City of Culver City, California

Agenda Item Report

Meeting Date: 01/30/12	Item Number: J-5
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: PUBLIC HEARING – Adoption of a Resolution Approving a Disposition and Development Agreement for the Sale of City Owned Property Located at 9300 Culver Boulevard to Combined Properties Inc. / Hudson Pacific Properties Inc.	
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 [] No [X]
Public Hearing: [X] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date:
Public Notification (E-Mail) Redevelopment Agency Projects (01/12/12); (E-Mail) Meetings and Agendas – City Council (01/26/12); (E-Mail) The Downtown Business Association (01/12/12); (E-Mail) The Advisory Committee on Redevelopment (01/12/12); (E-Mail) The Gateway Neighborhood Association (01/12/12); (E-Mail) Combined Properties Inc. / Hudson Pacific Properties Inc. (01/12/12); (E-Mail) The Downtown Neighborhood Association (01/12/12); (E-Mail) The Culver City Chamber of Commerce (01/12/12); (E-Mail) Members of the public who attended the 11/09/10 workshop on the subject matter (01/12/12); (E-Mail) Members of the public who pulled speaker cards on the subject matter during the City Council/Agency Board meetings of 10/04/10, 02/14/11, 06/13/11, 09/12/11, 10/03/11, 10/04/11, 10/24/11 and 12/05/11 (01/12/12); (Website) The City's Parcel B Webpage (01/12/12); (Newspaper) Notice was published in the Culver City News on 01/12/12 and 01/19/12; (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); (U.S. Post and E-Mail) Rush Pacifica LLC (01/12/12).	
Department Approval: Sol Blumenfeld: (01/26/12)	City Attorney Approval: Carol Schwab (by H. Baker) (01/26/12) 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 adopt a resolution approving a Disposition and Development Agreement (DDA) with Combined Properties Inc. / Hudson Pacific Properties Inc. (Combined) to sell City property located at 9300 Culver Boulevard (Parcel B) and 2) approve the construction of extra public parking and the Town Plaza expansion.[1]

PROCEDURE:

1. Mayor seeks a motion from the City Council to receive and file the affidavits of mailing, publication and posting of notices, and correspondence received in response to the public hearing notices.
2. Mayor calls for a staff report and/or poses questions to staff as desired.
3. Mayor opens the public hearing.
4. Mayor inquires of the City Clerk whether any correspondence was received regarding the proposed disposition of real property.
5. Mayor seeks a motion to close the City Council public hearing after all audience testimony has been presented.
6. City Council discusses the matter and arrives at its decision.

BACKGROUND:

On February 14, 2011 the Agency Board and City Council approved a two-step process to select a developer for Parcel B. The first step involved issuing a Request for Qualifications (RFQ) in order to identify the most qualified firms to develop Parcel B. The second step involved issuance of a Request for Proposals (RFP) to the most qualified respondents in order to obtain the best development proposals for Parcel B.

Combined responded to the RFP with a proposal comprised of an office and retail complex of three uniquely styled contemporary buildings set on a podium of ground level retail. Stepped roof lines, setbacks, cantilevers and varying window treatment create the building form for the office which reveals as two or three buildings depending upon orientation to the project. The project materials include wood, brick, copper, colored metal panels and green glass. The development includes an “Elevated Plaza” and “Grand Stairs” that front on the adjacent Town Plaza, which are 50 feet in width, rise one story and connect at the second level with an elevated plaza, a large restaurant, retail space, stairs and offices. The project contains 115,108 square feet of gross building area and includes both conventional office and “loft-style” creative office space fronting the Elevated Plaza. The stair and plaza features are to be dedicated for public use and are intended to be used in connection with public art and performance events in conjunction with the adjacent Town Plaza (the “Project”).

On December 5, 2011, the City Council/Agency Board selected Combined as developer and directed the City Manager to negotiate a DDA for development of Parcel B consistent with the Project.

DISCUSSION:

The following summarizes the DDA terms and conditions.

DDA Terms and Conditions:

Land Payment:

1. Combined's land payment is estimated at approximately $4,022,400 reflecting certain credits and debits related to construction of expanded restrooms, building modifications in connection with public parking, extra permit fees and any potential net savings on public improvements as identified below:

   - Combined must pay permit fees for the Project set at $8.70 per sq. ft, which equates to approximately $1 million. The City will reduce the land payment by an amount equal to the difference between the permit costs actually incurred and the estimated permit cost in the RFP. ($8.70 per sq. ft. of gross building area).

   - The City may receive an increased land payment by an amount equal to any public improvement costs Combined incurs less than $350,000.

   - The City requires Combined to expand the public restrooms to accommodate public events. Accordingly, Combined's land payment will be reduced by an amount equal to the estimated costs of $65,100.

   - If the City chooses to construct the public parking, the City will reduce the land payment by the estimated costs of $62,500 to modify the building due to the garage ramp relocation.

Prevailing Wage:

1. The Project is subject to prevailing wage. Because Combined's land payment assumed union wage, the City will fund any difference between union and prevailing wage. The Agency's financial consultant Keyser Marston Associates (KMA) believes the increased cost difference between union and prevailing wage is approximately 5% to 7%. The cost difference between the two amounts will be determined through the bid process. The City will reduce the land payment by an amount equal to the bid difference. The amount is capped at $2 million, although the actual amount is anticipated to significantly less than the cap. If the prevailing wage premium exceeds the cap, the City will have the opportunity to terminate the DDA.

Parking:

1. The City will create approximately 100 public spaces beneath Town Plaza;
2. Combined will create approximately 98 spaces beneath Parcel B.
3. The City and Combined will each pay their pro rata share of the parking.

4. The City (in cooperation with Combined) will execute a contract with a parking consultant to study the Project parking and determine the most efficient and cost effective garage design. The design will provide potential connection to The Culver Studio's proposed subterranean garage if built.
5. Combined will enter into a 55-year parking license, with the option to extend up to 99-years, to provide 317 code required parking spaces in the Ince Parking Structure for employees and customers of the Project and pay the prevailing parking rates for their use.
6. Combined constructs all of the parking. The City will pay Combined a 4% construction management fee.
7. The cost of the public parking spaces will be determined by a public bidding process administered by Combined and the City.
8. Combined receives the revenue for their private parking spaces and the City receives the revenue for the public parking spaces.
9. Combined and the City fund their pro-rata share of the ongoing maintenance and operation costs.
10. The DDA includes a reciprocal easement between Combined and the City to accommodate parking access, elevators, stairs and utility access.

Elevated Plaza/Grand Stairs/Storage and Restrooms:

1. Combined and City will agree to an annual performance schedule for public events located at the Elevated Plaza/Grand Stairs.
2. A license agreement provides the City use of the Elevated Plaza/Grand Stairs for public events.
3. The City will be responsible for reimbursing Combined for such maintenance related to public events at the Elevated Plaza/Grand Stairs.
4. The City will be responsible for maintaining the public restrooms and storage area. The storage area will accommodate chairs, a stage, lighting and related public event equipment.

Tenant Control:

1. The City will approve ground-floor tenants through a pre-approved tenant list for seven years following completion of construction.

Historic Culver Sign License:

1. Combined may enter into a separate no-fee license agreement for use of the historic Culver neon sign salvaged from the Kirk Douglas Theater renovation project.

2. The sign will be restored, installed and be maintained at Combined's expense.

Town Plaza Expansion:

1. The Town Plaza expansion will be funded by the City.
2. The Town Plaza construction will be managed by Combined. Combined will be paid 4% of the construction cost as a management fee.
3. The construction cost will be determined by the bid process.
4. Combined will modify the original plans to reflect the plaza being built over a subterranean parking structure and include a ramp within the Access Road as well as other minor modifications.[2]
5. The City will be responsible for maintenance of the existing Town Plaza as well as the expanded area. It currently costs approximately $30,000 annually for utility bills, steam cleaning, and landscape maintenance for the existing Town Plaza, and its expansion will result in increasing those costs.

<u>Elimination of Blight:</u>

When the Washington-Culver Redevelopment Project No. 3 was adopted in 1975, specific problems (blighting conditions) were identified in the report to Council on the proposed Redevelopment Plan. These problems or blighting conditions that impacted the Project area are outlined in detail in the Summary Report Pursuant to Section 33433 of the California Health and Safety Code which is attached to this staff report for your review.

<u>Environmental Determination:</u>

The Town Plaza Project was considered in a Final Supplemental Environmental Impact Report (FSEIR) which was certified by the Agency on May 3, 1999. The Town Plaza Project was approved as Site Plan Review, SPR P-1999044, by Planning Commission Resolution No. 2000-P0003 on January 31, 2000. This approval was modified three times pursuant to Resolutions No. 2001-P007, No. 2002-P001, and No. 2007-P012. The Project approval totals approximately 115,108 gross square feet of building area.

The FSEIR satisfies the requirements under CEQA, the circumstances under which the FSEIR was prepared and certified have not significantly changed, and no new significant information has been found that would impact the FSEIR; therefore, no additional environmental analysis is required in connection with the proposed sale and development of Parcel B and the approval of the DDA.

The existing entitlements for the Project remain effective, and upon submittal of the schematic plans and design development plans by Combined, staff will verify that they are in substantial conformance with the entitlement.

FISCAL ANALYSIS:

The Project will generate $4,022,400 in estimated one-time land sale proceeds and $334,000 in City General Fund revenues annually. The City would receive approximately $1.1 million in one-time building permit and related fees.

The public parking is estimated to cost approximately $37,000 per space for a total of $3,700,000. The actual cost to design and construct the City's anticipated 100 public parking spaces will be determined upon conclusion of the public bidding process. The Town Plaza expansion budget is $3,243,911, which does not include redesign to accommodate the Project over a parking structure. It is expected that sufficient bond proceeds exist to fund the cost to build the public parking and the Town Plaza expansion, which must be confirmed through the public bidding process.

ATTACHMENTS:

1. Summary Report Pursuant to Section 33433 of the California Health and Safety Code.
2. January 12 and 19, 2012 Public Notice.
3. Disposition and Development Agreement.
4. City Council Resolution approving the Disposition and Development Agreement.

MOTION:

That the City Council:

1. Adopt a Resolution approving a Disposition and Development Agreement between the City of Culver City and Combined Properties Inc. / Hudson Pacific Properties Inc. for the sale and subsequent development of 9300 Culver Boulevard, including the construction of the Town Plaza Expansion in an amount not to exceed $3,243,000 and construction of extra public parking spaces in an estimated amount of $3,700,000, pursuant to Section 33433 of the California Health and Safety Code; 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 Disposition and Development Agreement 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 Culver City Redevelopment 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 Parcel B 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. 3.

[2]The existing Town Plaza was created when Washington Boulevard and Culver Boulevards were realigned in 1994 as part of the Downtown Streetscape Improvement Project. As part of its expansion, the existing plaza will be increased in size to absorb the former parking lot near the Culver Hotel and the existing western side of Washington Boulevard between Main Street and Ince Boulevard, up to its center median island.

The primary goal for the expansion is to increase the size of Downtown's existing Town Plaza. The plaza will take on a "T" shape as a result of the expansion and include a center square area that is bordered by the Property's retail/restaurant/office building, the Culver Hotel, Culver Boulevard at Main Street, and three buildings to the south owned by George Plato, Culver Studios, and Renato Romano. The expanded town plaza and center square will be better equipped to work in conjunction with the existing plaza to accommodate such uses as book fairs, fashion shows, food festivals, sporting events, audio-video presentations, outdoor dining, movies and musical performances.