City of Culver City, California

Redevelopment Agency Agenda Item Report

Meeting Date: 05/11/09	Item Number: A-1
AGENDA ITEM: Consideration of a Modification to the Design for Development for the Fox Hills Mall.	
Contact Person/Dept.: Todd Tipton Kriss Casanova	Phone Number: (310) 253-5783 & 5769
Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master E-mail Notification List (05/06/09), Fox Hills Homeowner Association (04/08/09 and 04/29/09); Chamber of Commerce (04/29/09); all properties located within 500 feet of the site (04/08/09 and 04/29/09).	
Department Approval: Sol Blumenfeld (05/06/09)	Agency Counsel Approval: Murray Kane (05/06/09)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (05/05/09)	Executive Director Approval: Jerry B. Fulwood (05/06/09)

RECOMMENDATION:

Staff recommends the Culver City Redevelopment Agency (the "Agency") direct staff as deemed appropriate regarding the request from Westfield Corporation to modify the Westfield Fox Hills Mall Design for Development.

BACKGROUND:

Westfield Corporation acquired the Fox Hills Mall (the "Mall") in 1998 and is currently involved in a $170 million renovation that is scheduled to be complete in October 2009. The renovated Mall will total approximately 1.3 million square feet of retail space and include Target and Best Buy as anchors, specialty retailers, restaurants and a new food court.

While the Mall enjoyed success for many years, it had more recently fallen on slower times due to the introduction of newer and upgraded competing malls on the Westside, limited reinvestment by the owners, and limited freeway visibility. Currently, the Mall is somewhat isolated from the rest of Culver City as discontinuity of established streets to the north limits easy access to the rest of the City. To the southwest, the site vicinity is distinguished by the Howard Hughes Center's signage and mid- and high-rise buildings.

The Agency entered into an Owner Participation Agreement (OPA) with Westfield in December 2007 to facilitate the Mall's redevelopment and to ensure the renovation would be of the highest quality and be comprised of the best possible tenants. As a component of the renovation, Westfield proposed a Master Sign Program (MSP) in order to improve the Mall's visibility. As part of the MSP a freeway oriented sign program was proposed to create a visual gateway through enhanced visibility. The proposals made under the MSP are expected to increase patronage at the Mall, thereby increasing revenues to the Mall's various tenants and tax revenues (principally sales tax) to the City.

DISCUSSION:

Design for Development

Due to the unique nature of the Mall property, a Design for Development (DFD) was adopted by the Agency in December 2007 (attached). The DFD established additional design standards to ensure that the MSP and freeway oriented signs are appropriately designed, including addressing environmental concerns. The 2007 Agency Agenda Item Report has also been attached for reference. Signage design guidelines of the Mall were based on its unique freeway location and size as outlined in the following findings made as part of the Agency's action in December, 2007:

1. The project is 43.77 acres and is the largest commercial site in Culver City.
2. The Mall includes over one million Gross Square Feet of retail space, making it the largest retail space within the City.
3. The site is surrounded by five public streets and adjacent to the elevated 405 Freeway, the 90 Freeway and the obstructing overpass interchange between the two.
4. The project site's elevation is below the 405 Freeway and below the neighboring properties.
5. The elevation of the Mall on Sepulveda Boulevard ranges from approximately 23 feet to 30 feet below the 405 Freeway from North to South. The actual Freeway frontage with an obstructed view to the Mall is approximately 1,375 feet in length.
6. The unobstructed 405 Freeway view is framed on the north end by the three story office building located at 5995 Sepulveda Avenue and the tree blind at the Sepulveda Avenue exit at the south.
7. The elevated 405 and 90 Freeways, and overpass interchange, visually obstruct and prevent the project site from realizing its potential as a gateway to Culver City.
8. The project site is not primarily visible to freeway traffic until it has passed any viable freeway exit ramps.

The DFD considered:

1. The Mall's regional, local and neighborhood visibility, and potential negative impacts to community character;
2. The creation of signage that could be viewed by those traveling on the San Diego (405) and Marina (90) Freeways, and provides a major focal point along the Sepulveda Boulevard and Green valley Circle frontages;
3. The need to enhance a major employment center in the region, while retaining, expanding and attracting businesses that enhance the City;
4. The need to support the business community by attracting employees and visitors to the area that will frequent local stores, restaurants, and hotels;
5. The need to expand Culver City's economic base by attracting visitors to the Mall;
6. The need to expand the City's economic base through the development of underutilized property, thereby providing additional tax revenue to the City and Agency; and
7. The creation of signs that would be appropriate and compatible with the Mall.

Among other signs, the DFD regulates the installation of three freeway oriented signs (the "Vertical Signs") along the west facade of the Mall [facing the San Diego (405) Freeway]. Each of the Vertical Signs are three sided with advertising panels located on two sides facing generally opposite directions. The Vertical Signs measure 100 feet in height as measured from the adjacent finished grade with panels measuring a maximum of 60 feet in length and 35 feet in width. The overall approved sign area for each of the six, separate display panels is 2,100 square feet. Signs on the property are permitted to display a variety of graphics, photographs and lettering if it is related to merchandise sold by tenants located in the Mall. Signs cannot (1) be pole mounted, (2) be internally illuminated, or (3) include changeable copies or digitally sequenced animation.

When the Agency considered the DFD in December 2007, the critical issue related to the Vertical Signs was the height. It was necessary that the signs be tall enough to serve their purpose of commanding customer attention from the freeway, but not so tall that they intrude upon the views from surrounding residential neighborhoods. The elevation of the Mall on Sepulveda Boulevard was considered relative to the height of the Vertical Signs. The Mall elevation ranges from approximately 23 feet to 30 feet below the San Diego (405) Freeway from North to South. Thus, to be clearly seen from the freeway, at minimum the Vertical Signs need to be mounted on top of the Mall which varies in height from 46'- 10" to 57'-2".

Approximately 30 feet above grade is required to clear the Freeway elevation and 50 to 60 feet of elevation provides enough height to see the signs over a 1,000 foot distance, the minimum sight distance along mall frontage from freeway off ramps.

As prescribed by the DFD, the maximum length of the vertical sign panels is 50 to 60 feet mounted at the mall roof level which is approximately 40 feet from grade providing a maximum sign height of 100 feet.

Westfield's original MSP proposal indicated panels measuring 80 feet in length and 35 feet in width with a total height of 120 feet from grade. The Agency reduced the height of the Vertical Signs to 100 feet above grade, and thus the length of the panels was reduced from 80 feet to 60 feet (see attached plans).

Westfield DFD Modification Request

In April 2008, Westfield submitted an application for approval of a Master Sign Program for the site. The MSP conforms to the DFD, with the exception of the length of the vertical sign panel size. Westfield is requesting that the DFD be modified to increase the panel size for the Vertical Signs from 60 feet to 80 feet in length (see the attached Westfield request letter). As shown on the attached elevation drawings, three of six panels indicated as Side A, would be extended lower to allow the panel to sit flush with the building face. The left image reflects the panel size currently allowed by the DFD and the right image depicts the requested change. The sign panels would start at an elevation of 20 feet instead of 40 feet and extend upward, as previously approved, to 100 feet. No change is proposed for the sign width.

Westfield believes the additional panel area is necessary in order to maximize lease potential for the signs and to achieve the desired income levels. The requested change would adjust the size on the three sign panels to 80 x 35 feet in order to comport with Westfield's original pro forma estimate of income from six panels with that sign area.

Conclusion

The primary areas of concern regarding the freeway oriented signs relate to view and revenue impacts. It is noteworthy that the proposed additional sign area will not create additional view related impacts which was a major concern of the Agency during the DFD hearing. The additional sign area is located entirely below the freeway. Thus the proposed additional signage will only be enlarged at the bottom of the sign panel and will largely be visible to pedestrians on the adjacent streets.

The sole purpose of the additional sign area is to enhance revenues for the freeway oriented mall signs which will be shared between Westfield and the Agency. Westfield indicates that the increased signage is justified because that was the sign area upon which their original sign revenue projections were based. (See Attached OPA Exhibit K). Since no additional sign revenue is projected by Westfield, it is unclear whether the Agency participation share beyond the guaranteed base payment will be achieved. Arguably if no additional Agency revenue is projected from the increased sign area, there is no justification to increase the size of the freeway oriented signs. Westfield indicates that the sign revenues may grow over time (due to increased sign lease rates and increased demand) allowing the Agency to receive its share of sign revenues. If that is the case, the Agency may want to revisit this issue in a few years, and defer allowing the increased signage until Westfield can demonstrate that the increased sign area is justified by market conditions and demand.

As currently constructed the structural steel framing for the signage will accommodate Westfield's proposed request. Staff has required that if the steel is installed now that it must be designed to limit placement of an enlarged sign panel until the Agency approves enlarged signs. Thus, if it so chooses, the Agency may defer a decision on the enlarged sign panel installation without precluding larger signs in the future.

Alternatively, the Agency may want to approve the request if it determines that the view impacts are negligible and that the revenues generated from the signs will ultimately accrue to the Agency.

In summary the Agency options are:

1. Approve the request to amend the DFD as proposed by Westfield; or,
2. Table the decision and reconsider the Westfield's request after two years of sign operation in order to assess sign market demand and revenue at that time; or,
3. Reject the request unit it can be demonstrated by Westfield that the additional sign area will generate an increase in annual sign revenue to the Agency thus justifying the need for the expansion of the sign panels.

FISCAL ANALYSIS:

The success of the Mall is dependent upon its ability to attract customers. To the extent that the modification to the DFD helps attract new customers and expands the customer base, it supports the Mall improvement and may further achieve economic development and Redevelopment Plan goals for Component Area 1.

Additionally, if the Agency were to approve the additional signage it is likely that the enlarged panels will generate additional revenue for Westfield. As part of this proposed DFD modification, Westfield is requesting to add approximately 2,100 square feet of additional panel size area.

Pursuant to the OPA, the Agency receives a guaranteed base payment of $225,000 and an additional payment in an amount equal to 50% of the gross sign revenue received by Westfield during each calendar year. The additional payment occurs after Westfield receives a base payment of $2.2 million in revenue per calendar year. Additional sign revenue could increase revenue sharing to the Agency.

The financial partnership agreed upon for the Vertical Signs were based on Westfield installing and leasing three 80 x 35 foot panels. Westfield believes that the reduction in sign panel area will cause a delay in achieving the threshold needed for the Agency to start receiving its participation share of revenue, in which case the Agency would receive only the guaranteed $225,000 per year and no increase in revenue sharing.

ATTACHMENTS:

1. Proposed Design for Development (and attachments) as amended May 11, 2009;
2. Agency Agenda Item Report from December 2007;
3. Request from Westfield dated April 10, 2009;
4. Revised Elevation Drawings; and
5. OPA Exhibit K (Sign Revenue Sharing).

MOTION:

That the Redevelopment Agency:

1. Approve Westfield's request to modify the DFD for freeway oriented signs pursuant to the plan submittal as reviewed on May 11, 2009;

   OR

2. Table the decision on Westfield's request to modify the DFD for freeway oriented signs and reconsider the request after two years of sign operation in order to assess sign market demand and revenue at that time;

   OR

3. Reject Westfield's request until it can be demonstrated that the additional sign area will generate an increase in annual sign revenue to the Agency.

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