

City of Culver City, California
Agenda Item Report

Meeting Date: 02/13/12

Item Number: A-5

CONTINUED CITY COUNCIL AGENDA ITEM: (1) Approval of a Commitment Letter with Regency Centers for the Sale and Redevelopment of City Owned Property at the Northerly Corners of the Washington Boulevard and Centinela Avenue Intersection, and (2) Approval of a Professional Services Agreement with International Parking Design to Design, Bid, and Oversee Construction of a Public Parking Structure to Satisfy the Parking Requirements of the Washington Boulevard/Centinela Avenue Market Hall Project.

Contact Person / Department:

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Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Public Hearing: ☐

Action Item: ☒

Attachments: ☒

Commission Action Required: Yes ☐ No ☒

Date: _____

Public Notification (E-Mail) Redevelopment Agency Projects (02/09/12); (E-Mail) Meetings and Agendas – City Council and Redevelopment Agency (02/09/12); (E-Mail) The Advisory Committee on Redevelopment (02/09/12); (E-Mail) Members of the public who attended the August 20, 2011 Open House and August 31, 2011 community meeting and/or pulled speaker cards on the topic (02/09/12); The Culver West Neighborhood Association (02/09/12); (E-Mail) The Herbert Street Homeowners Association (02/09/12); (E-Mail) The Culver Triangle Neighborhood Association (02/09/12); (E-Mail) Walker Parking, Kimley Horne and International Parking Design (02/09/12); (E-Mail) Red Barn/Regency Centers (02/09/12).

Department Approval:

Sol Blumenfeld: (02/08/12)

City Attorney Approval:

Carol Schwab (by H. Baker) (02/09/12)

City Special Counsel Approval:

Murray Kane: (02/08/12)

Chief Financial Officer Approval:

Jeff Muir (02/09/12)

City Manager Approval:

John M. Nachbar (02/09/12)

RECOMMENDATION:

Staff recommends the City Council

- 1.) Approve a Commitment Letter with Regency Centers Acquisition, LLC (Regency) for the sale of City owned property located on the northeast and northwest corners of the Washington Boulevard and Centinela Avenue intersection (Property) for development of a Market Hall (the Project); and,
- 2.) Approve a professional services agreement with International Parking Design for the design and preparation of construction documents for a public parking structure at the northwest corner of the Washington Boulevard and Centinela Avenue intersection to provide public parking and satisfy required parking for the Market Hall project pursuant to the Culver City Municipal Code.

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BACKGROUND:

In 2007, the Culver City Redevelopment Agency (Agency) acquired the Property, which is approximately 72,758 sq. ft. in area.

On June 27, 2011, the City Council/Agency Board approved redevelopment of the Property as a 33,250 sq. ft. Market Hall with specialty retail and artisanal food vendors in a uniquely designed Market Hall¹. The Market Hall will be a place-making development that will complement efforts to improve West Washington Boulevard and has been embraced by the community. A low rise public parking structure (1.5 – 2 stories) will also be constructed by the City to provide parking for the project and the commercial area. (See Attachment No. 1).

On June 27, 2011 and September 26, 2011, the City Council/Agency Board authorized issuance of a Request for Proposals (RFP) to secure a firm to design, bid and oversee construction of the parking structure

On January 30, 2012 the City Council authorized entering into a Commitment Letter with Lab Holding LLC to sell the Property and develop the Market Hall. Included as an attachment to the January 30, 2012 staff report were copies of both responses received to the RFP: one from Lab Holding, LLC and the other from a partnership between The Red Barn Company and Regency Centers.

The City and Lab Holding could not consummate the agreement, and staff proceeded with negotiations with the remaining respondent. Red Barn/Regency agreed to the same terms and conditions outlined in the City's proposed Commitment Letter to Lab Holding LLC. (See Attachment No. 2)

On February 6, 2012, the City Council considered a commitment letter with Red Barn/Regency. During consideration of this item, the City Council received public comment that raised concerns about Red Barn and Red Barn's involvement in a project in the City of Hercules (located in Northern California). The City Council also received comment from Mr. Robert Mayhew of Community Companies, who represented both Community Companies and Regency Centers.

Based upon the concerns raised, the City Council determined to not take action on this item until this evening which would allow staff to perform further investigation regarding the concerns voiced and to further clarify the proposed parties to the Commitment Letter.

DISCUSSION:

As part of its further investigation, staff contacted references from Community Company located in Hawaii and Arizona. Mr. Jim Moffat, the owner of The Living Food & Market Café located in Hawaii, was listed as a Community Company

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reference. Mr. Moffat indicated that Mr. Mayhew was a great help in convincing financiers to support their project and in securing project tenants. Mr. Mayhew was described as being a high energy "idea man" who was a good communicator.

Mr. Steve Rosenstein, another Community Company's reference, indicated that in his Duce project (located in Phoenix, Arizona), Mr. Mayhew acted as a business advisor on the unique concept and was relied upon for his retail development experience. The Duce project consists of retail, restaurant and fitness center uses located in a rehabilitated historic building.²

Information on Red Barn's Relationship with the City of Hercules

In 2010, the City of Hercules entered into an agreement with Red Barn to develop a Town Center project and decided to pursue a smaller, interim project due to the softening economy. The interim project involved the installation of temporary buildings and landscaping for a market hall as a place holder until the larger project could be constructed. The interim market hall was eventually built and successfully operated. At the time, the City apparently entered into poorly drafted agreements with the developer that allowed wide latitude to develop the project and did not include a Schedule of Performance in its agreement with the developer.

In addition to the seeming deficiencies in the agreement between the City and Red Barn, the City of Hercules was experiencing political and administrative instability. Since 2010, the City Council determined to release the City Manager (amidst allegations of impropriety) and three Council Members were the subject of successful recall. The interim project remained as economic conditions did not improve enough to allow the Town Center project to move forward.

Staff wants to clarify that Red Barn's participation in this project, as reiterated by Mr. Mayhew during his public comment, is as an architectural and placemaking consultant. Such role is minor. As noted below, the Commitment Letter under consideration by the City Council this evening is between the City and Regency Centers Acquisition, LLC. Upon consummation of the Commitment Letter, Regency Centers Acquisition, LLC will be legally obligated to the City to perform the duties required therein.

Regency Commitment Letter:

The proposed Commitment Letter with Regency Centers Acquisition, LLC includes the following terms:

1. A land offer of \$1,278,950, plus an additional \$1,134,000 (a total of \$2,412,950) and \$684,000 for offsite improvements including neighborhood traffic calming measures (See Attachment No. 3); and

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- \$250,000 for aerial utility relocation related to the 217-space parking garage and Market Hall; and
2. \$200,000 for construction management fees for the public parking structure at no cost to the City.
 3. Agrees to construct the Market Hall as outlined in the RFP and agrees to hire JRDV Architects, the firm who prepared the conceptual plans and preliminary design studies.
 4. Provides 47 additional parking spaces for community commercial parking.
 5. Regency agrees to pay prevailing wages for Project construction.

Public Parking Structure:

The City will design and construct the parking structure at City expense and retain ownership. The City's participation in the Market Hall parking provides a method to leverage the development the City is seeking. The Property will be subdivided in order to create two parcels; one will be occupied by the parking structure and the other occupied by the Market Hall. The parking structure will provide 170 code-required parking spaces for the Market Hall and 47 additional public parking spaces for patrons of surrounding businesses.

In order to identify a firm to design the structure and prepare plans and specifications, staff issued a Request for Proposal to Walker Parking, Kimley-Horne and International Parking Design (IPD). The responses from each firm are attached (See Attachment No. 4). Staff is recommending executing an agreement with IPD as they are the lowest qualified bidder and have significant overall qualifications/experience. The cost to provide the requested services is as follows:

Firm:	Cost:
IPD ³	\$329,700
Kimley-Horne	\$735,000
Walker Parking Consultants	\$335,000

The parking structure will require an environmental analysis, entitlements and construction drawings which will take approximately 9 months to complete. Construction of the parking structure will take approximately one year. The public will participate in the entitlement process and there will be public outreach meetings with the neighborhood prior and during project construction.

In the event that the Market Hall project is delayed or the City cannot successfully consummate a final Development Agreement with the developer at this time, staff is recommending that the City proceed with the parking structure as a method to both secure the property and to ensure that future development comports with the City's plans for the Market Hall site. The project will also provide additional parking for the revitalization that is underway on West Washington Blvd. Staff has retained JRDV architects which provided preliminary parking structure design and site planning

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services to ensure the two projects are compatible. Any future development of the site will require code required parking in the City's parking structure thus enabling the City to ensure that future development on the private parcel is satisfactory to the City. Following construction the parking structure, it will be conveyed to the Parking Authority for on-going operation.

FISCAL ANALYSIS:

In order to construct a financially feasible Market Hall Project, the City's financial consultant, Keyser Marston Associates (KMA) recommends constructing an above grade Parking Structure. KMA further believes the parking structure must be publicly funded (using Agency bond proceeds) due to the soft retail and restaurant markets, recovering financial markets and excessive cost to construct subterranean parking.

Approximately \$5 million in tax-exempt bond proceeds have been allocated to design and construct the 217-space Parking Structure.

ATTACHMENTS:

1. Parking Structure Height Graphic
2. Proposed Commitment Letter
3. Off-Site Public Improvements
4. IPD, Walker Parking and Kimley-Horne Proposals

MOTION:

That the City Council:

1. Approve a Commitment Letter with Regency Centers Acquisition, LLC for the sale and subsequent development of the northerly corners of the Washington Boulevard and Centinela Avenue intersection for construction of a Market Hall project pursuant to Section 33433 of the Health and Safety Code; and
2. Approve a professional services agreement with International Parking Design to design, bid and oversee construction of a City-owned Parking Structure comprised of approximately 217 spaces on the northwest corner of the Washington Boulevard and Centinela Avenue intersection; and
3. Authorize the City Attorney/City Special Counsel to review/prepare the necessary documents; and

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4. Authorize the City Manager to execute the such documents on behalf of the City, and to issue interpretations, waive provisions, enter into amendments on behalf of the City, and to sign all such other documents and instruments necessary to implement and carry out the agreement on behalf of the City in such form as is reasonably acceptable to the City Manager.

NOTES:

¹The Market Hall is comprised of two sites of similar design that are constructed concurrently:

Site A: A market hall with high ceiling and/or mezzanine space comprised of approximately 21,250 square feet of building area on a 31,422 square feet parcel with public plaza frontage. The remaining 21,600 sq. ft. will remain City property to construct the public parking structure.

Site B: Additional high ceiling and/or mezzanine market hall or other related retail/restaurant uses comprised of 12,000 square feet of building area on a 19,736 square feet parcel with public plaza frontage.

² <http://theducephx.com/>

³IPD designed all three of the City's downtown parking structures.