City of Culver City, California

Redevelopment Agency Agenda Item Report

Meeting Date: 02/04/08	Item Number: JPH-1
AGENDA ITEM: JOINT ITEM - Public Hearing for (1)]Adoption of a Resolution Approving the Sale of Property at 12803-12823 Washington Boulevard to Axis Mundi RE II, LLC; (2) _Adopt a resolution Determining that there is no new information or substantial changes to the project analyzed in the SEIR which would warrant further environmental review and (3) Adoption of a Resolution Adoption of a Resolution Approving a Disposition and Development Agreement for the Construction of a Retail/Office Commercial Structure and Public Parking	
Contact Person/Dept.: John Fisanotti	Phone Number: (310) 253-5767
Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [X] Action Item: []	Attachments: [X]
Public Notification: Notices sent to all owners and occupants within a 300 foot radius of the site, extended to the end of the block, plus the Culver Triangle Neighborhood Association, Culver West Neighborhood Association, Herbert Street Neighborhood Association, Culver City Chamber of Commerce, Advisory Committee on Redevelopment (01/17/08); published in the Culver City News (01/17/08 and 01/24/08); Master Notification List (01/30/08).	
Department Approval: Sol Blumenfeld (01/24/08)	City Attorney/Agency Counsel Approval: Carol Schwab (by H. Baker) (01/30/08)
Fiscal Impact Review: Jeff Muir (by N. Kimball) (01/30/08)	City Manager/Exec. Director Approval: Jerry B. Fulwood (01/30/2008)

RECOMMENDATION:

Staff recommends the City Council:

(1) Approve the sale of 12803-12823 Washington Boulevard, which was purchased by the Culver City Redevelopment Agency with tax increment funds, pursuant to Section 33433 of the California Health and Safety Code, by approving City Council Resolution No 2008-R___ (Attachment No. 1).

Staff recommends the Culver City Redevelopment Agency:

(1) Determine that there is no new information or substantial changes to the project analyzed in the SEIR which would warrant further environmental review and adopt Resolution No. 2008-A___ (Attachment No. 3); and

(2) Approve a Disposition and Development Agreement (“DDA”) (Attachment No. 2) between the Agency and Axis Mundi RE II, LLC for the sale and subsequent development of 12803-12823 Washington Boulevard, by approving Agency Resolution No. 2008-A___ (Attachment No. 4).

PROCEDURE:

1. Chair requests Mayor to convene the Council meeting and to conduct a joint public hearing of the Council and Agency.
2. Mayor convenes the Council
3. Mayor seeks motion from the Council to receive and file the affidavit of publication of notice and all correspondence received in response to the public hearing notices.
4. Chair requests similar motion from the Agency
5. Mayor calls for a staff report and/or poses questions to staff as desired.
6. Mayor opens the public hearing.
7. Chair inquires of the Agency Secretary whether any correspondence was received regarding the proposed disposition of real property.
8. Mayor seeks motion to close the Council public hearing after all audience testimony has been presented.
9. Chair seeks motion to close the Agency public hearing after all audience testimony has been presented.
10. Council discusses the proposed sale of the property and arrives at its decision.
11. Agency considers the 21166 Study/Environmental Checklist and arrives at its decision.
12. Agency discusses the DDA and arrives at its decision.

BACKGROUND:

The Site consists of four contiguous properties (formerly 12803-07, 12811, 12813 and 12823 Washington Boulevard) encompassing the block between Meier Street and Moore Street. The rear of the site is bordered by an alley in the City of Los Angeles. The site has 24,100 gross square feet, with a net developable area of 23,947 square feet. The Agency acquired the four properties during 2005-2006, and expended $4.4 million on acquisition, relocation, demolition and various administrative costs to convert this once blighted block into a development opportunity.

On May 1, 2006, the Agency authorized execution of a Disposition and Development Agreement with the West Culver Lofts, LLC, to develop the Site into a 24 unit mixed use project. However, on October 30, 2006, the Agency's Disposition and Development Agreement with the developer terminated when certain conditions were not satisfied by the time frame in the schedule of performance.

In January 2007, the Agency issued a new *Request for Proposal* to develop the Site and received eight proposals. These eight were then narrowed down to a short list of five, all of whom were asked to submit revised offers for the land purchase price. Of the five short listed proposals, the one from James Suhr & Associates, LLC ("Suhr") was considered to be most responsive. The two principals in this endeavor are the team of James Suhr and Walter Marks III, the latter is a major property owner in Culver City and developed the highly successful "Helms" site. Suhr's proposed project is an office condominium structure with some ground floor retail space and public parking. Discussions between staff and Suhr led to Suhr submitting a revised design for the project.

On September 17, 2007, the Agency authorized staff to negotiate a DDA with Suhr based upon the revised design and revised purchase price offer. Suhr and Marks have subsequently formed a single asset limited liability corporation, which they have named Axis Mundi RE II, LLC (the "Developer") to develop the project. The principal managing partners of Axis Mundi remain James Suhr and Walter Marks, III.

DISCUSSION:

Project Description

The proposed project is a three story "environmentally friendly" green building with office and retail condominium use and restaurants, providing 39 metered public parking spaces at the ground level (18 required parking spaces for the retail and restaurant uses). The availability of metered public parking would be noted on the building face and parking signage would also be provided along the street or sidewalk to ensure that is used as a commercial community resource. The design of the project is seen as prototype for providing vitally needed public parking to area.

The project provides 6,250 square feet of retail and restaurant space and 31,150 square feet of office condominium space at the 2nd and 3rd levels. The project is environmentally friendly in that it includes solar panels, photovoltaics, "green roof," natural lighting to the subterranean parking level, natural cooling and renewable green building construction. The project is "community friendly" in that it provides the public benefit of public parking, beyond what is required for the project and incorporates public art in a unique building design.

Though project tenants have not been selected, the Developers envision the building as "creative" office condominium space, for companies that may include graphic artists and architects and daytime serving retail space that includes two restaurants. The Developer sees a niche for creative office because of the loss of such space around the nearby Glencoe Avenue area that has been redeveloped with housing and the emerging market for office condominium space generally.

Staff believes the project has the potential to be a major catalyst in the west Washington area. Its distinctive architecture should make it a flagship project and generate area interest and reinvestment. The proposed project has a number of creative features:

- Green building design with roof-top mounted photovoltaic system, renewable building products, light wells into interior spaces, natural ventilation, and a second floor garden terrace (a green roof over parts of the first floor) and a green screen in the rear of the property.

- Public art incorporated in the west face of the two story “office pod” building design.

- Public metered parking - The developers are willing to partner with the City/Agency in helping to create public parking on their site using a portion of the ground floor for metered public parking, the revenues of which would flow to the City. Compared to the more conventional method in which the City provides parking (i.e. land is acquired and held, then all construction and operational costs are borne by the City) this approach has several advantages, including: the overall process is more cost effective and the parking spaces are more quickly produced.. In this case, the Agency-acquired land is sold and the developer absorbs the construction cost of the parking. At the scale proposed for the Site, the savings to the Agency to construct similar City on-grade public parking could be as much as three million dollars.[1]

- Below grade encroachment into the public right-of-way for office parking. The developer proposes that the required parking for the office condominiums be located in a subterranean garage, portions of which would encroach into the public right-of-way on Washington Boulevard, Meier Street and Moore Street.

It should be noted that the Developer has not yet applied for entitlements or a building permit from the City. The proposed project will be required to comply with all provisions of the City’s entitlement, building permitting, and other related reviews.. Therefore, because modifications may be required along the way, the language within the DDA clearly states that the plans and related documents must be in “substantial conformance” to the DDA.

The Developer has formed a limited liability corporation, which means that if there is a serious default, the Agency’s main recourse is to reclaim title through a right of reverter to the property. If that were to occur, the Agency would own the property again and then have to decide what to do with what may be a partially completed structure. However, as an additional recourse available to the Agency, the Developer’s principals have agreed to provide a personal guarantee for the

[1] Approximately $2.4 million for property acquisition plus $624,000 to improve the property as a surface parking lot (Assuming an unimproved land price of $100/s.f. and construction cost of $80/s.f.).

completion of the project, in the event the construction lender does not require the Developer to obtain a completion bond.

Environmental Determination

The development proposed in the DDA is consistent with development anticipated for the site, and staff believes as contemplated it is consistent with the City's General Plan and the Agency's Redevelopment Plan (Final determination of such consistency will be contingent upon the completion of the City's entitlement/building permit processes as mentioned above). As such, the development impacts were previously analyzed in the *Certified Final Program Subsequent Environmental Impact Report, dated November 16,1998* for the Culver City Redevelopment Plan Amendment and Merger (State Clearinghouse No. 98081097). The *21166 Study/Environmental Checklist* (the "21166 Study") is enclosed in the agenda packet as Attachment No. 6. The conclusion of the 21166 Study supports a recommendation that the Agency approve the attached Resolution (Attachment No. 3 in the Agenda packet) stating its determination that there is no new information or substantial changes to the project analyzed in the SEIR which would warrant further environmental review.

Public Benefit

A unique aspect of the proposed project is the Developer's agreement to construct 39 metered public (the final number is to be determined as the project proceeds through the entitlement process) at grade parking spaces. The retail portion of the proposed building requires 18 spaces. The public and private parking requires:

- Arrangement for the operation, control security and revenue collection for the public parking spaces; and
- Determination if a subterranean encroachment permit under certain portions of the adjoining right-of-way can be issued in order to maximize the useable space on the underground parking level.

Attachment No. 9 to the DDA is the Parking Easement Agreement by which the Developer will grant to the City an easement for public parking. The Developer has projected that revenue generated from the metered spaces is approximately $68,000 per year (based upon certain assumptions regarding the amount of use and the fee charged). The Developer requests metered parking from 7 a.m. to 11 p.m. seven days a week to minimize the chance that local residents usurp the commercial parking by parking overnight or as a long term vehicle storage area. The revenue generated from the meters would be collected by the City and available to the City. Discussions with representatives of the Police Department indicate that patrolling the lot from 7 to 11 is possible. The effectiveness of metered parking is only as good as the enforcement available.

FISCAL ANALYSIS:

As proposed in the DDA, Axis Mundi will purchase the Site for $3,200,000, to be paid in full to the Agency upon close of escrow, which, according to the Schedule of Performance in the DDA, will occur in December 2008. In addition to the land sales proceeds, future revenue to the Agency through the tax increment revenue generated from the site is estimated to be $96,000 in the first year which will grow at a minimum of 2% per year, and will also generate approximately $32,000 for the Housing Set Aside Fund. Since tenants for the project have yet to be identified, revenues to the City are hard to project at this time. However, based on the types of tenants that the developers intend on soliciting, the City may receive approximately $40,000 annually in sales tax, business tax and utility user's taxes. A more accurate estimate of tax receipts can be provided once prospective tenants are identified.

As previously stated in the report, if the City or Redevelopment Agency were to provide a comparable amount of public parking spaces, it is estimated land acquisition and construction would cost approximately $3 million. Additionally, the City will receive parking meter revenue for the 39 proposed public spaces in the project, which will generate approximately $68,000 annually[2] at the current parking meter rate ($0.50 per hour).

ATTACHMENTS:

1. City Council Resolution No 2008-R___
2. Disposition and Development Agreement
3. Agency Resolution No. 2008-A___
4. Agency Resolution No. 2008-A___
5. Section 33433 Report
6. 21166 Study/Environmental Checklist
7. Public Hearing Notice

MOTION:

That the City Council:

1. Adopt Resolution No. 2008-R approving the sale of 12803-12823 Washington Boulevard purchased by the Culver City Redevelopment Agency with tax increment funds to Axis Mundi RE II, LLC pursuant to Section 33433 of the California Health and Safety Code.

[2] Assumes 65% occupancy rate at all times Monday through Saturday between 7 a.m. to 11 p.m. and 30% occupancy rate on Sunday between 7 a.m. to 11 p.m.

That the Culver City Redevelopment Agency:

1. Determine that there is no new information or substantial changes to the project analyzed in the SEIR which would warrant further environmental review and adopt Resolution No. 2008-A   ; and

2. Adopt Resolution No. 2008-A   to approve a Disposition and Development Agreement between the Culver City Redevelopment Agency and Axis Mundi RE II, LLC for the sale and subsequent development of 12803-12823 Washington Boulevard.