

**City of Culver City, California
Agenda Item Report**

Meeting Date: 08/13/12	Item Number: J-1
JOINT CITY COUNCIL AND SUCCESSOR AGENCY TO THE CULVER CITY REDEVELOPMENT AGENCY ITEM: (1) Successor Agency Board Adoption of a Resolution (a) Approving the Terms of the Disposition and Development Agreement Entered into by and Between the City of Culver City (City) and Combined/Hudson 9300 Culver LLC (Combined); (b) Approving the Sale and Conveyance of Real Property Located at 9300 Culver Boulevard (Parcel B) from the City to Combined; (c) Approving the Transfer of Residual Land Proceeds from the Parcel B Land Sale to the Successor Agency; and (d) Approving the City's Retention and Ownership of Certain Land for Public Parking, the Town Plaza Expansion, and for Other Public Purposes and of Certain Public Improvements Constructed as part of the Project; and (e) Acknowledging and Agreeing that the DDA Constitutes the Existence of an Enforceable Obligation Pursuant to Part 1.8 and Part 1.85 of Division 24 of the Health and Safety Code for the Purposes of, Without Limitation, the Disposition of Assets Previously Owned by the Former Culver City Redevelopment Agency; and (2) City Council Adoption of a Resolution Approving, Subject to Conditions Precedent, the Transfer of Parcel B's Residual Land Sale Proceeds from the City to the Successor Agency.	
Contact Person / Department: Joe Susca/CDD Todd Tipton/ CDD	Phone Number: (310) 253-5763 (310) 253-5783
Fiscal Impact: Yes ☒ No ☐ General Fund: Yes ☐ No ☒	
Public Hearing: ☐ Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Date:	
Public Notification (E-Mail) Meetings and Agendas – City Council (08/08/12); (E-Mail) The Downtown Business Association (08/08/12); (E-Mail) The Gateway Neighborhood Association (08/08/12); (E-Mail) Combined/Hudson 9300 Culver LLC (08/08/12); (E-Mail) The Downtown Neighborhood Association (08/08/12); (E-Mail) The Culver City Chamber of Commerce (08/08/12).	
Department Approval: Sol Blumenfeld: (08/07/12)	City Attorney Approval: Carol Schwab (by H. Baker) (08/09/12) City Special Counsel Approval: Murray Kane: (08/07/12)
Chief Financial Officer Approval: Jeff Muir (08/08/12)	City Manager John M. Nachbar (08/09/12)
<u>RECOMMENDATION:</u> Staff recommends the Board of Directors of the Successor Agency to the Culver City Redevelopment Agency (Successor Agency Board) adopt a Resolution: (1) Approving the terms of the Disposition and Development Agreement (DDA) entered into by and between the City of Culver City (City) and Combined/Hudson 9300 Culver LLC (Developer) dated January 31, 2012 for the development of a	

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high quality office and retail complex, subterranean private and public parking improvements, and other public improvements including the town plaza expansion and public parking components (Project); and

- (2) Approving the sale and conveyance of that certain real property located at 9300 Culver Boulevard, Culver City, California, (Developer Parcel) from the City to the Developer in accordance with the terms and conditions set forth in the DDA, for the purpose of the Developer developing the Project; and
- (3) Approving the City's retention and ownership of the City Parcel and the Public Parking Improvements and Town Plaza Expansion Improvements to be constructed on the Site pursuant to the DDA and constructed and used for governmental purposes, as the appropriate public jurisdiction for ownership pursuant to the DDA, as authorized pursuant to Assembly Bill No. 26 (1st Ex. Sess.) (AB 26), as amended by Assembly Bill 1484 (AB 1484), at Section 34181(a) of the California Health and Safety Code; and
- (4) Authorizing and directing the Executive Director of the Successor Agency, or his or her designee, and the City Manager, or his or her designee, to take all actions and sign any and all documents necessary to implement and effectuate the DDA and the actions approved by this Resolution including, without limitation, approving extensions of deadlines set forth in the DDA and the Schedule of Performance (Attachment No. 4 to the DDA) as determined necessary by the City Manager, or his or her designee, under the DDA, approving amendments to the DDA and its Attachments as determined necessary by the City Manager, or his or her designee, to effectuate the DDA, executing documents on behalf of the Successor Agency and City (including, without limitation, grant deeds and quitclaim deeds), and administering the Successor Agency's and City's obligations, responsibilities and duties to be performed pursuant to this Resolution; and
- (5) Acknowledging that the Successor Agency does not intend, by adoption of this Resolution, to waive any constitutional, legal and/or equitable rights of the Successor Agency or the City under law and/or in equity, including, without limitation, the effectiveness of the DDA or previous actions taken with respect to the DDA, by virtue of the adoption of this Resolution and actions approved and taken pursuant to this Resolution and, therefore, reserves all such rights of the Successor Agency and the City under law and/or in equity.
- (6) Acknowledging and agreeing that the DDA constitutes the existence of an enforceable obligation pursuant to Part 1.8 and Part 1.85 of Division 24 of the Health and Safety Code for the purposes of, without limitation, the disposition of assets previously owned by the Former Agency.

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Staff recommends the City Council adopt a Resolution, which sets forth the following:

- (1) Provided that all of the following conditions are satisfied (collectively, the "Conditions"), approve the City's transfer to the Successor Agency of the residual proceeds received from the sale of the Developer Parcel to the Developer for the Successor Agency's use and distribution for approved development projects or to otherwise wind down the affairs of the Successor Agency pursuant to California Health and Safety Code Section 34177(e):
 - (a) The Successor Agency adopts the Successor Agency Resolution (as defined in the City Council Resolution);
 - (b) The Oversight Board adopts the Oversight Board Resolution (as defined in the City Council Resolution); and
 - (c) The Department of Finance either does not review the Oversight Board Resolution within the time period set forth in the Dissolution Act and the Oversight Board Resolution and the actions therein are deemed effective pursuant to the Dissolution Act or (b) the Department of Finance reviews the Oversight Board Resolution within the time period set forth in the Dissolution Act and the Department of Finance approves of the Oversight Board Resolution and the actions therein; and
- (2) Provided that all of the Conditions are satisfied, authorize and direct the Executive Director of the Successor Agency, or his or her designee, and the City Manager, or his or her designee, to take all actions and sign any and all documents necessary to implement and effectuate the DDA and the actions approved by this Resolution including, without limitation, approving extensions of deadlines set forth in the DDA and the Schedule of Performance (Attachment No. 4 to the DDA) as determined necessary by the City Manager, or his or her designee, under the DDA, approving amendments to the DDA and its Attachments as determined necessary by the City Manager, or his or her designee, to effectuate the DDA, executing documents on behalf of the Successor Agency and City (including, without limitation, grant deeds or quitclaim deeds), and administering the Successor Agency's and City's obligations, responsibilities and duties to be performed pursuant to this Resolution; and
- (3) Acknowledge that the City does not intend, by adoption of the Resolution, to waive any constitutional, legal and/or equitable rights of the Successor Agency or the City under law and/or in equity, including, without limitation, the effectiveness of the DDA or previous actions taken with respect to the DDA, by virtue of the adoption of this Resolution and actions approved and taken pursuant to this Resolution and, therefore, reserves all such rights of the Successor Agency and the City under law and/or in equity.

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BACKGROUND:

In furtherance of an agreement between the former Culver City Redevelopment Agency (CCRA) and the City, Parcel B and the adjacent Town Plaza properties were transferred from the CCRA to the City in March 2011.¹

On December 5, 2011, the City Council selected Combined Properties/Hudson Pacific as developer of the Project and directed the City Manager to negotiate an agreement with the Developer for development of Parcel B consistent with the Project. On January 30, 2012, the City Council adopted Resolution No. 2012-R013 approving the DDA for the Project.

Pursuant to AB 26 the Redevelopment Agency Dissolution Bill, the CCRA was dissolved effective February 1, 2012. As provided in AB 26, on January 9, 2012, the City Council adopted Resolution No. 2012-R001 affirmatively electing to have the City serve as the Successor Agency to the CCRA. On February 6, 2012, the Successor Agency Board adopted Resolution No. 2012-SA001, which deemed the Successor Agency a separate and distinct legal entity. As such, the Successor Agency operates separate and apart from the City including having a segregated accounting system and separate checking account.

DISCUSSION:

Pursuant to AB 26, as amended by AB 1484, City Special Counsel recommends the Successor Agency adopt a Resolution approving the terms of the DDA and taking other related actions and the City Council adopt a Resolution approving, subject to conditions precedent, the City's transfer of Parcel B's residual land sale proceeds to the Successor Agency.

If the Resolutions are adopted this evening, staff will schedule an Oversight Board meeting to consider adopting a Resolution that approves the DDA and taking other related actions. If approved by the Oversight Board, staff will notify the State Department of Finance (DOF) of its actions pursuant to AB 26, as amended by AB 1484, for review and approval (if review by the DOF is requested).²

FISCAL ANALYSIS:

The Project will generate approximately \$4,183,423 in estimated one-time land sale proceeds for the Successor Agency and \$334,000 in City General Fund revenues annually. The City would receive approximately \$1.1 million in one-time building permit and related fees.

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The public parking beneath Town Plaza is estimated to cost approximately \$37,000 per space for a total of \$3,700,000. The actual cost to design and construct the City's anticipated 100 public parking spaces will be determined upon conclusion of the public bidding process. The Town Plaza expansion budget is \$3,243,911, which does not include redesign to accommodate the Project over a parking structure. It is expected that sufficient bond proceeds exist to fund the cost to build the public parking and the Town Plaza expansion, which must be confirmed through the public bidding process.

The Project is expected to generate \$18.2 million annually in sales tax proceeds (once fully built and tenanted); \$17.8 million of which will go to the State. The Project will generate \$3.3 million in property taxes; of which the State will receive \$1.6 million over a 15 year period (NPV), with the Culver City Unified School District receiving \$1.5 million.

The Project is expected to generate 334 jobs (once fully built and tenanted) that will create millions of dollars in State General Fund income taxes annually.

ATTACHMENTS:

1. Successor Agency Resolution
2. City Council Resolution
3. Disposition and Development Agreement

MOTIONS:

That the Successor Agency Board:

Adopt a Resolution:

- (1) Approving the terms of the Disposition and Development Agreement (DDA) entered into by and between the City of Culver City (City) and Combined/Hudson 9300 Culver LLC (Developer) dated January 31, 2012 for the development of a high quality office and retail complex, subterranean private and public parking improvements, and other public improvements including the town plaza expansion and public parking components (Project); and
- (2) Approving the sale and conveyance of that certain real property located at 9300 Culver Boulevard, Culver City, California, (Developer Parcel) from the City to the Developer in accordance with the terms and conditions set forth in the DDA, for the purpose of the Developer developing the Project; and

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- (3) Approving the City's retention and ownership of the City Parcel and the Public Parking Improvements and Town Plaza Expansion Improvements to be constructed on the Site pursuant to the DDA and constructed and used for governmental purposes, as the appropriate public jurisdiction for ownership pursuant to the DDA, as authorized pursuant to Assembly Bill No. 26 (1st Ex. Sess.) (AB 26), as amended by Assembly Bill 1484 (AB 1484), at Section 34181(a) of the California Health and Safety Code; and
- (4) Authorizing and directing the Executive Director of the Successor Agency, or his or her designee, and the City Manager, or his or her designee, to take all actions and sign any and all documents necessary to implement and effectuate the DDA and the actions approved by this Resolution including, without limitation, approving extensions of deadlines set forth in the DDA and the Schedule of Performance (Attachment No. 4 to the DDA) as determined necessary by the City Manager, or his or her designee, under the DDA, approving amendments to the DDA and its Attachments as determined necessary by the City Manager, or his or her designee, to effectuate the DDA, executing documents on behalf of the Successor Agency and City (including, without limitation, grant deeds and quitclaim deeds), and administering the Successor Agency's and City's obligations, responsibilities and duties to be performed pursuant to this Resolution; and
- (5) Acknowledging that the Successor Agency does not intend, by adoption of the Resolution, to waive any constitutional, legal and/or equitable rights of the Successor Agency or the City under law and/or in equity, including, without limitation, the effectiveness of the DDA or previous actions taken with respect to the DDA, by virtue of the adoption of this Resolution and actions approved and taken pursuant to this Resolution and, therefore, reserves all such rights of the Successor Agency and the City under law and/or in equity; and
- (6) Acknowledging and agreeing that the DDA constitutes the existence of an enforceable obligation pursuant to Part 1.8 and Part 1.85 of Division 24 of the Health and Safety Code for the purposes of, without limitation, the disposition of assets previously owned by the Former Agency.

That the City Council:

Adopt a Resolution, which sets forth the following:

1. Provided that all of the following conditions are satisfied (collectively, the "Conditions"), approve the City's transfer to the Successor Agency of the residual proceeds received from the sale of the Developer Parcel to the Developer for the Successor Agency's use and distribution for approved development projects or to otherwise wind down the affairs of the Successor Agency pursuant to California Health and Safety Code Section 34177(e):

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- a. The Successor Agency adopts the Successor Agency Resolution (as defined in the City Council Resolution);
 - b. The Oversight Board adopts the Oversight Board Resolution (as defined in the City Council Resolution); and
 - c. The Department of Finance either does not review the Oversight Board Resolution within the time period set forth in the Dissolution Act and the Oversight Board Resolution and the actions therein are deemed effective pursuant to the Dissolution Act or (b) the Department of Finance reviews the Oversight Board Resolution within the time period set forth in the Dissolution Act and the Department of Finance approves of the Oversight Board Resolution and the actions therein; and
2. Provided that all of the Conditions are satisfied, authorize and direct the Executive Director of the Successor Agency, or his or her designee, and the City Manager, or his or her designee, to take all actions and sign any and all documents necessary to implement and effectuate the DDA and the actions approved by this Resolution including, without limitation, approving extensions of deadlines set forth in the DDA and the Schedule of Performance (Attachment No. 4 to the DDA) as determined necessary by the City Manager, or his or her designee, under the DDA, approving amendments to the DDA and its Attachments as determined necessary by the City Manager, or his or her designee, to effectuate the DDA, executing documents on behalf of the Successor Agency and City (including, without limitation, grant deeds or quitclaim deeds), and administering the Successor Agency's and City's obligations, responsibilities and duties to be performed pursuant to this Resolution; and
3. Acknowledge that the City does not intend, by adoption of the Resolution, to waive any constitutional, legal and/or equitable rights of the Successor Agency or the City under law and/or in equity, including, without limitation, the effectiveness of the DDA or previous actions taken with respect to the DDA, by virtue of the adoption of this Resolution and actions approved and taken pursuant to this Resolution and, therefore, reserves all such rights of the Successor Agency and the City under law and/or in equity.

NOTES:

¹The Culver City Redevelopment Agency and the City entered into a Cooperation Agreement dated January 15, 2011, as amended on February 22, 2011 and March 7, 2011 (collectively the "Cooperation Agreement"). In furtherance of the Cooperation Agreement and to achieve important public purposes, the Agency has conveyed the Parcel B property and other Agency-owned properties to the City and has transferred the Agency's cash accounts to the City to carry out the duties and obligations of the Agency (without resulting liability to the City), devoid of relieving the Agency of its duties and obligations to fulfill the goals and objectives of the Redevelopment Plan for Component Area No. 3.

²Summary of DDA Terms and Conditions:

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Land Payment:

1. Combined's land payment is estimated at approximately \$4,183,423 reflecting certain credits and debits related to construction of expanded restrooms, building modifications in connection with public parking, extra permit fees and net savings on public improvements as identified below:
 - Combined must pay permit fees for the Project set at \$8.70 per sq. ft., which equates to approximately \$1 million. The City will reduce the land payment by an amount equal to the difference between the permit costs actually incurred and the estimated permit cost in the RFP. (\$8.70 per sq. ft. of gross building area).
 - The City will receive an increased land payment by an amount equal to any public improvement costs Combined incurs less than \$350,000.
 - The City requires Combined to expand the public restrooms to accommodate public events. Accordingly, Combined's land payment will be reduced by an amount equal to the estimated costs of \$65,100.
 - If the City chooses to construct the public parking, the City will reduce the land payment by the estimated costs of \$62,500 to modify the building due to the garage ramp relocation.

Prevailing Wage:

1. The Project is subject to prevailing wage. Because Combined's land payment assumed union wage, the City will fund any difference between union and prevailing wage. The City's financial consultant Keyser Marston Associates (KMA) believes the increased cost difference between union and prevailing wage is approximately 5% to 7%. The cost difference between the two amounts will be determined through the bid process. The City will reduce the land payment by an amount equal to the bid difference. The amount is capped at \$2 million, although the actual amount is anticipated to significantly less than the cap. If the prevailing wage premium exceeds the cap, the City will have the opportunity to terminate the DDA.

Parking:

1. The City will create approximately 100 public spaces beneath Town Plaza;
2. Combined will create approximately 98 spaces beneath Parcel B.
3. The City and Combined will each pay their pro rata share of the parking.
4. The City (in cooperation with Combined) will execute a contract with a parking consultant to study the Project parking and determine the most efficient and cost effective garage design. The design will provide potential connection to The Culver Studio's proposed subterranean garage if built.
5. Combined will enter into a 99-year parking license to provide 317 code required parking spaces in the Ince Parking Structure for employees and customers of the Project and pays the prevailing parking rates for their use.
6. Combined constructs all of the parking.
7. The cost of the public parking spaces will be determined by a public bidding process administered by Combined and the City.
8. Combined receives the revenue for their private parking spaces and the City receives the revenue for the public parking spaces.
9. Combined and the City fund their pro-rata share of the ongoing maintenance and operation costs.

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10. The DDA includes a reciprocal easement between Combined and the City to accommodate parking access, elevators, stairs and utility access.

Elevated Plaza/Grand Stairs:

1. Combined and City will agree to an annual performance schedule for public events located at the Elevated Plaza/Grand Stairs.
2. A license agreement provides the City use of the Elevated Plaza/Grand Stairs for public events.
3. The City will be responsible for maintenance related to public events at the Elevated Plaza/Grand Stairs.
4. The City will be responsible for maintaining the public restrooms and storage area during and after public events. The storage area will accommodate chairs, a stage, lighting and related public event equipment.

Tenant Control:

1. The City will approve ground-floor tenants both initially and for seven years following completion of construction.

Historic Culver Sign License:

1. Combined may enter into a separate no-fee license agreement for use of the historic Culver neon sign salvaged from the Kirk Douglas Theater renovation project.
2. The sign will be restored, installed and be maintained at Combined's expense.

Town Plaza Expansion:

1. The Town Plaza expansion will be funded by the City.
2. The Town Plaza construction will be managed by Combined. Combined will be paid 4% of the construction cost as a management fee.
3. The construction cost will be determined by the bid process.
4. Combined will modify the original plans to reflect the plaza being built over a subterranean parking structure and include a ramp within the Access Road as well as other minor modifications.²
5. The City will be responsible for maintenance of the existing Town Plaza as well as the expanded area. It currently costs approximately \$30,000 annually for utility bills, steam cleaning, and landscape maintenance for the existing Town Plaza, and its expansion will result in increasing those costs.

Elimination of Blight:

When the Washington-Culver Redevelopment Project No. 3 was adopted in 1975, specific problems (blighting conditions) were identified in the report to Council on the proposed Redevelopment Plan. These problems or blighting conditions that impacted the Project area are outlined in detail in the Summary Report Pursuant to Section 33433 of the California Health and Safety Code which is attached to this staff report for your review.

Environmental Determination:

The Town Plaza Project was considered in a Final Supplemental Environmental Impact Report (FSEIR) which was certified by the Agency on May 3, 1999. The Town Plaza Project was approved as Site Plan Review, SPR P-1999044, by Planning Commission Resolution No. 2000-P0003 on

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January 31, 2000. This approval was modified three times pursuant to Resolutions No. 2001-P007, No. 2002-P001, and No. 2007-P012. The Project approval totals approximately 115,108 gross square feet of building area.

The existing entitlements for the Project remain effective, and upon submittal of the schematic plans and design development plans by Combined, staff will verify that they are in substantial conformance with the entitlement.