

City of Culver City, California
Redevelopment Agency Agenda Item Report

Meeting Date: 05/04/09		Item Number: A-2	
AGENDA ITEM: Approval of a Second Implementation Agreement with Axis Mundi RE II, LLC, for Development of the Baldwin Site (12803-23 West Washington Boulevard)			
Contact Person/Dept.: John Fisanotti		Phone Number: (310) 253-5767	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒	Attachments: ☒
Public Notification: Master E-Mail Notification List (04/29/09)			
Department Approval: Sol Blumenfeld (04/23/09)		Executive Director Approval: Jerry B. Fulwood (04/29/09)	
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (04/29/09)			

RECOMMENDATION:

Staff recommends the Culver City Redevelopment Agency ("Agency") approve the Second Implementation Agreement with Axis Mundi RE II, LLC ("Axis Mundi"), for the development of the Baldwin Site located at 12803-23 West Washington Boulevard (the "Site").

BACKGROUND:

On February 4, 2008, the Agency approved the Disposition and Development Agreement (DDA) with Axis Mundi which provides for the sale of the Site to Axis Mundi and the subsequent development of the Site by Axis Mundi. The development proposed for the Site will create: a 37,000 square foot commercial building featuring office condominiums above ground floor retail, a 39 space public parking lot to be operated in partnership with the City, underground parking for the office users, extensive environmentally friendly "green" features which incorporates the public art component into the building design. The DDA contained a Schedule of Performance, which listed tasks and dates which the parties must achieve leading to the sale and development of the Site. The Schedule of Performance required the close of escrow by December 10, 2008.

On December 8, 2008, the Agency approved an Implementation Agreement with Axis Mundi, which revised the Schedule of Performance, allowing Axis Mundi six more months to close escrow, to June 10, 2009. The revised schedule was necessary as a result of the current economic crisis. The equity investors for the project withdrew and construction financing was not available.

City of Culver City, California
Redevelopment Agency Agenda Item Report

On March 10, 2009, Axis Mundi wrote to the Assistant Executive Director to request another six month extension for the close of escrow in the Schedule of Performance. The request was made necessary because the continuing economic conditions have continued to delayed Axis Mundi's ability to secure financing for the project.

DISCUSSION:

Recent economic events have affected Axis Mundi's ability to line up the financing needed to meet its obligations in the Schedule of Performance to the DDA. Axis Mundi has requested a six month extension to the close of escrow, and staff recommends the Agency approve the request. The Second Implementation Agreement, which is enclosed in the Agenda packet as Attachment No. 1, revises the close of escrow date in the Schedule of Performance from June 10, 2009 to December 10, 2009. It is hoped that the extra time afforded Axis Mundi to close escrow will be sufficient to obtain the necessary financing in order to complete the sale and begin construction of the project.

The alternative to not approving the Second Implementation Agreement is to allow the DDA as amended to stand as is. Under this scenario, the contractual agreement between the parties will remain unchanged even though it is highly doubtful that Axis Mundi will be able to close escrow by June 10, 2009. The DDA has contingent provisions in this event, but the cost to the Agency and the potential delay could be much greater than the six month delay proposed in the Second Implementation Agreement. Should the Agency determine to not approve the Second Implementation Agreement, the probability would increase that the Agency would have to start its efforts over to market, sell and develop the Site.

FISCAL ANALYSIS:

Approval of the proposed Second Implementation Agreement does not change the financial terms of the DDA. It does give the developer more time to arrange financing and to close escrow on the purchase of the Site from the Agency. If the Second Implementation Agreement is approved, then the land sale proceeds the Agency expects to realize will be received in Fiscal Year 2009-10, which is one year later than originally expected.

Barring any further time extensions, the Agency will receive \$3.2 million in land sale proceeds no later than December 2009. In June 2007, the City loaned \$9 million to the Agency, to be repaid from land sale proceeds. The Agency has made one payment so far and the loan balance is currently \$7 million. Proceeds received from the sale of the Site are expected to be used to re-pay the loan to the City. A delay of

City of Culver City, California
Redevelopment Agency Agenda Item Report

six months will make it more difficult for the Agency to make a repayment in fiscal year 2008-09, but not approving the Second Implementation Agreement does not necessarily ensure that the land sale proceeds will be received any sooner by the Agency, and could in fact, lead to much lengthier delays in selling the property.

ATTACHMENTS:

1. Second Implementation Agreement

MOTION:

That the Redevelopment Agency:

1. Approve the Second Implementation Agreement with Axis Mundi, RE II, LLC for the development of the Baldwin Site (12803-23 West Washington Boulevard); and,
2. Authorize the Agency General Counsel to review/prepare the necessary documents; and,
3. Authorize the Executive Director to execute such documents on behalf of the Agency.