City of Culver City, California

Agenda Item Report

Meeting Date: 10/04/2010	Item Number: A-1
REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Consideration of Proposed Alternatives for the Development of 9300 Culver Boulevard (Parcel B) and the Adjacent Town Plaza Expansion.	
Contact Person/Dept.: Joe Susca, Todd Tipton/Redevelopment	Phone Number: 310-253-5763/5783
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – Redevelopment Agency (09/29/10), The Downtown Business Association (09/20/10), The Culver City Chamber of Commerce (09/20/10). A public notice was mailed to businesses, residents, and property owners in excess of a 500' radius of the site (09/20/10).	
Department Approval: Sol Blumenfeld (09/28/10)	Agency General Counsel Approval: Murray Kane (09/27/10)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (09/29/10)	Executive Director Approval: John M. Nachbar (09/29/10)

RECOMMENDATION:

Staff recommends the Culver City Redevelopment Agency Board (Agency Board) provide direction regarding short, mid and long-range redevelopment alternatives for 9300 Culver Boulevard (Parcel B) and determine (1) whether to issue a Request for Proposals (RFP) to qualified developers for site redevelopment and if so; (2) the content of such RFP; and (3) whether to construct additional parking as part of the redevelopment project; and (4) whether to construct Town Plaza improvements.

BACKGROUND:

On July 10, 2006 the Agency entered into a Disposition and Development Agreement (DDA) to sell Parcel B for development of a new multi-use office and retail project (Project) known as the Culver Studios Plaza. The Project is entitled for construction of a 3-story commercial building comprised of 118,000 square feet of ground floor retail and restaurant uses and upper floor offices, one subterranean level with 84 parking spaces, and three storage rooms. The Project's building permits are approved. On December 14, 2009 the Agency Board terminated its agreement with the developer of the Project based upon their failure to perform under the DDA's terms and conditions.

The DDA included the Agency's plans for expansion of Town Plaza as a new venue for downtown art, music, and performance activities. The first phase of the Town Plaza Expansion project, the realignment of Washington Boulevard, has been completed at a cost of $2.3 million. The design and construction documents for the second phase construction of the expansion area are complete and are ready to bid. The architectural design and plan fees cost $400,000 and $2.8 million have been budgeted to construct the expansion. The total project cost is $5.1 million.

DISCUSSION:

The Agency's financial consultant, Keyser Marsten Associates (KMA) believes that because of current economic conditions (current high vacancy rates and contraction of retail activity) redevelopment of Parcel B is more than two years away. Few office and retail projects are currently being developed. Consequently, the Agency Board has directed staff to examine development alternatives for the site. Staff has studied several development options that relate to the original Project entitlements and environmental review (i.e. consistent in size, building volume, and building height and development program) or that require changes to the entitlements. The options have been organized under "short-range," "mid-range," and "long-range" implementation timeframes. The short and mid-range alternatives are interim uses that may be implemented quickly without major improvements to the property. The long-range options involve permanent redevelopment.

The original Project was designed as a post-production office facility with an entertainment-related major tenant and ground level retail (see Attachment No. 2). Since the entertainment-related tenant is no longer involved in the Project, the Agency Board may wish to consider a different development program, alternative uses and tenants, and/or a new building configuration to accommodate different needs. The following provides a list of use and development options for Agency Board consideration. (see Attachment No. 2). Staff has also attached correspondence from the Downtown Business Association (DBA) that outlines their comments and suggestions in regard to Parcel B.

SHORT-RANGE OPTIONS:

The Agency Board may want to consider uses for Parcel B that can be immediately implemented with minimal site improvements. These include special events and temporary uses conducted in pre-fabricated, modular structures installed on the site or without such temporary structures. The short-range uses can be programmed over a one to two year period or until permanent redevelopment of Parcel B commences. Parcel B can be programmed for special events and uses during the pre-redevelopment period, using a master schedule for tracking use of the property. With the exception of a public parking lot, the short range options can be carried out by an event organizer selected through the RFP process. The Agency Board may wish to consider the following short range options:

Alternative I: Large-Scale Performance/Entertainment/Public Event Uses

Estimated Cost: $50,000 - $65,000 for water, power, sidewalk paving, enhanced landscaping and related infrastructure.

Estimated Revenue: Depends on type and frequency of events, but would have a positive economic impact on downtown businesses and if their duration is more than two hours, parking revenue will be generated if the Agency Board decides to continue offering free parking in the parking structures for the first two hours.

Timeframe: 6-9 months.

Implementation: Feasible with staff oversight to recruit and assist with overall bookings, facilitation and marketing. Parcel B's paved lot makes the site attractive for large-scale performances or events which may include major travelling performances produced by outside performing arts organizations, performing arts grantees and independent event producers.

Alternative II: Fashion / Apparel / Art / Architecture and Craft Tensile Structure

Estimated Cost: $1 million - $1.4 million for tensile structure design, fabrication and installation with water, power, sidewalk paving and enhanced landscaping.

Estimated Revenue: Depends on the frequency of use, number of vendors and type of retail.

Timeframe: 9 months to fabricate and install a tensile structure and complete the infrastructure improvements. The timeframe would vary if construction of the tensile structure were not necessary or if retail operators brought their own temporary shade structures.

Implementation: Execution of a license and temporary use permits are required. Parcel B can accommodate downtown weekend open air retail events such as fashion apparel and local arts/crafts shows and architectural exhibits within temporary structures. The weekly events can focus on the local design community and can be coordinated with activities sponsored by the DBA and Chamber of Commerce. The structures can be installed using modular pavilions, tensile structures, or shade structures that are easily maintained. Staff has been contacted by a few operators interested in establishing a monthly retail market use at the site (see Attachment No. 4).

Alternative III: Public Parking Lot

Estimated Cost: $75,000 for automated pay stations, restriping, and lighting.

Estimated Revenue: $100,000 - $170,000 annually[1].

Timeframe: 6 months.

Implementation: The DBA is concerned that due to its convenient location, the parking lot may compete with their valet parking program. Parking on Parcel B is currently allowed on a permit basis primarily to entertainment recording crews, but can transition into a public parking lot with few site improvements. Use of the public parking lot may be temporarily suspended to allow certain types of entertainment and retail uses on the site.

MID-RANGE OPTIONS:

The mid-range options involve the construction of more lasting temporary structures that require utility connections, restroom facilities, building permits and entitlements. These projects would take approximately 1 year or more to implement. The mid-range options the Agency Board may wish to consider include:

Alternative I: Market Hall Development

Estimated Cost: $3 million to build a market hall at developer expense.

Estimated Revenue: Considerably less lease, tax increment, and City tax revenues than the prior permanent Project.

Timeframe: 18-24 months to execute a 5-year minimum lease, obtain new entitlements and build.

Implementation: Its construction may jeopardize continuance of the prior Project's entitlements. A market hall could be built on the site by a developer to house a partially enclosed market with restrooms and rollup doors. Tenants may include glass blowers, pottery makers, arts and crafts, electronics, housewares, sunglasses, apparel, jewelry, produce, quick food, and baked goods retailers. The market hall should be a high quality design that complements downtown. The tenant mix would be difficult to control as the vendors are typically transient. If this option is pursued, the Agency Board may want to consider a more substantial project or a permanent structure (see Attachment No.5).

LONG-RANGE OPTIONS:

The long-range redevelopment options reflect the timing for constructing a permanent building and full site redevelopment. All require one or more years to construct, and implementation generally depends on recovery of the economy. The Agency Board may wish to consider the following long-range options:

Alternative I: Maintain Building Design with Existing Entitlements

Estimated Cost: May require reduced residual value for Agency property.

Estimated Revenue: See the Fiscal Analysis section of this report.

Timeframe: 12-15 months to negotiate a DDA, enter into tenant leases, and 2 months to construct the Town Plaza Expansion.

Implementation: Depends on developer interest and tenant availability. The Agency releases an RFP to solicit qualified developers to construct the Project and build the Town Plaza Expansion. The entitled Project is unchanged and the original plans are used to construct the Project pursuant to an Agency-approved DDA.[2]

Alternative II: Modify Building Design with Existing Entitlements

Estimated Cost: \$1,400,000 in delayed Agency Tax Increment and City taxes. May require reduced residual value for Agency property.

Estimated Revenue: Since the use remains the same, the prior Project revenues outlined in the Fiscal Analysis section of this report remain unchanged.

Timeframe: 24-30 months.

Implementation: Depends on developer interest and tenant availability. The Agency Board may want to develop a different project that is consistent with the Project entitlements, but which includes a different building configuration. For example, the project could be redesigned as two parallel buildings to create a second level retail “street” with a pedestrian walk similar to the Via Rodeo shopping center in Beverly Hills (see Attachment No. 6).

Alternative III: Modify Building Design - New Uses with New Entitlements

Estimated Cost: $2,100,000 in delayed Agency Tax Increment and City taxes or their elimination depending on the use selected.

Estimated Revenue: Depends on new use.

Timeframe: 36-42 months.

Implementation: Depends on developer interest and tenant availability. An RFP is issued for a new development to construct an entirely different project. Culver City Municipal Code amendments over the past decade have increased the parking requirements for restaurant uses and currently preclude ground level uses that are not retail related. If the Agency Board were to change the existing entitlement to pursue a different project, it is likely that the cost to build additional code-required parking will adversely affect Parcel B's land sale price.

Alternative IV: Modify Building Design with Additional Parking with Existing Entitlements

Estimated Cost: $3,360,000 to $7,392,000, primarily from reduced land sale proceeds.

Estimated Revenue: The new developer would receive additional parking revenues from tenants of the building.

Timeframe: 6 months to modify plans and obtain permit approvals.

Implementation: A new developer must purchase the existing construction documents and then modify them.

The existing Project entitlement provides for 399 code-required parking spaces at the Ince Parking Structure. The prior developer opted to build one level of subterranean parking with 84 parking spaces (with the balance of 315 spaces being provided in the Ince Parking Structure). The Agency Board may want to construct additional parking beneath the building footprint and beneath the Town Plaza Expansion.[3]

The Walker Downtown Parking Study (Study) has identified 608 "pooled parking" spaces that can accommodate new development. The Study indicates that if Parcel B is built without additional parking, the existing effective surplus[4] would be reduced by 417 spaces for a new total of 191 surplus spaces in the pool.[5] The use of the Ince Parking Structure to temporarily accommodate the Exposition Light Rail Phase I parking during construction of the Transit Oriented Development at Washington-National will temporarily reduce the surplus by 235 spaces until the Agency's TOD project is completed.

If the Agency Board is interested in pursuing use of downtown's pooled parking program for new development, it will be necessary to establish a cost and allocation method for Parcel B.

Alternative V: Modify Building Design and Build Additional Parking, Maintain Entitlements and Proceed Now with Town Plaza Expansion and Implement a Shared Parking Program with The Culver Studios

Estimated Cost: $5,465,000

Estimated Revenues: See the Fiscal Analysis section of this report.

Timeframe: 9-12 months
Implementation: Requires negotiation of a tri-party agreement with The Culver Studios and the new Parcel B developer.

Staff has received an unsolicited proposal from The Culver Studios (Studios) to share proposed parking resources. The preliminary proposal includes expanding Parcel B's first subterranean parking level into the adjacent Town Plaza Expansion area and beneath the lawn of the Studios Mansion.[6] The Studios would use the Town Plaza Access Road during their business hours, and the Agency would be permitted access to up to 475 additional Studio parking spaces beneath the Studios Mansion lawn for use by the public typically during weeknights and weekends as well as during the Studios off-season. This requires entering into a reciprocal parking agreement between the Agency and the Studios.[7]

Other Options to Consider:

- Unsolicited proposals received over the last year.
- Constructing Town Plaza Expansion. Cost: $2,800,000.
- Constructing Parcel B landscape improvements. Cost: $125,000 - $280,000.

FISCAL ANALYSIS:

Redevelopment of Parcel B is likely to be more than two years away given current economic conditions. The Agency will not be generating new tax increment revenues from the project during that time. If construction of the existing Project is delayed or replaced with a new use, tax increment receipts (projected to be $424,000 in year 1 with 2% annual growth thereafter, assuming the current development plan is implemented), one time building permit fees (approx. $1 million), and other City tax revenues (i.e. Sales Tax, Business Tax and UUT totaling approx. $265,000 annually, assuming the current development plan is implemented) will be delayed until construction is completed; or reduced if a different use for the site is adopted.

If the Agency Board decides to fund construction of additional parking spaces with a new developer or the Studios, it may do so by reducing Parcel B's land sale price, resulting in less land sale proceeds to the Agency.

The $2.3 million realignment of Washington Boulevard has been completed. Currently, $2.8 million is allocated in tax-exempt bond proceeds (55393400) to complete construction of the Town Plaza Expansion. If the Town Plaza improvements are abandoned, the Agency will forfeit $400,000 it has spent on plans and related improvements.

Each of the short and mid-range use options will generate less Agency and City tax revenues than the long-range redevelopment options for the site; however, given the expected delay in project implementation, it seems prudent to consider interim property uses. The short and mid-range cost and revenue estimates are preliminary and will require further study based upon the planned uses or events.

CONCLUSION:

The Agency Board should consider whether to proceed with short and mid-range proposals or whether to proceed with long range redevelopment plans using the current plans or modifying the plans while maintaining consistency with the project entitlements.

ATTACHMENTS:

1. Parcel B Conceptual Plans
2. Parcel B Matrix of Short, Mid, and Long Range Uses
3. April 26, 2010 Letter from the Downtown Business Association
4. Via Rodeo Photographs
5. Examples of Tensile Structures
6. Market Hall Conceptual Plan and Washington-Centinela Market Hall Conceptual Plans
7. Parcel B Enhanced Landscape Screen Conceptual Plan
8. The Culver Studios Shared Parking Plan

MOTION:

That the Agency Board:

1. Discuss and provide direction on the various alternatives presented in this report regarding short, mid and long-rang uses of the 9300 Culver Boulevard site, whether or not to build additional parking as part of the sites redevelopment, and when to build the Town Plaza Expansion; and,

2. Direct the Executive Director as deemed appropriate.

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[1] The Culver Hotel currently rents up to 10 parking spaces on Parcel B at a rate of $80 each per month. The Farmers' Market vendors park their vehicles on a portion of Parcel B every Tuesday afternoon at no cost to them. The Farmers' Market vendor parking may be relocated however, to the angled parking area along Media Park's frontage road. Currently, entertainment crews pay $2,000 per day to rent Parcel B which generated $21,000 in revenues between March 2009 and March 2010.

[2] When the Agency Board terminated the DDA with the prior developer it preserved its rights to acquire the Project's plans.

[3] Parcel B's footprint may allow construction of an automated parking system to stack vehicles that would increase the total number of spaces built. If an RFP is released for Parcel B that includes a requirement that additional parking be built, staff may include an option for developers to study and consider inclusion of an automated parking system in their proposal. The net parking benefit and cost is outlined below

Parking Beneath Parcel B:

Level	Spaces	Cost Per Space*	Cost Per Level
First	84	$48,100	Already included in prior Project.
Second	84	$64,200	$5,392,800
Third	84	$80,300	$6,745,200
Total	**168 added**		**$12,138,000**

*It cost $24,100 per space in an above-ground structure vs. $48,100 to $80,300 per space in a subterranean structure.

[4] The effective supply of unused parking spaces during peak periods is the total supply available minus an allowance so motorists may find parking spaces more easily and to facilitate proper vehicle circulation within the system. In this case though the total supply of unused spaces is 773, the effective supply is 608.

[5] Parcel B's impact on surplus pooled parking spaces per the Walker Parking Study:

Table 28: Selected Future Project's Impact on Pooled Parking – 9300 Culver Boulevard

Parking Generator	Inventory	Peak Demand (Tues @ 1:00 pm)	Parking Space Surplus	Effective Parking Space Surplus
Existing Pool	2065	1292	773	608
9300 Culver (Parcel B)	84	399	-315	-321
Elimination of Existing Spaces	-104		-104	-96
Total Pool After Development	**2045**	**1691**	**354**	**191**

[6] Parcel B's footprint may allow construction of an automated parking system to stack vehicles that would increase the total number of spaces built. If an RFP is released for Parcel B that includes a requirement that additional parking be built, staff may include an option for developers to study and consider inclusion of an automated parking system in their proposal.

[7] The Studios unsolicited proposal includes construction of shared parking beneath the Access Road that separates the Studios from Parcel B and the front lawn of the Studios Mansion. This would result in an additional 29 spaces per level at a cost of $1,394,900 for the first level and an additional $7,254,600 for a second level. In addition, modifications to the existing Town Plaza Expansion construction documents and engineering a new storm water drainage system would add an additional $75,000 to the cost.

The anticipated costs are:

Level	**Spaces**	**Cost**
Studios Front Lawn P1 Level	115	$0
Town Plaza Expansion-P1	29*	$1,394,900
Plaza Expansion Redesign	N/A	$75,000
Shared P2 Level (113+218)	331	$7,254,600
Total	**475**	**$8,724,500** **

*Does not include 84 excising spaces already being built on Parcel B's P1 level.
**$8,724,500 is $18,367 per shared parking space.