City of Culver City, California
City Council Agenda Item Report

Meeting Date: 05/01/06	Item Number: PH-1
AGENDA ITEM: Joint City Council/Redevelopment Agency Public Hearing for Consideration of the Sale of Property at 12801-12823 Washington Boulevard to West Culver Lofts, LLC; a Disposition and Development Agreement for the Construction of Twenty Four (24) Condominium Units and a Tentative Tract Map.	
Contact Person/Dept.: CDD (Planning/Redevelopment) Joseph Montoya, AICP, Associate Planner John Fisanotti, Project Manager Kriss Casanova, Management Analyst	Phone Number: (310) 253-5736 (310) 253-5767 (310) 253-5769
Fiscal Impact: Yes [X] No [ ]	General Fund: Yes [ ] No [X]
Public Hearing: [X] Action Item: [X]	Attachments: [X]
Public Notification: Notices mailed (03/20/06) and updated (04/03/06) to all property owners and occupants within a 300 foot radius of the site, extended to the end of the city block; courtesy notices were mailed to the Downtown Business Association, Culver City Homeowner Association, Culver City News, Culver City Observer, Culver City Chamber of Commerce, Planning Commission, City Council, East Culver City Neighborhood Alliance, Culver City Homeowners Association, City of Los Angeles Public Works and Planning Departments, individuals listed to receive all notices, various City personnel, and emailed to the Master Notification List (03/22/06), updated (04/10/06). The site was posted (03/26/06), updated (04/05/06). Published in the Culver City News (04/13/06), (04/20/06) and (04/27/06), and a copy of the proposed DDA and Summary Report have been available at City Hall for public inspection since 04/13/06.	
Department Approval: Susan Evans (04/20/06)	CAO Approval: Jerry B. Fulwood (04/26/06)
City Controller Approval: Marlee Chang (04/26/06)	

RECOMMENDATION:

Staff recommends that the City Council (the "Council"):

Approve the sale of 12801-12823 Washington Boulevard (the "Property") purchased by the Agency with tax increment funds to West Culver Lofts, LLC, (formerly Urban Equity Partners, LLC) pursuant to Section 33433 of the California Health and Safety Code by approving the draft City Council Resolution No. 2006-R_____ (Attachment No. 1); and

Approve Tentative Tract Map No. 65473, TTM P-2005012, subject to the recommended conditions of approval as outlined in the draft City Council Resolution No. 2006-R____ (Attachment No. 2); and

Staff recommends that the Culver City Redevelopment Agency (the “Agency”):

Approve a Disposition and Development Agreement (“DDA”) between the Agency and West Culver Lofts, LLC, (Attachment No. 3) for the sale and subsequent development of 12801-12823 Washington Boulevard by approving Draft Agency Resolution No. 2006-A___ (Attachment No. 4); and

Approve the preliminary development plans (Attachment No. 5) for the construction of twenty four (24) condominium units [twelve (12) live/work and twelve (12) residential lofts (the “Project”)] to be known as the West Culver Lofts, and determine that the Project is consistent with the Redevelopment Plan for Component Area No. 4 of the Culver City Redevelopment Project.

PROCEDURE:

1. A. Mayor requests the Chair to convene the Agency Meeting.
   B. Chair convenes the Agency meeting, turns the meeting over to the Mayor and requests the Mayor to conduct the joint public hearing.
2. Mayor seeks motion from Council to receive and file the affidavits of mailing, publication and posting of notices, and correspondence received in response to the public hearing notices.
3. Chair requests a similar motion from the Agency.
4. Mayor calls for a staff report and/or poses questions to staff as desired.
5. Mayor opens the public hearing.
6. Chair inquires of the Agency Secretary whether any correspondence was received regarding the proposed disposition of real property.
7. Mayor seeks motion to close the City Council public hearing after all audience testimony has been presented.
8. Chair seeks motion to close the Agency public hearing after all audience testimony has been presented.
9. Redevelopment Agency discusses the Disposition and Development Agreement, and arrives at its decisions.
10. City Council discusses the Disposition and Development Agreement, and arrives at its decisions.

BACKGROUND:

Efforts by the Agency to fight blighting influences in the West Washington Boulevard area began with the addition of the West Washington area as part of Component Area No. 4 to the Culver City Redevelopment Project in 1998. Later, a series of community workshops were held in 2002 to address blighted properties and create catalysts for future development. Accordingly, on November 17, 2003, the Agency authorized staff to solicit proposals for the development of the Property.

On September 20, 2004, the Agency selected Urban Equity Partners, LLC (the "Developer") and entered into a 270-day Exclusive Negotiation Agreement (the "ENA") for the development of the Property. The ENA was extended once, for an additional 90 days. The ENA was a precursor to a Disposition and Development Agreement. Although the ENA expired, staff continued to work with the Developer to finalize the terms of the DDA.

Concurrent with the Developer negotiations, staff conducted efforts to acquire the necessary parcels from the existing owners. Between March 2005 and January 2006, all parcels comprising the 0.55 acre Property were acquired by the Agency. Existing uses on the Property were a 15-unit motel (The Baldwin Motel), two four-unit apartment buildings, and three commercial businesses (Mario Bros. Market, Marv & Mary's Bar and Cora's Restaurant).

The Agency has relocated 11 residential tenants and two businesses (the Baldwin Motel and Mario Bros. Market). Advisory letters were provided to the other two businesses that closed before the Agency acquired the property. Presently, three of the four structures have been demolished with the remaining commercial building expected to be demolished in June or July of 2006.

The execution of the DDA will allow the Developer to acquire the Property and develop and improve the Property with a newly constructed residential development consisting of a mixture of live/work units and residential loft units.

Prior to execution of the DDA, the Developer was required to obtain all necessary entitlements to construct the Project. On February 22, 2006, the Planning Commission adopted Resolution No. 2006-P005 (Attachment No. 6) conditionally approving Site Plan Review, SPR P-2005012, and Tentative Tract Map No. 65473, TTM P-2005014, for the construction of twenty four (24) condominium units [twelve (12) live/work and twelve (12) residential lofts]. Please refer to the February 22, 2006, Planning Commission Staff Report (Attachment No. 7), and the Draft Minutes of this meeting (Attachment No. 8) for more detailed project information, including a locality map and aerial photo.

Pursuant to Section 33433 of the California Health and Safety Code (California Redevelopment Law), notice of tonight's public hearing was published in The Culver City News on April 13, 20, and 27, 2006 (Attachment No. 9). Since April 13, 2006, a copy of the proposed DDA and Summary Report (Attachment No. 10) has been available for public review in the Redevelopment Agency's office.

DISCUSSION:

Scope of Development

The Project is a live-work and residential project featuring “loft-style” condominium dwelling units. The proposed project includes a total of 24 units of residential condominiums (the “Units”). Of the 24 Units, 12 include a ground floor suite allocated as work-space facing Washington Boulevard (these 12 Units represent the live/work units). The estimated gross building area is approximately 38,000 gross square feet (GSF) constructed in three levels up to 35-feet above grade. Fifty-seven (57) off-street parking spaces are located within the building’s enclosed first-floor parking area. The project is consistent with the General Plan Land Use Element General Corridor land-use designation and meets the development standards of the redevelopment project overlay zone and mixed-use (CCMC 17.400.065) and live/work standards (CCMC 17.400.060).

Elimination of Blight

The Agency's objectives in acquiring the Property for redevelopment were to convert deteriorating and incompatible land uses into one larger parcel to facilitate the development of the highest and best use for the Property. Due to the physical limitations of the individual properties, such as limited depth and inadequate parking, developers expressed little interest in the area. In order to create a feasible, more economically viable development site, consolidation by the Agency of the entire block was necessary.

Through a coordinated program of new construction, rehabilitation, and supportive land uses, the Redevelopment Plan goals and the AB 1290 Implementation Plan goals of eliminating blight and incompatible land uses will be accomplished by the Project. The redevelopment of the Property represents the Agency’s first visible effort that was initiated with the expansion of the Redevelopment Project into the western extension of Culver City.

Section 200 of the Redevelopment Plan for Component Area No. 4 of the Culver City Redevelopment Project contains the following statement:

> *“The overriding objective of this Plan is to provide for the elimination or alleviation of blighting conditions by providing needed public improvements, and mitigating the effects of inadequate or obsolete design, irregularly shaped and inadequately sized lots, stagnant property values, and economic maladjustment in the Component Area.”*

The proposed Preliminary Development Plan, which the Planning Commission approved as SPR P-2005012, is consistent with the objective statement in the Redevelopment Plan for Component Area No. 4.

Affordable Housing

As new residential units are constructed in Component Area 4, California Redevelopment Law requires that the Agency ensure that 15% of the units be affordable to low- and moderate-income households, and of that amount, at least 40% must be affordable to very-low-income households. The Project as proposed will only offer the Units at market rate. Staff recommends that the Agency meet its affordable housing production obligation by other, more cost effective means, off-site from the Project.

Disposition and Development Agreement (DDA)

The Agency and the Developer have developed plans and negotiated a pending transaction to convey the Property from the Agency to the Developer. The Developer will pay $3,000,000 to the Agency to purchase the real property. The sale price was determined from an appraisal of the Property. The Agency's appraiser, Lea & Associates, determined that the value of the cleared site, if developed as the 24 unit West Culver Lofts project would be $3,000,000. As such, the Agency is selling the property, without subsidy, at fair market value. The Agency's costs to implement the proposed DDA include the cost of the acquisition of the land and improvements (real property), clearance costs, property management costs (i.e. security, utilities, maintenance), relocation costs, and consultant and/or staff services required for the acquisition, clearance and development planning phases. These costs are further detailed in the Summary Report.

A summary of the major terms of the proposed DDA are as follows:

- The Developer: To construct the project, the Developer formed West Culver Lofts, LLC, a single asset LLC. West Culver Lofts is a Delaware limited liability company.

- Schedule of Development: Construction is scheduled to commence July 2006 and should be completed within twelve to eighteen months.

- Payment for the sale of the Property from the Agency to the Developer shall be as follows: Developer shall make an initial payment of $600,000 in escrow and sign a Note and Deed of Trust in favor of the Agency for the remaining sale price of $2,400,000. The Agency Loan shall bear interest at the rate of three and one-half percent (3.5%) per annum, compounded annually. The first principal payment of $300,000 will be due and payable when building permits are issued by the City for the Project. Thereafter, all payments will be applied first to outstanding accrued interest, and then to principal. Thereafter, principal payments of $87,500 plus accrued and outstanding interest shall be made to Agency upon the close of escrow for the sale of each residential unit.

Tentative Tract Map

The State Subdivision Map Act and Culver City Municipal Code (CCMC), Chapter 15.10, regulate the subdivision of land. Among numerous objectives, the tract map process allows the City to review the proposed subdivision to ensure necessary improvements and dedications for streets and parkland requirements are provided. The process also ensures the reservation of required easements and assures those easements are maintained. The Engineering Division of the Public Works Department has reviewed the proposed subdivision and found it to be in compliance with all applicable State and local regulations.

The Planning Commission has conditionally approved and recommends that the City Council approve the tentative tract map based on the findings pursuant to CCMC Section 15.10.265, Findings, as outlined in Planning Commission Resolution No. 2006-P005 and draft City Council Resolution No. 2006-R____ (Attachment No. 2).

CCMC Section 15.10.755 requires the developer of condominiums to dedicate parkland or pay a fee in-lieu thereof. Because there is no parkland proposed as part of the Project, the in-lieu fee is required. Under CCMC Section 15.10.765, the parkland fee is based on a formula designed to provide three (3) acres of parkland property for each one thousand (1,000) persons and based on density and land value factors.

The in-lieu parkland dedication fee shall be based on the fair market value of providing 0.144 acres (6,273 square feet) of parkland as determined by a written appraisal report of the land value, approved by the City and dated no more than six (6) months prior to payment of the in-lieu fee for the twenty four (24) condominium units. Final calculations will be based upon the required appraisal.

To implement the CCMC and stated policies regarding the in-lieu fee, staff is recommending that the City Council impose the applicable condition on its approval of the tentative tract map. The condition is included in the draft City Council Resolution (Attachment No. 2).

Environmental Determination

Pursuant to the California Environmental Quality Act (CEQA) (California Public Resources Code Section 21000 et seq.: "CEQA"), the State CEQA Guidelines (Title 14, California Code of Regulations Section 15000 et seq.), and procedures adopted by the City and the Agency relating to environmental evaluation of public and private projects, the Planning Division completed an Initial Study and filed a Mitigated Negative Declaration (MND) which identifies and analyzes the potential environmental impacts associated with the Project. The Planning Commission (as the Lead Agency) found that the Project would not result in significant adverse environmental impacts provided certain mitigations are incorporated, and adopted the MND February 22, 2006. The MND containing the Initial Study and mitigation measures is included in the February 22, 2006, Planning Commission staff report. No additional environmental analysis is required under CEQA.

FISCAL ANALYSIS

Redevelopment of the Property is intended to enhance the area by removing blighted property and to act as a catalyst to stimulate private development to the area. The proposed DDA requires the Agency to sell the Property to the Developer for the near-term development of the Project. The Agency costs are estimated at $4,237,321 and the Agency revenues (the sum of the land sales proceeds from the Developer and rent from tenants) are estimated at $3,026,547. The resulting net Agency costs total $1,210,774. The proposed Agreement implements the goals of the Redevelopment Plan for Component Area No. 4 by facilitating the appropriate redevelopment of underutilized sites with a residential live-work project.

ATTACHMENTS:

1. Draft City Council Resolution No 2006-R____ approving the Sale of the Property.
2. Tentative Tract Map No. 65473 file dated February 13, 2006.
3. Draft City Council Resolution No. 2006-R____ approving Tentative Tract Map No. 65473, TTM P-2005014.
4. Proposed Disposition and Development Agreement By and Between the Agency and West Culver Lofts, LLC (with 14 Attachments).
5. Draft Agency Resolution No 2006-A____ approving the Disposition and Development Agreement.
6. Preliminary Development Plans.
7. February 22, 2006, Planning Commission Resolution No. 2006-P005.
8. February 22, 2006, Planning Commission staff report.
9. Draft Minutes Excerpt from February 22, 2006, Planning Commission Meeting.
10. Public Hearing Notice.
11. Summary Report Pursuant to Section 33433.

MOTION:

That the Culver City City Council:

1. Adopt Resolution No. 2006-R__ approving the sale of 12801-12823 Washington Boulevard purchased by the Culver City Redevelopment Agency with tax increment funds to West Culver Lofts, LLC (formerly Urban Equity Partners, LLC) pursuant to Section 33433 of the California Health and Safety Code; and

2. Adopt Resolution No. 2006-R__ approving Tentative Tract Map No. 65473, TTM P-2005014, subject to the recommended conditions of approval as outlined herein.

And that the Culver City Redevelopment Agency:

1. Adopt Resolution No. 2006-A__ to approve a Disposition and Development Agreement between the Culver City Redevelopment Agency and West Culver Lofts, LLC for the sale and subsequent development of 12801-12823 Washington Boulevard; and

2. Determine that the Preliminary Development Plans for the Construction of Twenty Four (24) Condominium Units [Twelve (12) Live/Work and Twelve (12) Residential Lofts] to be located at 12801-12823 Washington Boulevard are consistent with the Redevelopment Plan for Component Area No. 4 of the Culver City Redevelopment Project.