City of Culver City, California

Agenda Item Report

Meeting Date: 03/07/2011	Item Number: A-2
REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Approval of a Letter of Commitment and Purchase Option Agreement Between the Culver City Redevelopment Agency and Los Angeles Housing Partnership, L.P, and related budget amendment.	
Contact Person/Dept.: Tevis Barnes, Community Development	Phone Number: (310) 253-5782
Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-mail) Meeting and Agendas – Redevelopment Agency (03/04/2011);Los Angeles Housing Partnership (03/01/2011)	
Department Approval: Sol Blumenfeld: (03/03/11)	Agency General Counsel Approval: Murray Kane: (03/03/11)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (03/04/11)	Executive Director Approval: John Nachbar (03/04/11)

RECOMMENDATION

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

1. Approve a budget amendment appropriating $15,400,000 in Low/Moderate Income Housing Funds (55497500); and

2. Approve a Letter of Commitment which includes the terms and conditions of a loan in the amount of $15,200,000 to Tilden Terrace, L.P. (Developer) for the development of 33 units of affordable rental housing and 10,700 square feet of commercial space (Proposed Project) on the site composed of parcels located at 11042-11052 West Washington Boulevard (APN 4213-007-001) (Developer property) and 11054-11056 West Washington Boulevard (APN's 4213-007-900, 4213-007-901) (Agency Property) and;

3. Approve a Purchase Option Agreement for the acquisition of Agency-owned property located at 11054-11056 West Washington Boulevard. (APN's 4213-007-900,4213-007-901) (Agency Property) by the Developer for the purchase price of $3,400,000.

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BACKGROUND

On March 17, 2008, the Agency Board reviewed and approved implementation of Years 1 and 2 of the Comprehensive Housing Strategy (CHS). The CHS identifies housing sites and development costs and allocates monies from the Housing Set Aside Fund to improve the City's affordable housing stock and meet housing production requirements under the Regional Housing Needs Assessment (RHNA) [1]

The housing production sites approved for implementation during Years 1-2 of the CHS includes the Agency-owned site located at 11054-11056 West Washington Boulevard.

Proposed Project

The Developer submitted an unsolicited proposal dated May 10, 2010, for acquisition and development of 11042-11056 West Washington Boulevard. The Proposed Project consists of a 3-story, 35-foot high, mixed use building with 10,700 square feet of ground floor commercial space and a total of 33 affordable residential units at the second and third levels. The project will provide a total of 106 parking spaces (41 surface parking spaces for the commercial visitors, employees and residential guests and 65 spaces in a one-level subterranean garage for the residential tenants).

Residential amenities include a community/recreation room, cyber library computer lab fully equipped for educational use, two large interior central courtyards with benches and tables, laundry facilities on both the second and third floors and a roof-top community garden.

The Proposed Project also includes offsite improvements including new sidewalks, street furniture and street trees. It also includes new landscaping within the medians adjacent to the site as well as various operational and circulation improvements at the adjacent intersections of Washington Boulevard including Washington Place, Tilden Avenue and Harter Avenue.

The Agency's expectation is to develop a place-making project that promotes area redevelopment and revitalization. Toward that end, staff has worked diligently over the last four months with the Developer and the community to incorporate design and revitalization programming that enhances the street and is fitting with the adjacent residential neighborhood. The Proposed Project is designed as a high quality, mixed used development with ample plazas and setbacks to provide opportunities for outdoor dining and landscaping.

The retail component is considered as important to the Proposed Project as the residential component and is designed to communicate effectively with the street and sidewalks. The retail spaces will include design features that help ensure quality retail tenants with attractive storefronts and signage. The materials, colors and textures of the building are intended to evoke quality and permanence. The building finishes include corten steel, wood, and an abundant use of glass. The building includes step backs and setbacks to create an attractive building form and provide visual interest. Clerestory windows are used to provide light to the residential units and common areas. The Agency has also programmed funds to improve the public spaces with new street furniture, crosswalks, and landscaping and will provide a commercial rehabilitation program for some of the adjacent commercial properties in order to stimulate further revitalization and reinvestment.

DISCUSSION:

The Agency entered into an Exclusive Negotiation Agreement (ENA) with the Developer on December 13, 2010.[2] The ENA is intended to provide time to negotiate a Disposition and Development Agreement (DDA) between the Developer and the Agency. Along with the ENA, the Agency Board also approved a License Agreement with the Developer to allow for the inspection and investigation of the Agency Property to determine suitability for the development.

Letter of Commitment

The DDA negotiations with the Developer include a loan commitment in the amount of $15,200,000 for the development of the Proposed Project. The total development cost is estimated to be $23,986,500. Other sources of funds to support the development of the project include a permanent loan, deferred Developer fee, and Tax Credit Equity. This commitment is contingent on the Proposed Project being awarded 9% Low Income Housing Tax Credits and is subject to the terms and conditions set forth in the Letter of Commitment.

The Agency loan is structured to include low and moderate income tax increment funds and unrestricted tax increment funds (80% funds).[3] The Agency's loan will be apportioned to fund the residential and the commercial components of the Proposed Project, respectively.

Unless otherwise agreed in writing by the Agency, in its sole discretion, the Agency's approval of this financing commitment is subject to and contingent upon the terms and conditions set forth in the attached Letter of Commitment. Further, the Agency reserves the right, in its sole discretion, to modify any of the terms, conditions or requirements set forth in the Letter of Commitment. Should the Agency Board approve this item this evening, this commitment will expire on December 31, 2011.

Purchase Option Agreement

The draft DDA also includes an option for the Developer to purchase the Agency-owned property located at 11054-11056 West Washington Boulevard for the development of the Agency Property and the Developer Property. The terms of the option are outlined in the attached Purchase Option Agreement. The termination date of the terms is December 31, 2011.

The Developer's purchase price for the Agency Property is $3,400,000. The purchase price is based upon property disposition with a 30 day escrow, and the property sale is "as is." An appraisal was conducted by Ryon and Associates on February 21, 2011.

FISCAL ANALYSIS:

The Agency loan will not exceed $15,200,000. Appropriating an additional $200,000 is recommended to fund any potential off-site/alley improvements that may be needed as part of the project. Any unused funding will be carried over to next fiscal year. The Low-and-Moderate Income Housing Set Aside Fund has a sufficient fund balance to support the Proposed Project and loan commitment.

ATTACHMENTS:

1. Letter of Commitment
2. Purchase Option Agreement
3. Tilden Terrace Renderings

MOTION:

That the Redevelopment Agency Board:

1. Approve a budget amendment appropriating $15,400,000 in Low/Moderate Income Housing Funds (55497500) to fund the Tilden Terrace project; and

2. Approve a Letter of Commitment which includes the terms and conditions of a loan in the amount of $15,200,000 to Tilden Terrace, L.P. (Developer) for the development of 33 units of affordable rental housing and 10,700 square feet of commercial space (the Project) on the site located at 11042-11052 West Washington Boulevard (APN 4213-007-001) and at 11054-11056 West Washington Boulevard (APN's 4213-007-900, 4213-007-901) and;

3. Approve a Purchase Option Agreement for the acquisition of Agency-owned property located at 11054-11056 West Washington Blvd. (APN's 4213-007-900,4213-007-901) by the Developer for the purchase price of $3,400,000.

4. Authorize the Agency General Counsel to review/prepare the necessary documents; and,

5. Authorize the Executive Director to execute such documents on behalf of the Agency.

Notes

[1] Under RHNA, over the next 7 years, the City must create 504 units of housing with 294 of those units being designated for very-low, low and moderate income households.

[2] ENA deal points identified by staff included land sale price; timing for negotiations/construction, project operations/management; definition of acceptable commercial tenants, and offsite improvements. The

ENA provided for a 120-day period to allow diligent good faith negotiations in the preparation and execution of a Disposition and Development Agreement (DDA). Approval of the DDA is scheduled to be presented to the Board on March 21, 2011. To date, the Developer has adhered to all the conditions and terms of the ENA.

[3] Low and moderate income housing funds are required to be set aside by the Agency for the purpose of increasing, improving and preserving affordable housing for low and moderate income households, pursuant to California's Community Redevelopment Law (Health and Safety Code §§ 33000, et seq., Set Aside Funds).