildings and the changing from small neighborhood parks to central courtyards, attains the increased density.

The retail/commercial uses clustered in the center of the project are also configured and planned to accommodate additional housing density over time. The proposal plans for the tearing down and reconstruction of the commercial uses between years twenty and thirty and reconstructing these uses as denser housing over retail. This option allows for an additional 359 housing units (or more with a higher density construction type), for a total of

leases and would require future approvals from the City of Los Angeles to further increase densities on the site.

The development clusters community serving retail in the middle of the site adjacent to live-work loft units. West of the retail is a group of mixed-use housing over retail units. The remaining residential units are a mix of apartment buildings and town homes. (Attachment A). The proposed development is on seventeen of the twenty-four acre Taylor Yard site. Additionally, eight acres of the site would be used to preserve potential light rail right-of-way, light rail station (Los Angeles/Glendale/Burbank line) and as an open space buffer between the Metrolink tracks and the development.

A summary of the additional questions asked at the Committee meeting along with staff's responses is included as attachment B.

After an analysis of the unsolicited proposal, including review of potential operating impacts, conformance with previous development studies, potential for future rail lines and potential benefits to Metro, staff recommends that the Board authorize entering into an Exclusive Negotiation Agreement (ENA) with Taylor Yards, LLC. Taylor Yards, LLC is a partnership of McCormack, Baron, Salazar and the CIM Group.

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 Taylor Yards, LLC and seek other development proposals. Alternatively, Metro could choose to not proceed with any project at this time. Staff is not recommending either of these options because the Taylor Yards, LLC proposal conforms to general community based development guidelines, provides an appropriate development for the site, that is consistent with community expectations and includes an experienced development team. Past development proposals did not move forward because they did not meet community expectations and or receive community support. This proposal meets these expectations and has support of community representatives and elected officials.

FINANCIAL IMPACT

The recommended action will not impact FY-05 budget. Ultimately, development of Metro owned properties would result in revenues to Metro.

BACKGROUND

Since the early 1900's the Taylor Yard and surrounding area has served as a rail storage, maintenance and repair facility for freight train service. The reduction in freight train operation at this site beginning in the mid-1980's and the potential to re-use the site resulted in numerous planning studies sponsored by the City of Los Angeles First Council District and included involvement from the City of Los Angeles, Metro, CRA, Southern Pacific Railroad and the American Institute of Architects. The Taylor Yard Transit Development Study (1993-4) initiated a community-based vision for the reuse and revitalization of the area inclusive of this site and the surrounding community. Other studies included the "Los Angeles River Revitalization Study", "Center City North" along with various development alternative proposals from various development groups. The Metro site in Taylor Yards continued to be the focus of numerous development discussions including the development of a "Los Angeles River Park", community housing and education facilities, industrial and commercial developments and other recreation facilities.

Metro's Taylor Yard development site is located south of San Fernando Road and North of the Los Angeles River and runs parallel to the Los Angeles River Channel between the Metrolink MOW and the remaining Southern Pacific maintenance facilities. This is shown as Parcel C in the map of the larger Taylor Yards area shown on Attachment C.

Metro staff reviewed the Taylor Yards, LLC development proposal and its potential impacts to the operation of Metrolink and its conformance to the community based improvement objectives supported by the First Council District. The development plan buffers the Metrolink operation and preserves a light rail station location and surface parking for three hundred park and ride spaces in conformance with the Los Angeles/Glendale/ Burbank Line Rail Transit Project (1992) final EIR. A general financial offer is included in the Taylor Yards, LLC proposal that is consistent with Metro's joint development goals, and warrants further negotiations with the developer. The developer is refining issues as to the affordable housing mix, the housing density and the intensity of retail uses. Potential financial contributions from the City may be required to meet some of the City's objectives for affordable housing. The granting of the ENA will allow the developer to continue to refine issues with the City and Council office to insure that their objectives are met. The award of an ENA is not an acceptance of the terms and conditions presented by the development team. The financial terms of the offer will be discussed and refined during the ENA period to insure a fair return to Metro.

The development proposal is led by McCormack, Baron, Salazar; a national housing and development firm, and includes participation from the CIM Group, a national retail and redevelopment firm. The contact person for this development is Tony Salazar, President, McCormack, Baron, Salazar.

NEXT STEPS

After execution of an Exclusive Negotiation Agreement with Taylor Yards, LLC, Metro staff will negotiate in good faith over a six-month period to determine the specific financial arrangements, engineering constraints and schedules for this development. Staff has requested that the developer initiate a detailed environmental evaluation of the site because of the historic rail uses and identification of some rail materials residue (arsenic) previously identified in the southern most section of the site. At the end of the negotiation period, and after a more comprehensive environmental evaluation of the site by the developer and at the developer's expense, 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. Taylor Yards, Conceptual Development Plan (revised)
- B. Response to Committee Issues
- C. Map of Taylor Yards (Only Parcel C is Metro Owned)

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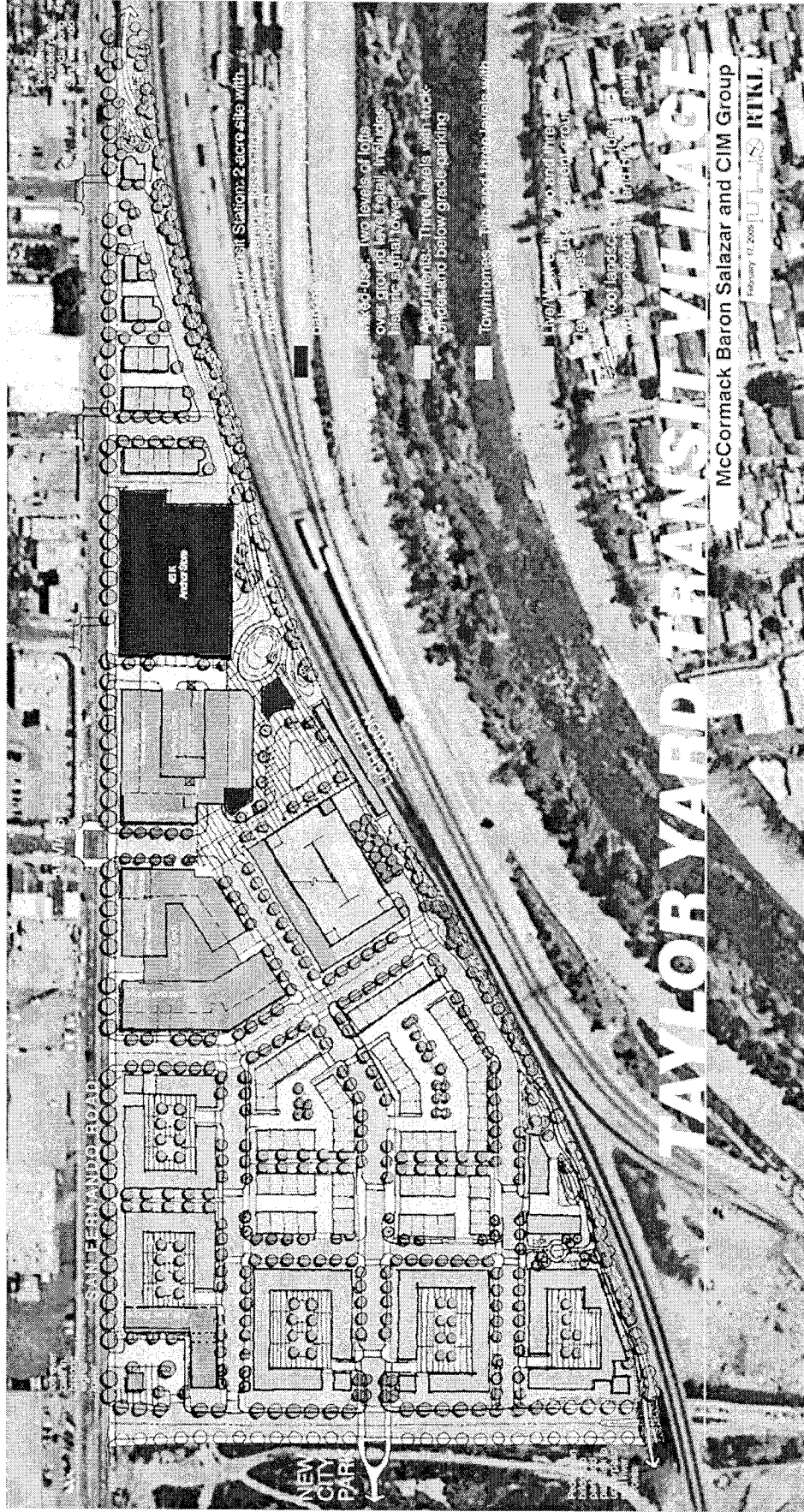
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TAYLOR YARD DEVELOPMENT PARCEL C

ATTACHMENT A



Questions from the Board

Source of Money to buy this property

Proposition 108 Rail Passenger and Clean Air Bond Funds (50%) and Metro bond issued against Proposition “A” funds (50%) were used in to purchase this property.

It was originally purchased for a rail yard, where are these functions now located?

The larger Taylor Yard Parcels (inclusive of Parcel C) were purchased for the stated purposes of initiating commuter rail and light rail services. Parcel C was one of several alternative locations considered for the Pasadena Metro Blue (Gold) Line light rail maintenance yard. Maintenance Yard sites considered included property along Broadway north of Chinatown, Midway Yards and Taylor Yards. The Pasadena-Los Angeles Light Rail Project –January 1990-Final Environmental Impact Report (section 2.1.3 Pg.2-3) approved by the LACTC in March 1990 contained all three locations but included an action by the Board to eliminate consideration of the Broadway north of Chinatown alternative. On January 4, 1993 the Metro (LACTC) Board voted to: “eliminate storage and maintenance facilities at Taylor Yard, and retain Midway Yard for these activities”, as part of the Certification of the Final Supplemental Environmental Impact Report- (Pasadena-Los Angeles Light Rail Transit Project). The remaining alternative was the Midway Yard.

Can we use it for the purposes that are being proposed

State of California: Use of this property for the development of residential and commercial uses would require approval from the State of California. While this approval is discretionary, previous requests from the State to develop properties purchased with Prop.108 funds have been allowed. The State approved the Pasadena Metro Blue Line Construction Authority (PMBLA) requests to develop/sell properties purchased with the Proposition 108 funds to offset development costs of the Metro Blue (Gold) Line. The State has also approved Metro’s request to develop and ground lease property at the Chatsworth Metrolink Station. Metro was allowed to retain the revenue generated from the development so long as the revenue was used for rail transit purposes. The most appropriate time to seek State permission is during the ENA period when the development mix is more refined.

The bonds that the Metro issued against the Proposition “A” monies also have certain restrictions and may require either a cashing out of a portion of the original purchasing bond, an accounting reallocation of the expenses to other portions of the bonded improvements or a review and acceptance by bond counsel of the appropriateness of the development within the permissible uses of the original bond.

City of Los Angeles: In 1992 the City of Los Angeles, Metro (LACTC) and the Southern California Regional Rail Association (SCRRA) developed and signed a three-party settlement agreement known as the Taylor Yard Memorandum of Understanding (MOU) stating that Parcel C would be considered for joint development and other community interest uses. The proposed development is consistent with the Taylor Yard MOU.

Would it be in the best interest of the Metro to actively pursue another marketing and solicitation program for this property? Why are we doing this sole source and would we likely receive better offers if we opened this up to a broader solicitation?

Metro's joint development policies allow for unsolicited development proposals to be reviewed, evaluated and recommended for an ENA if there is a reasonable and desirable plan that provides for a reasonable financial return to Metro.

This property is currently zoned heavy industrial (M-3). The current development proposal requires that the site be re-zoned to mixed use residential. To secure a zoning change, the developer must reach a consensus with the City and the adjacent communities. The adjacent communities have actively advocated for mix-uses complimentary and within the development character of the surrounding areas. Since the process of community input and public involvement is a significant determinate of the final project size, scale and density, the final development product mix is not likely to differ greatly between developers.

Parcel "F" at Taylor Yard (not owned by the Metro) is zoned industrial and has been marketed for the last thirty months for development of the Los Angeles Media Center, a commercial office/Studio facility (see Attachment C). It has been marketed as "entitled" under the Phase I of the Los Angeles Media Center. The only active interest in this parcel is from LAUSD for the development of a high school. Given that Parcel "F" has a history of being marketed at a price slightly higher yet is consistent with the Metro's valuations, to date there has not been a complete purchase for this industrially zoned property, which may be indicative of the limited desirability for industrially zoned properties at this price. Metro Parcel C has been "generally available" and brought to the attention of multiple developers over the last several years and has been listed as available on Metro's development website since 2003. A previous RFP for this property six years ago did not result in a successful development proposal.

The current proponent has over a year head start in performing "due diligence" on the development of this property. Some of the proponent team members have several years experience working with the communities surrounding this parcel. As mentioned above, since the final plan for this development will need to respond to the City and community concerns and the related processes, it is likely that the final development plans, densities or uses would be similar even with additional development teams.

What is the appraisal was it appraised below market?

To attain estimates of the parcel's value, Metro staff reviewed recent sales and discussed values with local commercial and industrial real estate brokers representing similarly zoned properties. The financial proposal from the Developer was consistent with the estimated values that Staff obtained. Metro will conduct an appraisal as part of the development negotiation process. The appraisal value will be based on the highest and best use of the property given the current zoning and existing known conditions.

Why this level of density, why not higher density?

Per the discussion with the Planning and Programming Committee, staff has revisited the development density with the developer. The modified plans allow for a phased increase in density over time in response to City growth and/or changing market conditions. The design considers several land use objectives including developing a Transit and Pedestrian

Oriented Development/Community (TOD/POD), mixing commercial/retail/rail/housing uses to maximize the development opportunities, creating a mix of housing types including: homeownership opportunities and affordable housing units. The revised plan increases the density from the initially proposed density of seventeen to twenty units per acre to nineteen to twenty-eight units per acre, with a potential phase in of thirty-four to fifty units per acre. Conceptually, in year twenty to year thirty these sites could be reconstructed to high or very high-density residential over commercial uses. This assumes that higher rise structures and increased densities would be approved by the City of Los Angeles. The retail/commercial leases would be developed with conditions allowing for teardown and reconstruction of retail/commercial structures with new residential units on top. This option allows for an additional 359 housing units for a total of 810 housing units and 74,400 square feet of retail/commercial uses. The density of the full Parcel C would be 34 units per acre plus 74,400 square feet of retail/commercial use. When the five to six acre buffer areas and potential station areas are subtracted from the development site the potential density in the remaining acreage is 50 units per acre plus 74,400 square feet of retail/commercial uses.

Taylor Yard Parcels

(Attachment C)

