City of Culver City, California

Agenda Item Report

Meeting Date: 01/30/12	Item Number: J-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Approval of a Commitment Letter with Lab Holdings LLC for the Sale and Redevelopment of City Owned Property at the Northerly corners of the Washington Boulevard and Centinela Avenue Intersection	
Contact Person / Department: Joe Susca/CDD Todd Tipton/ CDD	Phone Number: (310) 253-5763 (310) 253-5783
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – City Council; (E-Mail) Redevelopment Agency Projects (01/27/12); (E-Mail) Meetings and Agendas – Redevelopment Agency (01/27/12); (E-Mail) The Advisory Committee on Redevelopment (01/12/12); (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 (01/12/12); The Culver West Neighborhood Association (01/12/12); (E-Mail) The Herbert Street Homeowners Association (01/12/12); (E-Mail) The Culver Triangle Neighborhood Association (01/12/12); (Newspaper) A public notice was published in the January 19 and 26, 2012 editions of the Culver City News; (U.S. Post) A public notice was mailed to businesses, residents, and property owners in excess of a 500' radius of the site (01/12/12); (E-Mail) Lab Holdings LLC and Red Barn/Regency Centers (01/26/12).	
Department Approval: Sol Blumenfeld: (01/25/12)	City Attorney Approval: Carol Schwab (by H. Baker) (01/25/12) Agency General Counsel Approval: Murray Kane: (01/25/12)
Chief Financial Officer Approval: Jeff Muir (01/26/12)	City Manager/Executive Director Approval: John M. Nachbar (01/26/12)

RECOMMENDATION:

Staff recommends the City Council approve a Commitment Letter with Lab Holdings LLC for the sale of City owned property located on the northeast and northwest corners of the Washington Boulevard and Centinela Avenue intersection (Property) pursuant to Section 33433 of the California Health and Safety code for development of a Market Hall.[1]

BACKGROUND:

In 2007, the Culver City Redevelopment Agency (Agency) acquired the Property, relocated business and residents that had resided on the site, demolished existing improvements, and performed ground water remediation in anticipation of development at a cost of $12,831,000.[2] The Property 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, artisanal food vendors selling products such as cheeses, charcuterie, baked goods, confections, wine and locally grown produce in a unique, attractively designed market hall (Market Hall)[3]. The Market Hall concept will be a character defining feature of the area and will culminate efforts of the City Council/Agency Board to improve the westerly portion of Washington Boulevard. The Market Hall design was discussed with the community during numerous meetings and has been embraced as the preferred project.

On September 26, 2011, the City Council/Agency Board authorized issuance of a Request for Qualifications (RFQ) to solicit developers for the Market Hall and a Request for Proposals (RFP) to secure a firm to design the Parking Structure to meet the Market Hall's parking needs and to provide additional public parking spaces for patrons of surrounding businesses.[4] The RFQ was sent to nine developers and on November 9, 2011 proposals were received from Red Barn in partnership with Regency Centers (Red Barn) and Lab Holdings LLC. The developers were evaluated and determined to be qualified by staff and both were invited to respond with a proposal. (See Attachment No.1)

DISCUSSION:

The Supreme Court of California upheld AB X1 26 on December 29, 2011, eliminating redevelopment agencies statewide effective February 1, 2012. Staff proceeded with an abbreviated process to select a developer for Washington/Centinela and issued a letter requesting land offers and confirming whether the developers were willing to construct the thoroughly vetted Market Hall plans prepared by the City to study development of the site as described in detail in the RFP/RFQ process. (See Attachment No. 2)

The City will design and construct the related 217-space public parking structure at City expense to accommodate project and commercial area parking needs. The City would retain ownership of the parking garage and process a parcel map to establish ownership of the private Market Hall and the public garage. In addition to providing code required parking for the Market Hall, the garage includes 47 additional public spaces.

Staff determined that the Lab Holdings offer was superior. A January 19, 2012 appraisal valued the Property at $4,710,000.

Lab Holdings Commitment Letter:

The proposed Commitment Letter with Lab Holdings includes the following terms:

1. A land offer of $1,278,950, plus an additional $1,134,000 (a total of $2,212,950) for the following costs:
    a. $684,000 for offsite improvements including neighborhood traffic calming measures (See Attachment No. 3); and
    b. $250,000 for aerial utility relocation related to the 217-space parking garage and Market Hall; and
2. 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.
3. Provides 47 additional parking spaces for community commercial parking.
4. Lab Holdings agrees to pay prevailing wages for construction of the Market Hall and parking garage.

Keyser Marston Associates (KMA) believes Lab Holdings land offer is reasonable due to the inclusion of the extraordinary costs noted above, because the high-end design carries significant cost premiums and because Lab Holding's proposal assumes lower per square foot revenues than the KMA analysis. KMA believes the lower per square foot revenues are reasonable due to Lab Holding's experience with retail leasing for this type of development.

FISCAL ANALYSIS:

Approximately $5 million in tax-exempt bond proceeds will be used to construct the 217 space public parking garage.

The City will receive one-time land sale proceeds in the amount of $1,278,950. In addition to land sale proceeds, the General Fund is anticipated to receive $63,000 annually from sales tax, business gross receipts tax, and utility user's taxes.

ATTACHMENTS:

1. Proposals by Developers
2. Letter To Qualified Developers
3. Off-Site Public Improvements
4. Commitment Letter
5. Summary Report Pursuant to Section 33433 of the California Health and Safety Code.
6. Public Notices

MOTION:

That the City Council:

1. Approve a Commitment Letter with Lab Holding 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; and

2. Authorize the City Attorney and City Special Counsel to review/prepare the necessary documents; and

3. Authorize the City Manager to execute the Commitment Letter 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:

[1]The Agency and the City entered into a Cooperation Agreement dated January 15, 2011, as amended on February 22, 2011 and March 7, 2011 (collectively the “Cooperation Agreement”). In furtherance of the Cooperation Agreement and to achieve important public purposes, the Agency has conveyed the Washington/Centinela property and other Agency-owned properties to the City and has transferred the Agency’s cash accounts to the City to carry out the duties and obligations of the Agency (without resulting liability to the City), devoid of relieving the Agency of its duties and obligations to fulfill the goals and objectives of the Redevelopment Plan for Component Area No. 4.

[2]Through an Agency agreement, Shell paid 100% of the cost to clean up the groundwater and soil contamination. The L.A. County Regional Water Quality Control Board subsequently issued a Polanco Redevelopment Act Closure Letter that provides immunity from liability to the Agency and any subsequent buyer of the property. The northeast corner is now clean and ready to be developed.

[3]The Project 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.

[4]In order to address the high cost of Project parking, staff and the Agency’s financial consultant, Keyser Marston Associates (KMA) recommend constructing an above grade parking structure at the rear of the northwesterly site. KMA further believes the parking structure must be funded by the Agency in order to make the Project financially feasible due to the soft retail and restaurant markets, recovering financial markets and excessive cost to construct subterranean parking.