City of Culver City, California

Redevelopment Agency Agenda Item Report

Meeting Date: 04/21/08	Item Number: A-1
AGENDA ITEM: Consideration of an Option To Purchase 11054 Washington Boulevard	
Contact Person/Dept.: John Fisanotti	Phone Number: (310) 253-5767
Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Mr. Richard Tapp and the Lloyd Family Trust (04/07/08); Master Notification List (04/17/08).	
Department Approval: Sol Blumenfeld (4/04/08)	Executive Director Approval: Jerry B. Fulwood (04/17/08)
Fiscal Impact Review: Jeff Muir (04/17/08)	

RECOMMENDATION:

Staff recommends the Culver City Redevelopment Agency ("The Agency") exercise its Option to purchase the commercial property at 11054 Washington Boulevard.

BACKGROUND:

On December 28, 2006, the Agency acquired the site of the former Pleasantview Home at 11056 Washington Boulevard. The property was purchased on terms, and there is a payment of $1,550,000 plus interest at 5.5% due three years from the date of purchase (December 28, 2009).

On March 5, 2007, the Agency approved an Option Agreement to purchase the adjoining property at 11054 Washington Boulevard, owned by Mr. Richard Tapp. A copy of the Option Agreement is attached as Attachment No. 1. Under the terms of the Agreement, the Agency and Tapp opened escrow, and the Agency deposited the Option payment of $60,000. The Option period is for 14 months, starting from March 6, 2007. Therefore, the Agency has until May 6, 2008, to exercise the Option. If the Agency exercises the Option, then the $60,000 option payment shall be applied to the purchase price of $1,152,000. If the Agency elects to let the Option expire, then the Option payment is non-refundable and is compensation payable to Mr. Tapp for keeping his property off the market for 14 months.

A decision whether to exercise the Option and go forward with the purchase is needed from the Agency prior to May 6, 2008.

DISCUSSION:

The Tapp property is a 2,997 square foot commercial property. The Agency's property at 11056 Washington Boulevard is 19,760 square feet, so the combined total of the two, would be 22,757 square feet, (0.52 acre). Attachment No. 2 is a map of the site for reference.

Mr. Tapp ran his electrical contracting business from the ground floor but recently has moved out. At the rear of the property is a single two-bedroom apartment unit, which Mr. Tapp rents to a tenant. Because of the existence of this residential unit on the property, the Agency can purchase the Tapp parcel only through a voluntary sale by the owner.

The Tapp property is small but is strategically located. It is the middle of three parcels on the Pleasantview block and therefore, links the Pleasantview parcel, to the remaining privately held parcel on the block. If the Agency were to ever attempt a block scale development, then control of the Tapp property will be essential. If the Agency acquires the Tapp property, then efforts to acquire the remaining parcel could be initiated if authorized by the Agency (so far, the remaining owner has been strongly opposed to selling his property.) Without the Tapp property, the Agency's developable parcel is the former Pleasantview site alone.

Staff requested information on the change in real estate values since the date of the appraisal, which was the basis of the sale price to Mr. Tapp. According to data provided by Lea and Associates commercial real estate values in this neighborhood have adjusted +11.5% since the appraisal. Sales of small office buildings within 10 mile radius of the site indicate that on a price per square foot basis, the median price per square foot increased from $360.54 to $402.09. The increase in price over the last year argues favorably for exercising the Option.

Related to this discussion is the matter of Request for Proposals to develop the site. On March 3, 2008, the Agency requested that staff solicit proposals for the development of the block where the Tapp property is located. Proposals were due March 31, 2008. Three submittals were received: one is for a commercial building, another is for a mixed use building and the third is a statement of qualifications without a proposal. One proposal offered to build on the combination of the Tapp property and the Agency's neighboring property and held out the possibility of expanding the site to include the one remaining property on the block. The other proposal was for the development of the entire block. In the coming weeks, staff will be working with the three respondents to refine their proposals before presenting them to the Agency for consideration.

FISCAL ANALYSIS:

Staff has looked at the Agency's current cash flow situation and advises that to exercise the Option the funding to complete the acquisition could come from the Agency's undesignated tax increment reserve balance. A Budget Amendment will be necessary, and if approved, will leave approximately, $2.3 million in the Agency's undesignated tax increment reserve balance. The recommended Budget Amendment will move the necessary funds to purchase the property and pay for escrow closing costs into the Mid-Washington Opportunity Sites Program Budget (Program 92650). The amount of the Budget Amendment is recommended at $1,120,000.

ATTACHMENTS:

1. Option Agreement
2. Map of the Site

MOTION:

That the Redevelopment Agency:

1. Authorize staff to exercise the Option to purchase the real property at 11054 Washington Boulevard.

2. Approve a Budget Amendment to appropriate $1,120,000 from the undesignated tax increment reserve balance to Program 92650.

3. Authorize the Executive Director to execute documents necessary to complete the exercise of the option.