

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

CAO File No. 0150-11939-0000
Council File No. 19-0362
Council District 9

Date: August 5, 2021

To: Los Angeles City Council

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



Subject: **TRANSMITTAL – RECOMMENDATIONS FROM THE ECONOMIC AND WORKFORCE DEVELOPMENT DEPARTMENT FOR AUTHORITY TO NEGOTIATE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT WITH BAKEWELL COMPANY AND ASSOCIATES FOR THE CITY PROPERTY LOCATED AT 200 EAST SLAUSON AVENUE, 5828-5936 WALL STREET, AND 5829-5935 SOUTH LOS ANGELES STREET, APN 6006-003-900, IN COUNCIL DISTRICT 9**

SUMMARY

At its Regular Meeting on July 29, 2021, the Municipal Facilities Committee (MFC) considered a report and request from the Economic and Workforce Development Department (EWDD) for various authorizations related to the City-owned property at 200 East Slauson Avenue, 5828-5936 Wall Street, and 5929-5936 South Los Angeles Street, also known as “Slauson and Wall” (Property) in Council District 9. The authorizations requested include execution of an Exclusive Negotiating Agreement (ENA), declaration of the property’s surplus status, and authority to establish a memorandum of understanding between EWDD and the Los Angeles Housing Department (LAHD).

The MFC considered the recommendations in the report and instructed EWDD to provide regular updates on the status of negotiations, to report back prior to finalizing the negotiations and further instructed EWDD to amend its report to include the following: 1) the timeframe for negotiation of the ENA, and 2) potential remediation costs for the Property. The revised EWDD report (Attachment) dated August 5, 2021, inadvertently excludes the timeframe for the ENA. The recommendations below are revised in accordance with the MFC instructions and should replace those in the attached report.

RECOMMENDATIONS

That the Council, subject to the Mayor’s approval:

1. AUTHORIZE the General Manager of the Economic and Workforce Development Department (“EWDD”), in consultation with the General Manager of the Los Angeles Housing Department (“LAHD”), or the respective designees, to negotiate and execute an Exclusive Negotiating Agreement (“ENA”) for a twelve (12) month period with the option to be extended 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, The Michaels Organization, Capri Investment Group and Brotherhood Crusade (“Bakewell & Associates” or “Buyer”) to construct a mixed-use residential, recreational, retail, commercial project (“Slauson and Wall Project” or “Project”), subject to the restrictions set forth at Government Code Section 37364, at 200 East Slauson Avenue, 5828-5936 Wall Street, and 5829-5935 South Los Angeles Street, Los Angeles, CA 90003, APN 6006-003-900 (“Property”);

2. AUTHORIZE the General Manager of EWDD or designee, and the General Manager of LAHD or designee, to prepare any additional documents necessary to effectuate the transaction and to report back to the MFC on status of the negotiations prior to finalization of the documents;
3. AUTHORIZE the General Manager of EWDD, in consultation with the General Manager of LAHD, or their respective designees to make technical corrections or adjustments that may be required and are consistent with this action;
4. DECLARE, based on the findings contained herein, that the City-owned property is “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(A), which property is to be conveyed for the development of affordable housing subject to and contingent upon compliance with the restrictions set forth at Government Code Section 37364; and
5. AUTHORIZE the General Managers of EWDD, LAHD or designees, and other collaborating City departments as necessary, to prepare and enter into a Memorandum of Understanding (“MOU”), to clarify and define each department's roles and responsibilities.

FISCAL IMPACT STATEMENT

There is no anticipated fiscal impact to the General Fund from the approval of the recommendation in the report or for proceeding with the ENA at this time. The extent of any future impact resulting from the ENA negotiations on the General Fund is intended to be cost-neutral but is unknown at this time.

DEBT IMPACT STATEMENT

There is no anticipated debt impact from approval of the recommendations in this report.

FINANCIAL POLICIES STATEMENT

The recommendations of this report comply with the City's Financial Policies in that no General Fund or other City funding sources are being used to fund the project.

Attachment – August 5, 2021 EWDD Transmittal

MWS:YC/JVW/NSH: 15220002

CITY OF LOS ANGELES

CALIFORNIA

CAROLYN M. HULL
GENERAL MANAGER

**ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT**

1200 W. 7TH STREET
LOS ANGELES, CA 90017



ERIC GARCETTI
MAYOR

August 5, 2021

Council File: 19-0362
Council District No: 9
Contact Person: Fred Jackson
Contact Phone: (213) 744-9723

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

REQUEST AUTHORIZATION TO NEGOTIATE AND EXECUTE AN EXCLUSIVE NEGOTIATING AGREEMENT WITH THE BAKEWELL COMPANY AND ASSOCIATES FOR THE CITY PROPERTY LOCATED AT SLAUSON AND WALL

The General Manager of the Economic and Workforce Development Department ("EWDD") respectfully requests that your office review this transmittal and forward to the City Council for further consideration.

SUMMARY

The recommendations in this report are for the authorization to negotiate and execute an Exclusive Negotiation Agreement(s) ("ENA") with The Bakewell Company and Associates, a development team/buyer consisting of four co-developer partners: The Bakewell Company, The Michaels Organization, Capri Investment Group, and Brotherhood Crusade ("Bakewell & Associates" or "Buyer"), to construct a mixed use project on City-owned parcels located at Slauson and Wall in South Los Angeles ("Slauson and Wall Project" or "Project" or "Property"), and to request the City Attorney, with the assistance of EWDD and LAHD, to prepare other transactional documents for the City to enter into a Disposition and Development Agreement ("DDA") and convey the City-owned parcels to the Buyer, subject to the restrictions set forth at Government Code Section 37364. Future approvals by the City Council and the Mayor will be required to authorize the execution of such other transactional documents and adoption of a sale ordinance.

RECOMMENDATIONS

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

1. AUTHORIZE the General Manager of the Economic and Workforce Development Department (“EWDD”), in consultation with the General Manager of the Los Angeles Housing and Community Investment Department (“LAHD”), formerly known as Housing and Community Investment Department (“HCIDLA”), or their respective designees, to negotiate and execute an Exclusive Negotiating Agreement (“ENA”), with The Bakewell Company, The Michaels Organization, Capri Investment Group and Brotherhood Crusade (“Bakewell & Associates” or “Buyer”) to construct a mixed-use residential, recreational, retail, commercial project (“Slauson and Wall Project” or “Project”), subject to the restrictions set forth at Government Code Section 37364, and effectuate sale of 200 East Slauson Avenue, 5828-5936 Wall Street, and 5829-5935 South Los Angeles Street, Los Angeles, CA 90003, APN 6006-003-900 (“Property”);
2. REQUEST the City Attorney, with the assistance of EWDD and LAHD, to assist in the preparation of a Development and Disposition Agreement, a Grant Deed, a Covenant Agreement and a Sale Ordinance to effectuate the City’s sale of the Property to buyer under the terms, including those restrictions set forth at Government Code Section 37364, to be negotiated;
3. AUTHORIZE the General Manager of EWDD, or designee and the General Manager of LAHD, or designee, to prepare any additional documents necessary to effectuate the sale of the Property;
4. AUTHORIZE the General Manager of EWDD, in consultation with the General Manager of LAHD, or their respective designees to make technical corrections or adjustments that may be required and are consistent with this action;
5. DECLARE, based on the findings contained herein, that the City-owned property is “exempt surplus land” for the purpose of the Surplus Land Act under Government Code Section 54221(f)(1)(A), which property is to be conveyed for the development of affordable housing subject to and contingent upon compliance with the restrictions set forth at Government Code Section 37364; and
6. AUTHORIZE the General Managers of EWDD, LAHD or designees, and other collaborating City departments as necessary, to prepare and enter into a Memorandum of Understanding (“MOU”), to clarify and define each department’s roles and responsibilities.

BACKGROUND

On April 5, 2019, City Council designated EWDD (C.F. 19-0362) as the project manager of the Slauson and Wall development project, located at 200 East Slauson Avenue, 5828-5936 Wall Street, and 5829-5935 South Los Angeles Street in South Los Angeles, APN

6006-003-900 (“Property”), and to be assisted by LAHD and other City departments, prepare a Request for Proposals (“RFP”) for the development of Slauson and Wall Property and transmit for Council review, considering all opportunities available that are deserving of this valuable community asset.

On May 15, 2020, EWDD issued an RFP for the Slauson and Wall Opportunity Site via its Los Angeles Business Assistance Virtual Network (LA BAVN) to seek qualified and creative development proposals capable of capitalizing on a set of preferred uses and contribute to long-term economic growth in the area. The responses were due on August 27, 2020 and the City received five proposals from the following proposers: The Bakewell Company; Slauson and Square LLC.; Clifford Beers Housing; Sola Impact Opportunity Zone L.P.; and Primestor Development. The Slauson and Wall Opportunity Site RFP review panel, comprised of representatives from various City departments and the business community, evaluated and scored the proposals. The top scored development team is Bakewell & Associates.

The Slauson and Wall Property

The Slauson and Wall Property is a seven-acre vacant parcel owned by the City of Los Angeles, located just 2.5 miles from Exposition Park - home to the L.A. Memorial Coliseum, the California Science Center, future Lucas Museum of Narrative Art and the new Banc of California Stadium. This prime site is conveniently located just steps away from Metro’s \$34 million Rail to Rail/River Active Transportation Corridor Project, the first of its class in South Los Angeles. The 5.6-mile path will connect residents to Metro’s Crenshaw, Silver and Blue lines, some of the most heavily traversed rail and bus rapid transit lines in the City. The Property is an extremely valuable community asset that presents limitless opportunities for the City and Council District 9.

The City envisions that the development of the Property will help create jobs and address the current housing crisis. Considering the size and the fact that the Property is currently zoned for C2-1-CPIO with a land use designation as Regional Commercial, the RFP was developed to encourage willing adjacent property owners to be included as a participant with the proposer with the aim for a larger development project that is better able to fully realize the catalytic potential of the Property.

Request for Proposal and Evaluation

The RFP envisioned that the development of the Property would promote the economic well-being of the City of Los Angeles, help create jobs and address the current housing crisis through a catalytic mixed-use development that uses creative, self-sustaining financing methods, such as Opportunity Zone. The Property would create accessible opportunities for the residents of the South LA community, bringing affordable housing and regional commercial and / or light industrial uses to the area, and to improve the quality of the environment. The key uses contemplated in the RFP included mixed-use housing both market rate and affordable, requiring units be reserved for low-income individuals, low-impact manufacturing, and commercial office space with large local employment opportunities. Most importantly, the Property would serve as a town center where community members could enjoy open space and utilize community rooms and

more. The RFP required the proposed development to be financially self-sustaining during both the development and the operational phases. To encourage the participation of the adjacent property owner(s), significant consideration would be given to a development team that had experience and track record in adjacent land assemblage and the proposal that included participation from willing adjacent property owner(s).

The RFP evaluation panel comprised of members from EWDD, LAHD, Los Angeles City Planning, the CLA, the CAO, and the local business community. To thoroughly evaluate the proposals, through LAHD, the Slauson and Wall Opportunity Site RFP evaluation panel hired Keyser Marston Associates, Inc. (KMA), a real estate economics advisory firm, to assist in assessing the financial portion of the proposals. Bakewell & Associates received the highest score as the most qualified development team with a development proposal most responsive to the RFP requirements.

The final scores for the five proposals received are listed below.

No.	RFP Response Development Team	Score
1	The Bakewell Company	94.5
2	Clifford Beers Housing	83.6
3	Slauson Square LLC	76.3
4	Primestor Development	70.4
5	Sola Impact Opportunity Zone	68.7

Developer/Buyer

Bakewell & Associates consists of four co-developer partners: The Bakewell Company, The Michaels Organization, Capri Investment Group, and Brotherhood Crusade. The Development Team's financial partner, Capri will provide the equity infusion necessary for initial implementation of the project. Bakewell and Michaels, the co-developer partners, have considerable experience with the regulations and process required to secure available affordable housing funding sources.

The Bakewell Company has been active and involved in communities of color within Los Angeles for more than 40 years. Its Founder and Chairman, Danny Bakewell, Sr., has distinguished himself as a community leader, activist, real estate developer and businessman. It was Mr. Bakewell, as President and CEO of Brotherhood Crusade, who had the vision and belief in this neighborhood to bring Brotherhood Crusade to the site over 40 years ago, and currently still serves as a board member. The Michaels Organization, one of the largest developers of affordable housing in the nation, has developed and currently manages over 55,000 units of affordable and mixed-income housing in over 400 residential communities. Capri Investment Group, a minority-owned real estate investment firm that over the past 28 years has completed more than \$14 billion in investments, offers the venture financial access and capability. The collective team has the experience and proven track record in the areas of commercial and residential development, real estate finance, along with the experience and sensitivity of working within the community to execute the vision presented within this proposal.

Proposed Development

A unique element of the Bakewell development proposal is its partnership with Brotherhood Crusade, an adjacent property owner, located at the northeast corner of the Slauson Avenue and Wall Street. The strategic alliance allows the development team the ability to acquire and redevelop the entire Slauson-Wall-Los Angeles block, totaling approximately eight (8) acres, into an integrated and context-sensitive asset to serve the local community and enable the City to realize its vision for the Property. Overall, the proposed programming for development breaks the nearly 8-acre site into five parcels with a more than 60,000-square foot centralized recreational park located at the heart of the development. The development includes 525 residential units, 47 percent of which, or 245 units, are affordable housing reserved for individuals or families earning between 30 to 80 percent of the area median income, a grocer operated by California based Superior Foods, business incubator spaces, local shops, restaurants, and other community centers.

The table below highlights the proposed development programs:

<u>Residential</u>		
Low-income senior housing (Parcel 2)	136	Units
Workforce apartments, non-subsidized (Parcel 4)	280	Units
Family affordable apartments (Parcel 5)	109	Units
Residential Total	525	Units
<u>Commercial (Parcel 1, 2,4)</u>		
Grocer, local shops and restaurants	57,800	Square Foot
<u>Community (Parcel 1, incl. land contributed by Brotherhood Crusade)</u>		
Brotherhood Crusade, community center, business incubator	16,300	Square Foot
<u>Open Space</u>		
The Park (Parcel 3, proposed to be retained by the City)	64,737	Square Foot
Other Open Space / Residential Comm. Space	65,000	Square Foot
<u>Parking</u>		
Above grade	236	Spaces
Below grade	329	Spaces
<u>Bicycle Parking</u>		
Long term	79	Spaces
Short term	380	Spaces

Proposed Terms and Development Cost

The proposed development breaks the Property into five parcels: Parcels two, four and five will be purchased from the City and developed into 525 residential homes with grocer, commercial/retail spaces. Parcel one will be partially comprised of land contributed by Brotherhood Crusade and be developed into a new Brotherhood Community Hub with

commercial use. Parcel three, the park, is proposed to be retained by the City and is not part of the conveyance by the City.

The following is a summary of the key proposed purchase terms under which the Bakewell Company would acquire the site:

- Purchase Price: \$10 million
- Net Cash Payment to City: \$5 million
- Requested City Land Carryback Loan: \$5 million
- Total Development Cost: \$239 million
- Requested City Financial Assistance: \$0
- The deal is subject to the removal and/or containment of all toxic substances on Property; and
- All necessary environmental indemnifications to be provided by the City

The Bakewell & Associates proposal also indicated that a ground lease option may also be possible. The detailed terms and conditions are to be negotiated if the City wishes to consider it.

Exclusive Negotiation Agreement

The recommendations in this report are for the authorization to prepare and execute an ENA with Bakewell & Associates, to request the City Attorney, with the assistance of EWDD and LAHD, to prepare other transactional documents for the City to convey the Property to Buyer subject to the restrictions set forth at Government Code Section 37364. Future approvals by the City Council and the Mayor will be required to authorize the execution of such other transactional documents and adoption of the sale ordinance.

The initial term of the ENA will be twelve (12) months with the option to be extended for an additional twelve (12) months, depending on the due diligence period findings, and the time required for environmental clearances and securing project entitlements.

ADDITIONAL BACKGROUND

In 2010, the former Community Redevelopment Agency (“CRA”) purchased the Slauson and Wall property. The former CRA selected a developer to develop a multi-use project consisting of affordable housing and a public park to be operated by the Department of Recreation and Parks.

Pursuant to the dissolution of redevelopment agencies, in 2013 the property was transferred to the LAHD along with the ENA between the former CRA and the developer and subsequently expired. In the years that followed, the City identified funding to demolish the former warehouse structures on site and began remediation of the property. On April 5, 2019, a Council Motion was introduced designating EWDD as the project manager of the site and LAHD to assist with various other responsibilities. The site and the funds are currently under LAHD’s jurisdiction, and LAHD provides administrative assistance. CAO and Council District 9 are closely involved with the project in providing guidance and oversight. City of Los Angeles Sanitation Department (“LASAN”) manages

the clean-up process. The departments involved are working on a MOU, which will further clarify each department's roles and responsibilities.

Site Environmental Condition

Between 2010 and 2020, environmental investigations were conducted to assess contamination in soil, soil vapor and groundwater at the site. LASAN has been an integral part of this effort and will continue to manage the environmental clean-up process. In 2018, a voluntary California Land Reuse and Revitalization Act ("CLRRRA") agreement was executed by the City with the Department of Toxic Substances Control ("DTSC") under DTSC's Voluntary Oversight Program ("VOP"). Environmental data and reports as well as a copy of the executed CCLRA Agreement are available on the DTSC EnviroStor website, located at: https://www.envirostor.dtsc.ca.gov/public/profile_report?global_id=60002602. Certain contaminants have been identified, including tetrachloroethylene ("PCE") and trichloroethylene ("TCE") in soil vapor and groundwater, lead in shallow soil, and hexavalent chromium in soil and groundwater.

Remediation of the site will be required. The City is actively seeking available resources and aiming to complete the required remediation prior to site delivery to the extent practicable; completion of a DTSC-approved Response Plan is anticipated in 2021. It may be feasible to complete certain development activities simultaneously with cleanup activities. Contingent upon the extent of impacts remaining after completion of selected remedial activities, the site development plans should be coordinated and implemented to minimize a potential Land Use Covenant that may be required to limit development of certain parts of the site and/or impose restrictions on future development or invasive site work. A Soil Management Plan will be required to screen and handle soil during grading and excavation activities; some soil may require disposal as hazardous waste. Final development will likely require engineering controls incorporated as part of building foundation (e.g., a vapor barrier and venting system); these mitigation measures, including monitoring and maintenance plans, will need to be incorporated in the site construction plans and approved by the City and DTSC. Currently, there are at least two remedial work plan alternatives under consideration, pending DTSC's approval. Depending on the resources, the development schedule, and the level of achievable collaborations among the parties, the estimated cost could range from \$3 million to \$11 million and possibly higher.

Environmental review of the proposed development for compliance with the California Environmental Quality Act ("CEQA") will be completed by the City after a complete planning application for the Project has been submitted by the selected Developer(s). If federal funding is included in the proposal's financing plan, either the City or a consultant selected by the City will be required to complete federal environmental review under the National Environmental Protection Act ("NEPA"). The Developer shall be responsible for all costs incurred by the consultant.

City's Investment

In 2013 the Slauson and Wall site was transferred to LAHD from the CRA as a result of CRA's dissolution. At the time of transfer the site was under an ENA with Tenemos que Reclamar y Unidos Salvar la Tierra-South LA and Abode Communities, and, while in negotiations, the site incurred holding fees for security, fencing, and utilities. In October 2015, the site was declared a public nuisance due to vacant and blighted structures. As of March 31, 2021, LAHD has invested more than two million dollars of the initial remediation and demolition budget. The funds allocated to the project for site clearance, demolition and remediation are Federal, State and Local resources which have regulatory requirements that govern the allowable use of the funds. The percentage of total housing funds that were used for acquisition, site clearance, demolition, and remediation must correlate to the affordable housing development portion of the project. In addition, since the site was transferred from the CRA to LAHD through a Housing Asset Transfer process, any payments that the City receives for the site must be deposited into the Low- & Moderate-Income Housing Asset Fund ("LMIHAF").

Surplus Land Act

The Surplus Land Act (Government Code Section 54220, et seq.) ("Act") was amended by the California State Legislature by the adoption of AB 1486, effective on January 1, 2020. Under the Act, before commencing the property disposition process, governmental entities must declare the property as either "surplus land" or "exempt surplus land." In the instant case, the Project qualifies as "exempt surplus land" under Section 54221(f)(1)(A) of the Act based on the following findings:

Section 54221(f)(1)(A) of the Act pertains to land transferred by the City subject to the limitations set forth under Government Code Section 37364. In this case, the minimum requirements of the Project to be negotiated between the City and Bakewell & Associates shall include the following as required by the Code:

- City to sell or lease the property for less than fair market value.
- No less than 80 percent of the area of the property must be used for the development of housing.
- No less than 40 percent of the housing units developed shall be affordable to households whose income is not more than 75 percent of the maximum income of lower income households with at least half of those available to very low-income households.
- The housing affordability requirements must be for a minimum period of 30 years and be set forth in a recorded regulatory agreement.

As proposed, the Project currently envisions that no less than 75 percent of the area of the property to be conveyed by the City will be used for the development of housing. Further, the Project currently includes 525 residential units: 210 units or 40 percent of which will be affordable housing reserved for individuals or families earning between 30 percent and 50 percent of the area median income ("AMI"), while the remainder units will be workforce housing and for individuals or families earning 80 percent AMI. Finally, a 55-year covenant will be recorded against the property guaranteeing the affordability levels.

The table below summarizes the affordability of the residential units as proposed:

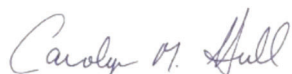
Affordability Unit-Mix Breakdown	Parcel 2	Parcel 5	Parcel 4	Total	%
30% AMI Set-aside	28	25	-	53	10%
50% AMI Set-aside	89	68	-	157	30%
80% AMI Set-aside and other	19	16	-	35	7%
Workforce Housing	-	-	280	280	53%
Total	136	109	280	525	100%

As shown in the table above, the proposal submitted in response to the RFP currently meets the affordability requirements set forth under Government Code Section 37364. To the extent the proposal submitted in response to the RFP currently falls short of any other requirements, the City will continue to work with Bakewell & Associates to ensure that the final terms for the Project will ultimately be in compliance with or exceed those requirements before any conveyance of the Property may occur.

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.

The actions currently proposed will authorize the negotiation and execution of an ENA, and request counsel to prepare other transactional documents for the City to convey the Property to Buyer subject to the restrictions set forth at Government Code Section 37364. Conveyance of the Property to Buyer shall be strictly contingent upon Buyer's compliance with these minimum requirements for the Project. A future report will request authority from the City Council and the Mayor to execute the transactional documents between the City and Buyer.



CAROLYN M. HULL
General Manager

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