

**SUMMARY REPORT PREPARED PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 52201
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BETWEEN
THE CITY OF CULVER CITY
AND
RETHINK CULVER, LLC**

The following Summary Report has been prepared pursuant to the requirements imposed by California Government Code Section (Section) 52201. The report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) by and between the following parties:

1. The City of Culver City (City); and
2. ReThink Culver, LLC, a California limited liability company (Developer).

In 1995, the Culver City Redevelopment Agency (Former Agency) acquired approximately 6,590 square feet of land located at 9814 Washington Boulevard, which consists of parcels located between Washington Boulevard and Culver Boulevard near Duquesne Avenue (Site) in the City of Culver City. Upon dissolution of redevelopment agencies in California, the Site was transferred to the Successor Agency to the Culver City Redevelopment Agency (Successor Agency), with the Successor Agency responsible for the disposition of the Site.

Under the Long Range Property Management Plan (LRPMP) approved by the California Department of Finance (DOF), the Successor Agency was authorized to transfer the Site to the City. Consequently, the City is authorized to convey the Site to the Developer for economic development purposes for a project approved in the Redevelopment Plan for the Culver City Redevelopment Project Area (Project Area).

The Agreement provides for the Developer to purchase the Site from the City for \$300,000, which is equal to the appraised fair market value of the Site. The Developer is required to construct and operate a 34-unit market rate and affordable housing project with ground-floor

arts-related space on the Site (Project). The proposed Project complies with and furthers the goals and objectives of the Redevelopment Plan for the Project Area.

The Site was acquired with Property Tax Increment funds, and the proposed transaction is subject to the reporting requirements imposed by Section 52201. Specifically, Section 52201 requires the public agency to prepare a report that summarizes the financial terms and economic development benefits associated with the proposed disposition of the Site.

The following Summary Report is based upon the information contained within the Agreement, and is organized into the following seven sections:

- I. **Salient Points of the Agreement:** This section summarizes the major responsibilities imposed on the Developer and the City by the Agreement.
- II. **Cost of the Agreement to the Former Agency and the City:** This section details the total cost incurred by the Former Agency, the Successor Agency and the City to allow for the implementation of the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Site's Zoning:** This section estimates the values of the interests to be conveyed determined at the highest use permitted under the requirements imposed by the zoning in place on the Site.
- IV. **Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required scope of development, and the other conditions and covenants required by the Agreement.
- V. **Consideration Received and Comparison with the Established Value:** This section describes the compensation to be received by the City, and explains any difference between the compensation to be received and the established value of the Site.
- VI. **Creation of Economic Opportunity and Public Purpose:** This section explains how the Agreement will assist in creating economic opportunity in the City of Culver City.

This Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

A. Background

In 2001, the Former Agency entered into a Disposition and Development Agreement (CTG DDA) to ground lease two adjacent parcels (Parcel A and Parcel B) to the Center Theater Group (CTG). Parcel A consists of the Kirk Douglas Theater (KDT), which CTG uses to produce plays and shows. The ground lease between the Former Agency and CTG was executed on September 4, 2003, and the initial ground lease term for Parcel A is 60 years with a 10-year option to extend the ground lease. Parcel B was ground leased to CTG for an initial 10-year term with a 10-year option to extend the Parcel B ground lease. Per the CTG DDA, CTG restored and renovated the KDT. The ground rent paid by CTG to the City is \$1.00 annually for both Parcels A and B.

Per the CTG DDA, the City is allowed to terminate the Parcel B ground lease after the initial term – provided that any redevelopment of Parcel B provides for a KDT loading area, set building area, and that utilities are preserved and included as part of the redevelopment project.

At this time, the City wishes to exercise its option to terminate the Parcel B ground lease with CTG, and cause the redevelopment of Parcel B – which is referred to as the “Site or Parcel B Site” in this report. The Site is currently improved with a multi-story legal non-conforming residential property built in 1921 that was formerly used as a medical office and is now in dilapidated condition. In addition, heating, ventilation, and air conditioning (HVAC) and other equipment that belong to CTG are located on the Site.

The Developer owns an adjacent property that was purchased and renovated in 2006. The Developer’s property is occupied by Café Vida, and a new restaurant concept that is opening in Summer 2022. The Developer’s renovation of the property included structural and mechanical infrastructure that will accommodate additional development above the existing tenant spaces. The Developer proposes to combine its property with the Parcel B Site to create a larger development scope and allow for apartment units to be constructed above the existing ground floor commercial spaces.

B. Project Description

The Agreement requires the Developer to develop the following Project:

1. The Developer must develop and cause construction of a 34-unit market rate and affordable housing project with ground-floor arts-related space (Art Space).

2. The Developer must impose the following affordable housing restrictions on the six affordable housing units for a period of 55 years:
 - a. Two (2) studio units must be rented to Very-Low Income households at the affordable rent as defined in California Health and Safety Code (H&SC) Section 50053; and
 - b. Three (3) studio units and one (1) one-bedroom unit must be rented to Workforce Income households. The monthly rent, when added to the defined utility allowance, must not exceed one-twelfth (1/12) of 30% of 129% of the Area Median Income (AMI).
3. The Project must be developed to achieve LEED certification from the United States Green Building Council, and the Project concepts must comply with CalGreen requirements, photovoltaic requirements and green building requirements as mandated by the City.
4. The Developer must relocate the existing HVAC equipment and electrical transformers currently within the CTG craft area to another area on the Site, or to an off-site location reasonably approved by CTG, in order to accommodate the Developer's construction of the Project.
5. To the extent permitted, the Developer shall install below grade all HVAC equipment, electrical transformers, boilers, and other related equipment to be located on the Site, or to an approved off-Site location.
6. The Developer must complete certain public improvements as directed and approved by the City.
7. The edges of the development must be designed to maximize compatibility with the abutting and adjacent uses, and to minimize the noise created by the use of a variety of materials in order to provide a sense of visual relief and openness.
8. The Project must include the construction of utility loading facilities and a craft service area serving the KDT Property, as well as replacement and/or relocation of any and all existing HVAC, mechanical systems, plumbing, electrical, systems serving the KDT property to the extent such replacement and/or relocation is required to accommodate the Project.

9. The Project must include the construction of a trash, recycling, and grease receptor area for use by businesses along the block.

C. Summary of Financial Terms

The Agreement requires the Developer to purchase the Site from the City for a purchase price of \$300,000. The Developer is required to deposit the purchase price, plus the Developer's share of escrow fees and costs, not less than one business day prior to the scheduled Close of Escrow.

D. Developer's Responsibilities

The Developer must fulfill the following responsibilities:

1. The Developer will purchase the Site from the City for \$300,000.
2. Scope of Development Requirements:
 - a. The Developer must submit a complete set of schematic drawings for the Project to the City by the date set forth in the Schedule of Performance.
 - b. The Developer must submit preliminary and final landscaping and grading plans to the City for review and approval.
 - c. The Developer must secure all permits and approvals for the Project prior to the commencement of construction.
 - d. The Developer must submit the final general contractor's contract to the City for review and approval.
 - e. The Developer agrees to carry out the Project in conformity with all applicable Federal and State laws.
 - f. The Developer must maintain the Project in good condition as outlined in the Agreement.
 - g. The Developer is responsible for the Art Space as follows:
 - i. The Developer is responsible for building out the shell and core of the Art Space;

- ii. During the design and construction of the Art Space, the Developer must meet regularly with CTG to ensure the Art Space is flexible and usable by CTG or another arts-related user.
- iii. At the commencement of construction of the Art Space, the Developer must provide CTG with a proposed amount of “rent” that will be charged. The rent will be equal to the cost of the tenant improvements required by CTG multiplied times the Developer’s cost of capital plus one percent (1%). At this time, the Developer must also provide CTG with a “buy out” number that would allow the Developer to make an upfront payment for the cost of the proposed build-out, or the Developer can elect to build out the space itself.
- iv. If CTG elects to have the Developer build out the Arts Space, the utilities should, to the extent possible, be separately metered to the Art Space. CTG will confirm the placement of hot and cold running water, power outlets, number of circuits, etc. within the Art Space.
- v. If CTG elects to the “buy out” or “self build” option, then CTG will have the right to occupy the Art Space rent free for the term of the KDT lease.
- vi. The Developer will provide CTG a 60-day notice of the date at which substantial completion of the shell and core of the Art Space is anticipated.
- vii. CTG will have a period of one-year from the date of substantial completion of the Art Space shell and core to make its election regarding its occupancy of the Art Space. If CTG has not elected to sign a lease at the proposed rent, to make a buy-out payment, or elected to self-construct by that time, then the Developer may build the space out for another compatible arts-related use, subject to CTG’s reasonable approval.
- viii. The Art Space must be used for a compatible arts-related use for a period of 60 years following the Close of Escrow.

3. Within the timeframe set forth in the Schedule of Performance, the Developer shall submit the following Evidence of Financing to the City:

- a. The construction budget for the Project;
 - b. If applicable, draft construction loan documents from an institutional lender or other lender reasonably acceptable to the City;
 - c. Evidence of other loans or grants or developer equity sufficient to pay the total costs necessary to develop and complete the Project;
 - d. A fixed or guaranteed maximum price construction contract or other commitment acceptable to the City;
 - e. A copy of the Developer's most recent internally-prepared unaudited financial statements;
 - f. An operations/business plan identifying annual costs and revenues to operate the Project over a five-year period;
 - g. A pro forma showing the fiscal feasibility for all aspects of the Project; and
 - h. Such other documentation and financial information relating to evidence of financing as may be requested by the City to ensure the Developer can complete construction and operate the Project.
4. Prior to the Close of Escrow, the following must occur:
- a. The Developer must not be in Default.
 - b. The Developer must have executed and delivered into Escrow, or to the City, all documents contemplated in the Agreement, including:
 - i. The Agreement Containing Covenants;
 - ii. The Notice of Affordability Restrictions;
 - iii. The Performance Guaranty;
 - iv. The Memorandum of Right of First Offer;
 - v. The Partial Termination of Lease;
 - vi. The KDT Easement Deed;

- vii. The Block Easement Deed; and
 - viii. Other City Documents required to be executed by the Developer.
 - c. The Developer must have deposited into Escrow the Purchase Price and any other amounts necessary to pay any required costs of escrow, closing and the ALTA policy payable by the Developer.
 - d. The Developer must have submitted to the City, and the City shall have approved, the schematic drawings for the development of the Site.
 - e. The Developer must have delivered to the City the insurance certificates and endorsements required by the Agreement.
 - f. The Developer must review and approve the condition of title.
 - g. The Developer must have obtained all entitlements required for the Project.
5. The following summarizes the costs of escrow to be paid by the Developer:
- a. One-half of the escrow fees attributable to the conveyance of the Site;
 - b. The excess premium for the extended coverage under the ALTA Policy, and the cost of any endorsements required by the Developer; and
 - c. Ad valorem taxes, if any, upon the Site after conveyance.
6. Due Diligence Requirements:
- a. Within 30 days after the receipt of the Title Commitment, the Developer must notify the City in writing of any objections that the Developer has to the title exceptions contained in the Title Commitment.
 - b. Prior to the Conveyance of the Site, the Developer must execute the Right of Entry Agreement to permit the Developer to enter the Site for the purposes of soils testing, survey work and other predevelopment activities.
 - c. The Developer must notify the City in writing within 45 days after the later of the Effective date or the date the City first permits the Developer to enter the Site of the Developer's approval or disapproval of the following:

- i. The due diligence materials provided for the Developer's review;
 - ii. The condition of the Site; and
 - iii. The Developer's investigations and environmental review of the Site.
 - d. The Developer's disapproval of the Site by delivery of the Due Diligence Notice shall constitute the Developer's election not to acquire the Site, and shall constitute termination of the Agreement.
7. Demolition and Remediation:
 - a. Subsequent to Closing, the Developer must perform any necessary demolition on the Site in accordance with Environmental Laws.
 - b. After Closing, the Developer shall remedy any soil or geologic condition on the Site at the Developer's sole cost and expense, as required to fulfill the obligation of the Agreement.
 - c. If after Closing, the Developer discovers any Hazardous Materials on the Site in violation of applicable Governmental Requirements, the Developer is required to fully remediate the Hazardous Materials in accordance with all Government Requirements at the Developer's sole cost and expense. The Developer must also provide the City a copy of all documentation related to the Hazardous Materials.
8. The Developer must obtain the following insurance coverages:
 - a. A Commercial General Liability policy with a minimum amount of \$3 million for each occurrence with not less than \$6 million in annual aggregate coverage;
 - b. Business Automobile Liability insurance coverage in the amount of \$3 million;
 - c. Professional/Negligent Acts, Errors and Omissions Insurance in the amount of \$1 million per claim;
 - d. Workers' Compensation Insurance (Statutory Limits) and Employer's Liability Insurance (with limits of at least \$1 million per accident); and

- e. Fire and hazard “all risk” insurance covering 100% of the replacement cost of the Improvements.
9. The Developer shall defend, indemnify and hold the City harmless for all Losses and Liabilities which may be incurred by the City from the result of:
- a. Any negligent act or omission on the part of the Developer or its Representatives;
 - b. The presence of any Hazardous Materials on the Site following Conveyance;
 - c. The Developers compliance with or failure to comply with all applicable Governmental Requirements; and
 - d. Any defects in the design or construction of the Improvements.
10. Transfer of Ownership Requirements:
- a. Except for Permitted Transfers, the Developer agrees not to engage in any transfer of the Site for at least 60 years after the date of the Close of Escrow.
 - b. If control or ownership of the Developer must be changed in order for the Developer to obtain debt or equity financing, then the Developer shall seek the prior written consent of the City.
 - c. If the Developer desires to sell the Site to a third party, the following shall apply:
 - i. If the Developer desires to sell any portion of the Site within five years after the Effective Date, the Developer must provide written notice to the City (“Offering Notice”) of such intent.
 - ii. If the City desires to purchase the Site from the Developer, the City will respond in writing via a “Reply Notice” within 30 days of receipt of the Offering Notice.
 - iii. If the City does not provide a Reply Notice or the Developer and City cannot agree to terms of a sale, then the Developer is free to sell the Site to a third party as outlined in the Agreement.

E. City Responsibilities

The Agreement imposes the following responsibilities on the County:

1. The City must convey the Site in an “As-Is” condition to the Developer for the purchase price of \$300,000.
2. The following summarizes the costs of escrow to be paid by the City:
 - a. Costs necessary to place the title to the Site in condition for conveyance as required by the Agreement;
 - b. State, County or City documentary stamps or transfer tax pertaining to the conveyance of the Site;
 - c. One-half of the escrow fees attributable to the conveyance of the Site;
 - d. The premium for the standard coverage under the ALTA Policy, and the cost of any endorsements required by the Agreement; and
 - e. The premium for a 2021 ALTA Extended Coverage Owner’s Policy of title insurance, and the cost of any endorsements required by CTG insuring interest of the owner of the Dominant Tenant in the KDT Easement (“KDT Property Policy”).
3. Prior to the Close of Escrow, the following must occur:
 - a. The City must not be in default.
 - b. The City must have executed and deposited into Escrow all documents required by the Agreement, including:
 - i. The Grant Deed;
 - ii. The Partial Termination of Lease; and
 - iii. Any other City Documents required to be executed by the City.
 - c. The City must have deposited all funds (if any) required to be deposited into Escrow by the City.

4. The City must convey title to the Site to the Developer in the form of the Grant Deed. The City will deposit the Grant Deed with the Escrow Agent on or before the date set forth in the Schedule of Performance.
5. Within 15 days from receipt of the Developer's Title Objection Notice, the City must notify the Developer in writing to either:
 - a. Agree to remove or cure the objectional items prior to the Close of Escrow; or
 - b. Decline to remove or cure the objectionable items.
6. The City is obligated to remove all Monetary Encumbrances against the Site, excluding non-delinquent real property taxes and assessments to be prorated at Closing.
7. The City has approved the following "Project Design Consultants":
 - a. Project Architect: Brooks + Scarpa
 - b. Landscape Architect: Brooks + Scarpa
 - c. Structural Engineer: Ashley & Vance
 - d. MEP Engineers: Gausman & Moore
 - e. Civil Engineers: Forma Engineering
8. The City has the right to disapprove, in its reasonable discretion, any of the design development drawings if they do not conform to the schematic drawings.
9. The City grants the Developer relief from the following development standards:
 - a. Commercial frontage use on ground floor;
 - b. Outside unit storage space per unit; and
 - c. Requirements for minimum 75% - 0 setbacks facing Culver and Washington Boulevards.

II. COST OF THE AGREEMENT TO THE FORMER AGENCY AND THE CITY

The Former Agency purchased the Site in 1995 for a purchase price of \$280,000.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE SITE'S ZONING

Section 52201 requires the City to identify the value of the interests being conveyed at the highest use permitted under the general plan and the zoning in place on the Site. The valuation must be based on the assumption that the Site is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the City.

In a fair market value appraisal of the Site dated July 8, 2022, Michael Frauenthal & Associates, Inc. estimated the fair market value of the Site, subject to the lease with CTG, at \$300,000. This equates to approximately \$46 per square foot of land area.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The Agreement requires the Developer to purchase the Site for the appraised fair market value of \$300,000.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Developer will purchase the Site for \$300,000, which is equal to the appraised value of the Site. As such, the City will receive compensation equal to the Site's fair market value at its highest and best use.

VI. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

Section 52200.2 states that "economic opportunity" means any of the following:

1. Development agreements that will create or retain at least one full-time equivalent, permanent job for every \$35,000 of city, county or city/county investment in the project after full capacity and implementation.
2. Development agreements that increase property tax revenues to all property tax collecting entities. The agreement must result in at least a 15% increase in property tax revenue upon full implementation of the project when compared to the year prior to the property being acquired by the government entity.
3. The creation of affordable housing.

4. Projects that meet the goals in Chapter 728 of the Statutes of 2008, and have been included in an adopted sustainable communities strategy or alternative planning strategy or a project that specifically implements the goals of those adopted plans.
5. Transit priority projects as defined in Section 21555 of the Public Resources Code.

It should be noted that the purchase price being paid by the Developer for the Site is equal to the established fair market value at the highest use permitted by the Site's zoning, and that the City is not providing any direct financial assistance to the Project. Nonetheless, the City has identified the provisions of the Agreement that comply with the definition of "economic opportunity" as defined in Section 52200.2:

A. Creation of Affordable Housing

The Agreement requires the Developer to restrict six (6) units to Very-Low and Workforce Income households as follows:

1. Two (2) studio units must be income-restricted to Very-Low Income households and rented at an affordable rent as provided in H&SC Section 50053; and
2. Three (3) studio units and one (1) one-bedroom unit must be rented to Workforce Income households. The monthly rent, when added to the defined utility allowance, must not exceed one-twelfth (1/12) of 30% of 129% of the AMI.

The affordable housing units will be income and rent-restricted for a period of 55 years from the date of the issuance by the City of the Release of Construction Covenants for the Project.

B. Public Purpose

The Project will effectuate the objectives of the Redevelopment Plan by ameliorating blighting influences in the Project Area, including the elimination of underutilized or vacant lots, and increasing private investment and business development opportunities in the Project Area.