

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

Meeting Date: 12/13/10	Item Number: <u>A-1</u>
REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Approval of (1) an Exclusive Negotiation Agreement and (2) a License Agreement Between the Culver City Redevelopment Agency and the Los Angeles Housing Partnership	
Contact Person/Dept.: Tevis Barnes, Community Development	Phone Number: (310) 253-5782
Fiscal Impact: Yes ☒ No ☐	General Fund: Yes ☐ No ☒
Public Hearing: ☐	Action Item: ☒ Attachments: ☒
Commission Action Required: Yes ☐ No ☒ Date: _____	
Public Notification: (E-mail) Meeting and Agendas – Redevelopment Agency (12/09/10); Los Angeles Housing Partnership (11/15/10)	
Department Approval: Sol Blumenfeld: (12/1/10)	Agency General Counsel Approval: Murray Kane: (12/02/10)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (12/08/10)	Executive Director Approval: John M. Nachbar (12/09/10)

RECOMMENDATION

Staff recommends that the Culver City Redevelopment Agency Board (Agency Board):

1. Approve an Exclusive Negotiation Agreement (ENA) with the Los Angeles Housing Partnership (Developer) related to a proposed Disposition and Development Agreement (DDA) for the construction of 33 affordable housing units with 13,000 square feet of commercial retail located at 11042-11056 West Washington Boulevard (Site); and,
2. Approve a License Agreement between the Developer and the Redevelopment Agency to allow the Developer the opportunity to conduct due diligence on the Agency-owned property located at 11054-11056 West Washington Boulevard (Agency Property).

BACKGROUND

The Agency Board previously approved implementation of years 1 and 2 of the Comprehensive Housing Strategy (CHS). The CHS identifies housing sites and development costs to allocate monies from the Housing Set Aside Fund in order to meet housing production requirements under the Regional Housing Needs Assessment (RHNA) and to comply with Redevelopment Law. The Agency Property is one of three sites identified under Years 1-2 of the CHS.¹

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Proposed Project

The Developer submitted an unsolicited proposal dated May 10, 2010, for acquisition and development of 33 units of affordable rental housing for low and moderate income households (Proposed Project). The 3 story (38 feet in height) proposed mixed-use project will consist of approximately 13,000 square feet of commercial retail space and 2 levels of on-site parking with 111 spaces.

Community Outreach

On July 26, 2010, the Agency Board recommended that the Developer conduct preliminary public outreach meetings before providing negotiating instructions. The Developer conducted neighborhood meetings on September 16 and October 13, 2010. In addition, the Developer conducted tours of its projects with Community Development (CDD) staff on September 17, 2010 and residents and Agency Board members on November 19, 2010, and reviewed the project with the Advisory Committee on Redevelopment (ACOR).

DISCUSSION:

Exclusive Negotiation Agreement

The Agency Board instructed staff to negotiate and prepare an ENA on November 1, 2010. The Developer is seeking to enter into an ENA with the Agency in order to negotiate specific deal points related to the disposition and development of the Site. The Developer is currently in escrow to acquire a parcel abutting the Site at 11042 West Washington Boulevard. And escrow is scheduled to close on December 27, 2010. ENA deal points identified by staff include: land sale price; timing for negotiations/construction; project operations/management; definition of acceptable commercial tenants, and offsite improvements. Staff proposed that the Agency and Developer enter a 120-day ENA to diligently negotiate, in good faith, the preparation of a DDA for the Agency Board's consideration. The key general terms and provisions of the ENA are set forth below to negotiate a DDA.

- Monthly Status Reports. The Developer shall provide monthly status reports to the Agency. These reports shall include status reports regarding progress associated with the Schedule of Performance and the Developer's efforts to secure quality retail tenants for the Proposed Project.
- Financial Analysis. The Developer shall provide the Agency, for its review, a schedule of the construction proposed and an estimate of the development costs including construction and non-construction costs; an estimate of the development income and a proforma statement of the development to ascertain the economic feasibility of the proposed project; and a description of the

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proposed construction financing, plans for the permanent financing, and any financial assistance requested of the Agency.

- Submittal and Review of Conceptual Plans. The Developer shall submit to the Agency conceptual plans for the development of the entire Site. The conceptual plans shall be consistent with conceptual plans submitted by the Developer to the Agency in its unsolicited proposal dated May 10, 2010. The Agency staff and Agency Board shall review and comment on the conceptual plans. The conceptual plans may include modifications to the site or surrounding improvements to address neighborhood or Agency concerns.
- Entitlement Process. The Developer shall submit to the City's Planning Division plans necessary to commence any required Site Plan Review application and environmental review for the entire Site and the Proposed Project.
- California Environmental Quality Act (CEQA) Compliance. The Developer shall supply information to determine the environmental impact of the Proposed Project and prepare documentation as may be needed to comply with CEQA.
- Community Meetings. The Developer shall continue to conduct community meetings to identify and attempt to resolve potential concerns regarding the Proposed Project and agrees to conduct and/or participate in such meetings as deemed necessary by the Agency. In addition, the Developer shall meet with the Advisory Committee on Redevelopment as needed to identify and resolve any project design and impact issues.
- Relocation Obligations. The Developer shall comply with the requirements of all relocation laws applicable to the Developer's acquisition of the Site and development of the Proposed Project, including, but not limited to: the Uniform Relocation Act and the California Relocation Assistance Act, and shall comply with related tenant notice requirements and shall provide the Agency with copies of all notices to tenants.
- DDA Process. The Agency shall conduct any required CEQA review and process and approve or disapprove a DDA. If the negotiations conducted under the ENA culminate in a draft DDA, such an agreement becomes effective only after it is considered and approved by the Agency Board and City Council after public hearing.
- Agency's Right to Additional Information. The Agency reserves the right to request reasonable additional information and data from the Developer necessary for review and evaluation of the Site and the Proposed Project. The Developer agrees to provide such additional information or data as requested in a timely manner.
- Hazardous Materials and Site Conditions. The Developer shall be solely responsible for all necessary testing of the Site for hazardous materials pursuant to all applicable laws, statutes, rules and regulations. The Developer shall also be responsible for making the Site usable for the Proposed Project as

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a result of any Site conditions including, without limitation, flood zones, Alquist-Priolo Earthquake Fault Zoning Act, and similar matters.

- Developer's Due Diligence. Developer shall have the right to examine, inspect and investigate the Agency Property and to determine whether the Agency Property is acceptable to Developer, which right of Developer is subject to and conditioned upon the terms and provisions of the License Agreement.
- Agency and City Not Responsible for Costs. The Agency and the City shall not be liable for any costs and expenses associated with the preparation of any reports to be prepared by the Developer or the planning or development of the Site pursuant to or arising from this Agreement.

License Agreement

As stated as a term of the ENA, the Developer shall inspect and investigate the Agency property to determine suitability for the development of the Proposed Project. The License Agreement allows the Developer to enter onto the Agency Property to conduct tests and prepare reports related to hazardous material and site conditions. These reports are required to be submitted for Agency's review and at the Developer's expense. Should the Agency Board approve the proposed ENA and License Agreement, both documents would be executed contemporaneously with the License Agreement automatically expiring 90 days after the effective date of the ENA. The execution of the License Agreement provides no legal title or interest in the Agency Property to the Developer.

Agency Board approval of the ENA and License Agreement does not constitute project approval. Such approval, if provided, would only be considered by the Agency Board and the City Council after many other steps have been taken, including outreach to the community.

FISCAL ANALYSIS:

It is estimated that the amount of Agency financial assistance for a 33 unit project ranges from \$10.5 million to \$15 million, depending on the mix of affordable units provided in the Proposed Project. This amount includes the \$4.4 million in land assembly costs already incurred by the Agency were funded from unrestricted tax increment funds, of which a portion may be reimbursed by available Low Moderate Income Housing Funds as part of any assistance package that may be considered by the Agency Board in the future.

In the event the Agency determines that certain public improvements related to the project are necessary, these costs could also be borne by the Agency using tax exempt bond funds.

In general, the Agency's financial assistance varies because tax credits are being pursued. Other sources of financing include Agency Housing Funds, a conventional

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mortgage, a grant from the Federal Home Loan Bank of San Francisco Affordable Housing Program (AHP) and Low Income Housing Tax Credits (LIHTC). As mentioned above, part of the negotiation process will involve the Developer determining what, if any, Agency financial assistance will be requested. Any financial assistance provided will be determined by the Agency Board during an open session of the Agency Board.

The Housing Set Aside Fund cash flow over the next five fiscal years can support the Proposed Project at the higher requested amount of \$10.6 million if the contribution is evenly divided at \$5.3 million in Fiscal Years 2011/2012 and 2012/2013. The proposed project will require various City and Agency approvals and extensive outreach to the surrounding neighborhood. This means that funding may not be required until Fiscal Year 2011/2012.

ATTACHMENTS:

1. Exclusive Negotiation Agreement
2. License Agreement

MOTION:

That the Redevelopment Agency Board:

1. Approve the Exclusive Negotiation Agreement with the Los Angeles Housing Partnership for preparation of a Disposition and Development Agreement for the development of 11042-11056 West Washington Boulevard; and,
2. Approve a License Agreement with the Los Angeles Housing Partnership to perform due diligence on the Agency-owned site located at 11054-11056 West Washington Boulevard; and,
3. Authorize the Agency General Counsel to review/prepare the necessary documents; and,
4. Authorize the Executive Director to execute such documents on behalf of the Agency.

¹ Years 1 and 2 of the CHS detail three Agency owned sites for development. These sites include: 4044-4068 Globe Avenue, 4075 Lafayette and 11054-11056 Washington Boulevard. On July 26, 2010, the Agency Board approved financial assistance in the amount of \$6 million for the development of twelve affordable housing units located at 4043 Irving Place. The Irving Place Project replaces the 4075 Lafayette site. On November 22, 2010, the Agency Board approved the solicitation of qualified developers through a Request for Proposal (RFP) process for the development of up to 12 affordable ownership units at 4044-4068 Globe Avenue.