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TRANSMITTAL

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| TO The City Council | DATE 02-05-25 | COUNCIL FILE NO. 19-0362-S1 |
| FROM Municipal Facilities Committee | COUNCIL DISTRICT 9 | |

At its meeting held on January 30, 2025, the Municipal Facilities Committee approved the attached Economic and Workforce Development Department (EWDD) report, which is hereby transmitted for Council consideration. Adoption of the report recommendations would authorize EWDD to negotiate and execute an Exclusive Negotiation Agreement (ENA) and related contractual documents with Bakewell Company of California, LLC and the Michaels Organization for the disposition and development of City property located at 5867 South Los Angeles Street, referred to therein as "Slauson and Wall." The term for the ENA is one year, with a one-year option to extend.

Fiscal Impact: There is no impact to the General Fund. The recommendation in this report only authorizes the negotiation and execution of the ENA.


for Matthew W. Szabo
City Administrative Officer
Chair, Municipal Facilities Committee

MWS:SS:05250094

CAO 649-d

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
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MAYOR

**ECONOMIC AND
WORKFORCE
DEVELOPMENT
DEPARTMENT**

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January 23, 2025

Council File: 19-0362-S1
Council District No.: 9
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Municipal Facilities Committee
Chair Matthew Szabo, City Administrative Officer
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REQUEST UPDATED AUTHORIZATION TO NEGOTIATE AND EXECUTE AN EXCLUSIVE NEGOTIATION AGREEMENT AND RELATED CONTRACTUAL DOCUMENTS FOR THE DISPOSITION AND DEVELOPMENT OF CITY PROPERTY LOCATED AT SLAUSON AND WALL

SUMMARY

In November 2022, Council authorized the Economic and Workforce Development Department ("EWDD") to negotiate and execute an Exclusive Negotiation Agreement(s) ("ENA") with The Bakewell Company of California, LLC and The Michaels Organization ("Buyer" or "Lessee" or "Developer") to construct a park and a mixed-use development at 5867 South Los Angeles Street (Property).

The recommendations in this report authorize EWDD to execute an ENA with Developer as a step towards entering into agreements to construct the project in two phases. If the Developer meets the requirements of the ENA, EWDD will return to Council at a future date with the request to enter into agreements for the two phases.

EWDD is also requesting authorization to negotiate a cure to the encroachment of the Property by Brotherhood Crusade. EWDD will return to the City Council to report on the proposed solution and request authorization to enter into an agreement to cure.

RECOMMENDATIONS

The General Manager of EWDD, or designee, respectfully requests that the City Council:

1. AUTHORIZE the General Manager of EWDD, in consultation with the General Manager of the Los Angeles Housing Department (“LAHD”), and the General Manager of Los Angeles Department of Recreation and Parks (“RAP”), or the respective designees, to negotiate and execute an ENA for a twelve (12) month period, with the option to extend the ENA for an additional twelve (12) months, depending on the due diligence period findings and the time required for environmental clearances and securing project entitlements, with The Bakewell Company of California, LLC and The Michaels Organization, to construct a mixed-use residential, recreational, retail, and commercial development, and a separate City-owned park (collectively, “Slauson and Wall Project” or “Project”), at 5867 South Los Angeles Street, Los Angeles, CA 90003, APN 6006-003-900 (“Property”); and
2. REQUEST the Bureau of Engineering and the Department of City Planning to work with EWDD to divide the Property into a park parcel and a housing / commercial parcel; and
3. AUTHORIZE the General Manager of EWDD, or designee, to negotiate with Brotherhood Crusade to cure its encroachment of the Property, and to report back to the Municipal Facilities Committee on status of the negotiations prior to requesting authorization from the City Council to finalize the encroachment resolution; and
4. AUTHORIZE the General Manager of EWDD, in consultation with the General Manager of LAHD and the General Manager of RAP, or their respective designees, to make technical corrections or adjustments that may be required and are consistent with this action.

BACKGROUND

In June 2019, Council adopted a Council District (CD) 9 Motion, which named EWDD as project manager for the Property that is 7 acres of City-owned land bounded by Slauson Avenue to the north, Wall Street to the west, Los Angeles Street to the east, and residential properties bordering the Property along 59th Place to the south. In May 2020, EWDD released a Request for Proposals to solicit bids for development of the Property. In August 2021, Council authorized EWDD to enter into an ENA with The Bakewell Company and Associates as the selected developer for a mixed-use project consisting of residential, recreational, retail, and commercial uses, as well as a City-owned park located in the middle of the project. In November 2022, Council adopted a motion, which modified the contracting entity for the ENA from The Bakewell Company and Associates to Developer. The motion also added a lease option to the transfer instruction for the Property and modified the scope of the Project to include a relocated public

park along Slauson Avenue, the redevelopment of the privately-owned Brotherhood Crusade site, and the development of affordable housing. The intent of this transmittal is to update the Council on the status of the Project and to provide recommendations to advance the purpose of these prior Council actions.

ENVIRONMENTAL REMEDIATION

The City will be remediating the Property prior to disposition to Developer. Accordingly, the City entered into an agreement with the California Department of Toxic Substances Control (DTSC) (C-130849) to oversee its remediation of the Property. DTSC awarded the City an approximately \$6.8M grant to help fund the remediation. In September 2024, DTSC partially approved the City's Interim Response Plan. Remediation is underway, including excavating and removing existing concrete footings leftover from structures that were demolished on the Property (C-134525). Soil and water vapor remediation commenced in December 2024, and the full remediation is scheduled to be completed by the end of February 2025. Once the remediation work is complete, the City will work to receive a "No Further Action" letter from DTSC affirming that the environmental remediation is concluded. It is estimated that the property will be fully remediated in March 2025 and available for disposition to Developer.

ORIGINAL DEVELOPMENT PROPOSAL

The proposal in response to the 2021 RFP pledged 525 units of housing, 57,800 square feet (s.f.) of retail, 129,737 s.f. of park and open space, and 16,300 s.f. community space. The original development team consisted of The Bakewell Company, The Michaels Organization, Capri Investment Group and Brotherhood Crusade (the adjacent property owner). As a part of its original proposal, the development team proposed a partnership with Brotherhood Crusade to include its property in the Slauson and Wall Projects. In return, the development was to include a new Brotherhood Crusade headquarters, which would set aside space for community services such as a medical clinic, small business incubator, and a WorkSource Center. The partnership with Brotherhood Crusade has now been determined as infeasible, for the following reasons:

1. The City and its development partners were unable to identify funds to remediate Brotherhood Crusade's acre of land. The City's \$6.8M DTSC grant does not allow for remediation of the Brotherhood Crusade property, and the time needed to identify funds and remediate the parcel will significantly delay the overall development schedule.
2. There is preference for a larger open space component than was proposed in Developer's original proposal. As such, Developer updated its development plan to include a larger (4-acre), relocated park (proposed site plan attached as Exhibit A hereto). The 4-acre park will now occupy the space that would have housed the Brotherhood Crusade headquarters.

The City previously received an approximately \$5 million Prop 84 Grant to fund the development of a 4-acre park at the Property. The Prop 84 grant has certain requirements, including that the park be 4-acres, have frontage along Slauson Ave, be accessible to individuals within and just outside of walking distance, and contain certain amenities. The grant's requirement for frontage along Slauson decreases the feasibility of certain commercial uses that may have been more viable with access from the Slauson commercial corridor.

REVISED PROJECT SCOPES

The first phase of the Project will be a park on approximately four acres of the total site area ("Park Phase"). There will be a contract for fee development between the City and Developer for the build-out of the park. EWDD has consulted with RAP and the Office of the City Attorney regarding the development. EWDD will manage the contract on behalf of the City (with input and guidance from RAP) and RAP, subject to the Board of Recreation and Park Commissioners' acceptance of jurisdiction, will own and manage the park when complete. EWDD will return to the City Council to request authorization to enter into the contract for fee development.

The second phase of the Project will be a housing development with a commercial portion on the remaining 3 acres of the site ("Residential and Commercial Phase" or "Mixed Use Development"). There will be a Disposition and Development Agreement (DDA) between the City and Developer for the site. Once the Developer has met the terms of the DDA, which will include securing entitlements and financing, there will be a lease or sale agreement signed. EWDD will return to the City Council to request authorization to enter into the DDA.

The mixed-use Development will deliver at least 300 units of housing (of which no less than 40% of the housing units will be affordable to households whose income is not more than 60% AMI, with at least half of those housing units available to very low-income households at or below 50% AMI), 23,500 s.f. community space, and 30,000 s.f. of retail space. A comparison of the original and revised scope is as follows:

| Original Project Deliverables (2022) | | Revised Project Deliverables (2024) | |
|--------------------------------------|-------------|---------------------------------------|-------------|
| | | | |
| <u>Residential</u> | | <u>Residential</u> | |
| Low-income senior housing | 136 units | Low-income senior housing | 0 units |
| Workforce apartments, non-subsidized | 280 units | Family affordable apartments, Phase 1 | 225 units |
| Family affordable apartments | 109 units | Family affordable apartments, Phase 2 | 75 units |
| Residential Total | 525 units | Residential Total | 300 units |
| | | | |
| <u>Commercial</u> | | <u>Commercial</u> | |
| Grocer, local shops, and restaurants | 57,800 s.f. | Multi-tenant commercial | 10,000 s.f. |

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|---|-------------|--|--------------|
| | | | |
| <u>Community</u> | | <u>Community</u> | |
| Brotherhood Crusade, community center, business incubator | 16,300 s.f. | Non-profit office space | 10,000 s.f. |
| | | | |
| <u>Open Space</u> | | <u>Open Space</u> | |
| Park Space | 64,737 s.f. | Park Space | 175,000 s.f. |
| Other Open Space / Residential Comm. Space | 65,000 s.f. | Other Open Space / Residential Comm. Space | 20,000 s.f. |
| | | | |
| <u>Parking</u> | | <u>Parking</u> | |
| Above Grade | 236 spaces | Above Grade | 250 spaces |
| Below Grade | 329 spaces | Below Grade | 0 spaces |
| | | | |
| <u>Bicycle Parking</u> | | <u>Bicycle Parking</u> | |
| Long term | 79 spaces | Long term | TBD spaces |
| Short Term | 380 spaces | Short Term | TBD spaces |

The revised Project accommodates the community's preference for a 4-acre park, includes sufficient housing units and affordability levels to qualify for a Surplus Land Act Exemption, and allows for retail and community amenity spaces that do not require frontage along Slauson to be viable. Developer estimates that the proposed unit count is at or near the ceiling of the number of units that may be developed on the smaller housing footprint without modifying construction types in a manner that would make the housing aspect of the mixed-use Development financially infeasible. The recommendations in this report authorize EWDD to make progress toward implementing the Project with these revised deliverables.

ADDITIONAL UPDATES

Brotherhood Crusade Encroachment

A survey conducted by the Department of Public Works, Bureau of Engineering confirmed that Brotherhood Crusade's fence line and building are encroaching on the Property. The encroachment covers an estimated 600 square feet, and cannot be remediated due to the presence of the building, wall, and parking lot. EWDD staff has identified potential options to resolve the encroachment, including but not limited to, conveying the encroached area to Brotherhood Crusade in exchange for equal value, and/or executing agreements that assign responsibility and liability for remediating the encroached area to Brotherhood Crusade. This report includes a recommendation authorizing EWDD to negotiate a resolution to the

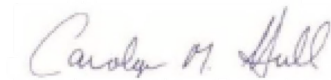
encroachment before reporting back to MFC and Council with recommendations to resolve this issue.

Property Common Address

Prior Council actions related to this property include reference to various addresses, including 200 East Slauson Avenue, 5828-5936 Wall Street, and 5829-5935 South Los Angeles Street as the Property's common address. EWDD staff, in consultation with the City Attorney, has determined that the correct common address for the property is 5867 South Los Angeles Street. The correct address was derived from a title report and is confirmed by Los Angeles County Assessor records. The City Attorney advised that although previous actions included the Property's correct Assessor Parcel Number (APN 6006-003-900), the corrected common address should be officially recognized prior to executing an ENA to ensure the City is properly referencing the land it intends to convey. This report officially corrects the record of the Property's common address, which is 5867 South Los Angeles Street.

FISCAL IMPACT STATEMENT

Approval of the recommendations in this report will not have an impact on the General Fund. The extent of any future impact on the General Fund is unknown at this time. A future report(s) may request authority from the City Council and the Mayor to execute agreements between the City and Developer, and the City and Brotherhood Crusade.



CAROLYN M. HULL
General Manager

CMH:FJ:BLM:JML

ATTACHMENT: Exhibit A - Slauson and Wall Site Plan Update

Site Plan

