City of Culver City, California

Agenda Item Report

Meeting Date: March 21, 2011	Item Number: JPH-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: JOINT PUBLIC HEARING - (1) Adoption of a City Council Resolution Approving Density and Other Bonus Incentives for a Three Story Mixed Use Building with 10,700 Square Feet of Commercial Space and 33 Residential Units Located at 11042-11056 West Washington Boulevard; (2) Adoption of a City Council Resolution Making Certain Findings and Approving a Disposition and Development Agreement and the Sale of Property at 11054-11056 West Washington Boulevard to Tilden Terrace, LP; and (3) Adoption of an Agency Board Resolution Making Certain Findings and Approving a Disposition and Development Agreement with Tilden Terrace, LP for the Construction of a Three Story Mixed Use Building with 10,700 Square Feet of Commercial Space and 33 Residential Units Located at 11042-11056 West Washington Boulevard; and (4) Approval of a Budget Amendment Appropriating Low- and Moderate-Income Housing Funds.	
Contact Person/Dept.: John Fisanotti Susan Yun Tevis Barnes	Phone Number: (310) 253-5767 (310) 253-5755 (310) 253-5782
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [X] Action Item: []	Attachments: [X]
Commission Action Required: Yes [X] No []	Date: March 15, 2011
Public Notification (USPS) All Property Owners and Occupants Within a 500 Foot Radius of the Site (approximately 1,900 recipients) (2/24/11); (E-Mail) Meetings and Agendas – City Council (2/24/11) (On-Site Posting_ Notice of Public Hearing (2/10/11); (Newspaper Publishing) In the Culver City News (03/03/11 and 03/10/11); Meetings and Agendas – City Council (03/17/11); Meetings and Agendas - Redevelopment Agency (03/17/11)	
Department Approval Sol Blumenfeld (03/17/11)	Agency General Counsel Approval: Murray O. Kane (03/17/11) City Attorney Approval: Carol Schwab (by H. Baker) (03/17/11)
Chief Financial Officer Approval: Jeff Muir (03/17/11)	City Manager/Executive Director Approval: John M. Nachbar (03/17/11)

RECOMMENDATION:

Staff recommends the City Council:

(1) Determine that no new information has become available and no changes in the proposed project have been made since the Planning Commission's adoption of a Mitigated Negative Declaration related to the project and, therefore, no additional environmental analysis is required; and,

(2) Adopt a resolution approving Density Bonus, DOBI P-2011015, subject to the project Conditions of Approval (Attachment No. 1); and,

(3) Adopt a resolutionpursuant to Section 33433 of the California Health and Safety Code making certain findings and approving a Disposition and Development Agreement and the sale of 11054-11056 West Washington Boulevard, which was purchased by the Culver City Redevelopment Agency with tax increment funds (Attachment No. 2); and

(4) Approve a budget amendment appropriating $11,805,000 from Low-Moderate Income Funds (which are now held in one of the City's Special Revenue Fund).

A budget amendment requires a 4/5ths vote.

AND

Staff recommends the Redevelopment Agency Board (Agency Board):

(1) Determine that no new information has become available and no changes in the proposed project have been made since the Planning Commission's adoption of a Mitigated Negative Declaration related to the project and, therefore, no additional environmental analysis is required; and

(2) Adopt a Resolution making certain findings and approving a Disposition and Development Agreement (DDA) (Attachment No. 3) between the Culver City Redevelopment Agency (Agency) and Tilden Terrace, LP, for the sale of 11054-11056 West Washington Boulevardand subsequent development of 11042-11056 West Washington Boulevard (Attachment No. 4)

PROCEDURE:

(1) Presiding Officer seeks motion from the City Council and Agency Board to receive and file the affidavit of publication of notice and all correspondence received in response to the public hearing notices (Attachment Nos. 10 and 11).
(2) Presiding Officer calls for a staff report and/or poses questions to staff as desired.
(3) Presiding Officer opens the public hearing.
(4)
(5) Presiding Officer seeks motion to close the Public Hearing after all audience testimony, including any written testimony, has been presented.
(6) City Council considers the DOBI and arrives at its decision.
(7) City Council and Agency Board consider the draft DDA and the proposed sale of the property and arrives at their respective decisions.

BACKGROUND:

The proposed project is the product of efforts by the Redevelopment Agency and the City to redevelop this area of Washington Boulevard with a high quality development that promotes commercial revitalization as well as provision of affordable housing in accordance with the Redevelopment Agency's Comprehensive Housing Strategy and the City's 2008-2014 General Plan Housing Element.

The Redevelopment Agency acquired the blighted Pleasantview convalescent facility (11056 Washington Boulevard) and the Arco Electric Company (11054 Washington Boulevard) in 2006-2008 for demolition and redevelopment.[1] The adjacent commercial building is vacant and will be incorporated in the proposed project. The Agency commenced negotiations with the developer, Los Angeles Housing Partnership (LAHP) in 2010 to redevelop the site as well as the adjoining properties subject to the terms and conditions of a DDA between the Agency and LAHP.[2]

The Agency's expectation is to develop a place-making project that provides affordable housing, and promotes area redevelopment and revitalization. Toward that end, staff has worked diligently over the last four months with LAHP and the community to incorporate design and revitalization programming that enhances the street and is fitting with the adjacent residential neighborhood. The proposed project is designed as a high quality mixed used development with ample plazas and setbacks to provide affordable housing and opportunities for outdoor dining and landscaping. The retail component is considered as important to the project as the residential component and is designed to communicate effectively with the street and sidewalks. The retail spaces will include design features that help ensure quality retail tenants with attractive storefronts and signage. The materials, colors, and textures of the building are intended to evoke quality and permanence. The building finishes include corten steel, wood, and an abundant use of glass. The building includes stepbacks and setbacks to create an attractive building form and provide visual interest. Clerestory windows are used to provide light to the residential units and common areas. The Agency has also programmed funds to improve the public spaces with new street furniture, crosswalks, and landscaping and will provide a commercial rehabilitation program for some of the adjacent commercial properties.

DISCUSSION:

The proposed project consists of a 3-story, 35-foot high, mixed use building with 10,700 square feet of ground floor commercial space and a total of 33 residential units at the second and third levels (48,525 square feet overall). The total units proposed include a density bonus of 35% as allowed by State law for the provision of affordable housing. The proposed project will provide a total of 106 parking spaces (41 surface parking spaces for the commercial visitors, employees and residential guests and 65 spaces in a one-level subterranean garage for the residential tenants consistent with parking code requirements).

A number of on-site amenities for residents are available in the project including a 700 square foot community/recreational room, a 440 square foot cyber library computer lab fully equipped for educational use, two large interior central courtyards totaling 4,440 square feet with benches and tables for passive recreational activities, a laundry facility on both the second and third floors and a 860 square foot community garden at the roof level. Project offsite improvements include new sidewalks, street furniture and street trees and new landscaped medians adjacent to the site as well as various operational and circulation improvements at the adjacent intersections of Washington Boulevard including Washington Place, Tilden Avenue and Harter Avenue.

On March 3, 2010 the Planning Commission unanimously approved the project entitlements which include a Site Plan Review (SPR), for the development of a three story mixed use residential building with one level of subterranean parking; an Administrative Modification (AM) to reduce the parking drive aisle width to accommodate the shift of the building northward to accommodate a planting screen at-grade; and a Density Bonus Incentive (DOBI) to allow for an increase in the base residential unit density in exchange for the provision of affordable housing consistent with State law.(Please see Attachment No. 6, Planning Commission Staff Report). A follow-up meeting of the Planning Commission was conducted on March 15, 2011 and at that meeting the Commissionadopted Resolution No. 2011-P003 (Attachment No. 7), (i) adopting a Mitigated Negative Declaration in accordance with the California Environmental Quality Act (CEQA) finding the Project, as mitigated, will not result in significant adverse environmental impacts; (ii) approving the Site Plan Review and Administrative Modification; and (iii) recommending approval of the Density Bonus for the project subject to the conditions of approval. The Initial Study/Mitigated Negative Declaration dated February 24, 2011, is Attachment No. 8. The Planning Commission's decision on the Mitigated Negative Declaration, Site Plan Review and Administrative Modification is final unless appealed.

On March 7, 2010, the Agency Board approved a Letter of Commitment/MOU and an Option Agreement with LAHP, in anticipation of, and subject to, subsequent approval of a DDA with LAHP. The terms and conditions outlined in the MOU are reflected in the draft DDA. This unusual step was deemed necessary in light of the uncertainty created by the Governor's proposal to eliminate redevelopment agencies statewide.[3] The Commission and Agency Board approval followed an extensive public outreach effort with four community meetings and widespread notification to surrounding residential and commercial property owners.[4] Pursuant to Section 33433 of the California Health and Safety Code, a report analyzing the proposed sale of the property and draft DDA has been prepared and is Attachment No. 9.

Staff is recommending that the City Council approve the Density Bonus Incentive and adopt the attached resolution. The proposed project will produce 32 units of affordable, for rent housing, which will be covenanted for 55 years, pursuant to California Community Redevelopment Law ("CRL").

The proposed project is comprised of the following mix of bedrooms sizes:

Bedroom Size	Total
One Bedroom	2
Two Bedroom*	19
Three Bedroom	12
Total	33

*Includes 1 Two Bedroom Unit as the Manager's Unit

The proposed project will consist of new construction of 33 units of rental housing to be occupied by and restricted to very low, low and moderate income households at affordable rents (with the exception of one Manager'sUnit), for at least 55 years and 10,700 square feet of commercial space. The mix of affordable units is depicted in the chart below.

Affordability Level	Units
Very Low	14
Low	6
Moderate (up-to-120% AMI)	12
Manager Unit	1
TOTAL	33

Density Bonus and Other Incentives:

The proposed project includes an increased number of residential units for the provision of affordable housing consistent with the provisions of State Density Bonus law (California Government Code Section 65915, et. seq.) and as stipulated in the Culver City Zoning Code where the processing of density increase requests are consistent with Government Code Section 65915. The proposed project meets the requirements of State density bonus law in that it provides an adequate number of affordable housing units for the percentage increase in density.

The base density for the proposed project is 25 dwelling units at the 35 dwelling units per acre, permitted pursuant to the mixed use development standards. The project includes 8 additional units which equates to an increase of 35% over the base density for a total of 33 dwelling units proposed at the site. The State allows a maximum of a 35% increase in density provided that 11% of the base units are in the very low income or 20% are in the low income category. The proposed project meets (or exceeds) this minimum criterion for allowing density increase by providing 14 units at the very low category, 6 units in the low category, and 12 units in the moderate category. There will be one manager's unit that will be at market rate.

The DOBI process includes review of the proposed project and conditions of approval intended to address any potential impacts associated with the density increase. The SPR also addresses these potential impacts and the discussion on traffic, off-site improvements, and site design further illustrate how the proposed project, with its density increase, will not impact the community. As noted above, the Planning Commission has conditionally approved and recommends that the City Council approve the Density Bonus based on the findings pursuant to Culver City Municipal Code (CCMC) Section 17.580.020 findings, as outlined in the proposed City Council Resolution, Attachment No. 1.

Environmental Determination

Pursuant to CEQA guidelines, an Initial Study and Mitigated Negative Declaration finding was prepared and circulated for review for the proposed project. On March 15, 2011, the Planning Commission adopted a Mitigated Negative Declaration finding that the project, as mitigated, will not result in significant adverse environmental impacts. No new information has become available and no changes in the proposed project have been made since the adoption of the Mitigated Negative Declaration; therefore, no additional environmental analysis is required

Pursuant to the CCMC, residential development at this location can be accomplished only within a mixed use development. Accordingly, the proposed project complies with the City's mixed use development standards by providing 10,700 gross square feet of commercial space on the ground floor. Occupancy of this space, which will be subdivided into a number of leasehold spaces, will be closely controlled pursuant to the draft DDA. In the draft DDA, the Agency and/or the City (as the City may be assigned the rights, responsibilities, and obligations of the Agency) have the authority to review and approve prospective tenants before they sign a lease. This will ensure that the quality of the tenants, which is an integral component to the success of the project, is maintained.

FISCAL ANALYSIS:

The total cost of the proposed project is estimated at $23,986,500. The draft DDA provides a cap for the Agency's contribution at $15,200,000. The balance of the funding is proposed to be provided by LAHP through tax credit financing from the State Tax Credit Allocation Committee. The tax credit financing is critical and unless and until it is awarded to LAHP, the project won't go forward.

As stated in the Section 33433 Report, the Agency spent $4,402,000 to purchase its two parcels, and another $401,546 on related acquisition and ownership expenses. These expenses were paid by the Agency from its non-restricted 80% tax increment funds.

The majority of the funding to be contributed to the project by the Agency comes from the 20% Low- and Moderate-Income Housing Set Aside money(Housing Funds. At the beginning of Fiscal Year 2010/2011, there was a little more than $17,000,000 of Housing Funds available for capital investment. There are, however, project related expenses to be funded by the Agency which are an ineligible use of Housing Fund monies. Therefore, some of the subsidy must come from non-Housing Funds. The Agency's financial consultant, Keyser Marston Associates, analyzed the Developer's pro-forma and associated drawings and concluded that 80% of the building expenses can be attributed to the affordable housing units and are, therefore, an eligible use of Housing Funds. Thus, the $15,200,000 subsidy will be formalized by a Note secured by a Deed of Trust for $11,805,000 (funding to come from the Housing Funds and repaid back to Housing Funds) and another Note secured by a Deed of Trust for $3,395,000 (funding to come from the a Special Revenue Operating Fund recently created to account for the Agency's 80% tax increment funds and repaid to same.) Both of these Notes are residual receipts Notes, meaning that during the term of the Notes, debt will be serviced from any residual receipts available after all other project operating and fixed debt expenses have been paid. Each Note is at 3% interest and matures in 55 years, which is consistent with the term of the affordability covenant. At the conclusion of the term, the outstanding principal and interest will be due.

The terms of the draft DDA establish a purchase price for the subject parcels at $3,400,000. There will be no cash to City at escrow closing. Because of the restrictions and covenants that affect the developer's cost, the fair re-use value is a negative $11.8 million. The purchase price becomes part of the assistance to the project and is repaid through the two Notes. To reflect the use of the property for affordable housing, it is proposed that the City authorize transfer of $4,202,000 from Housing Funds to the Special Revenue Operating Fund. This action will reimburse the original acquisition cost of the property from 80% tax increment funds. Because the proposed project cannot proceed unless and until LAHP receives the tax credit financing, the recommended motion in this report authorizes staff to enact this budget amendment and transfer, contingent upon having all project funding approved and available.

ATTACHMENTS:

1. Proposed City Council Resolution approving Density Bonus, DOBI P-2011015, subject to the Conditions of Approval

2. Proposed City Council Resolution making certain findings and approving a Disposition and Development Agreement and the sale of 11054-11056 West Washington Boulevard
3. Draft Disposition and Development Agreement between the City, the Agency, and Tilden Terrace, LP
4. Proposed Agency Resolution making certain findings and approving a Disposition and Development Agreement
5. Schedule of recent multi-family housing production in Culver City
6. Planning Commission Staff Report dated March 3, 2011
7. Planning Commission Resolution No. 2011-P003
8. Initial Study/Negative Declaration dated February 24, 2011
9. Summary Report pursuant to Section 33433
10. Affidavit of Proof of Publication
11. Written public comments received by March 15, 2011

MOTION:

That the City Council:

1. Determine that there is no new information or substantial changes to the project since the Planning Commission's adoption of the Mitigated Negative Declaration and, therefore, no additional environmental analysis is required; and

2. Adopt a Resolution approving Density Bonus, DOBI P-2011015, subject to the Conditions of Approval; and

3. Adopt a Resolution making certain findings and approving a Disposition and Development Agreement and the sale of 11054-11056 West Washington Boulevard, which was purchased by the Culver City Redevelopment Agency with tax increment funds, to Tilden Terrace, LP, pursuant to Section 33433 of the California Health and Safety Code; And

4. Authorize the City Attorney to review/prepare the necessary documents; and,

5. Authorize the City Manager to execute such documents on behalf of the City; and

6. Approve a budget amendment appropriating $11,805,000 from Low-Moderate Income Funds (which are now held in one of the City's Special Revenue Funds) ***contingent*** upon the Developer receiving the tax credit financing and all other financing necessary for the proposed project to proceed.

A budget amendment requires a 4/5ths vote.

AND

That the Agency Board:

1. Determine that there is no new information or substantial changes to the project since the Planning Commission's adoption of the Mitigated Negative Declaration and, therefore, no additional environmental analysis is required; and

2. Adopt a Resolution making certain findings and approving a Disposition and Development Agreement between the City of Culver City, the Culver City Redevelopment Agency and Tilden Terrace, LP, for the sale of 11054-11056 West Washington Boulevard and subsequent development of 11042-11056 West Washington Boulevard; and

3. Authorize Agency General Counsel to review/prepare the necessary documents; and,

4. Authorize the Executive Director to execute such documents on behalf of the Agency.

NOTES:

1. The Agency negotiated the purchase of 11056 West Washington Boulevard (the site of the former Pleasantview Facility) in December 2006 and proceeded with demolishing the improvements the following spring. By June of 2008, the property at 11054 West Washington Boulevard, which formerly housed the Arco Electric Company, was acquired through a negotiated purchase. This property remains vacant. The only other property on the block between Tilden Avenue and Harter Avenue (11042-52 West Washington Boulevard) remains in private ownership, as the Agency considered, but never actively pursued, acquisition of this property. The Agency's site is two contiguous parcels in the CG zone, consisting of 22,763 square feet. In 2006 and again in 2008, the Agency issued Requests for Proposals to the development community to solicit proposals for the development of the Agency's properties however, no satisfactory proposals were received. The Agency also considered unsolicited proposals which were received from time to time, and until recently, did not find them acceptable.

2. The Agency received an unsolicited request from LAHP to participate with LAHP in the development of the block for a mixed use, affordable housing development. On December 13, 2010, the Agency Board authorized an Exclusive Negotiation Agreement with LAHP for the sale and development of the Agency owned properties. Two weeks later, LAHP closed escrow on its purchase of the remaining parcel on the block. Under the ENA, LAHP, and staff have pursued an aggressive schedule to negotiate a DDA and obtain entitlements for the proposed project in order for LAHP to apply for tax credit financing by a March 23, 2011 application deadline. The project proposed for the combined Agency and LAHP owned properties is referred to as Tilden Terrace, and LAHP has formed a limited partnership (Tilden Terrace, LP) whose managing general partner is LAHP to develop the site, subject to Agency Board and City Council approvals.

3. On January 15, 2011, the City and the Agency entered into a Cooperation Agreement Relating to the Funding of Public Infrastructure Improvements and Affordable Housing Projects (the "Cooperation Agreement"). The Cooperation Agreement includes funding for a number of affordable housing developments including the Agency's holdings at 11054-56 West Washington Boulevard, referred collectively in the Cooperation Agreement as the Pleasantview Site. On March 7, 2011, the City Council and Agency Board approved a series of actions designed to implement the Cooperation Agreement, including a transfer of the Agency property and other Agency assets to the City and an assignment to the City of the Agency's obligations under the Commitment Letter and Option Agreement for Tilden Terrace. Staff is now recommending that the City become an additional party to the Disposition and Development Agreement in order to carry out the Project.

4. At the direction of the Agency Board, and pursuant to the City's Community Outreach Guidelines, LAHP hosted community meetings on September 16, 2010, October 13, 2010, and January 13, 2011 and March 2, 2011. LAHP also conducted many one-on-one meetings, walked door-to-door through the neighborhood, and sought input from various stakeholders and community organizations (ACOR, the Chamber of Commerce, and the Exchange Club) and conducted tours of its projects with Community Development Department staff on September 17, 2010 and residents and Agency Board Members on November 19, 2010.

   In the initial community meetings there was a significant concern expressed about the existing conditions in the neighborhood. In particular, concerns were expressed about the demand for on-street parking, vehicle and pedestrian circulation at the Washington Boulevard/Washington Place/Tilden Avenue. intersection, and the elimination of on-street parking for street sweeping purposes around the King Fahad Mosque at noon on Fridays, when parking demand at the nearby Mosque peaks. The proposed project includes off-site improvements as well as street sweeping schedule revisions, and the establishment of permit parking intended to address these concerns. The actions of LAHP and staff over the last six months were sufficient in addressing the concerns raised by the neighborhood and the proposed project is now widely supported.

5. In March 2008, the Agency Board reviewed and approved the implementation of Years 1-2 of the Comprehensive Housing Strategy (CHS). The CHS intends to improve the City's affordable housing stock and meet housing production requirements under the Regional Housing Needs Assessment (RHNA) through the use of Redevelopment Agency Housing Set Aside Funds. The purpose of the Housing Set Aside Fund is to "preserve, improve and increase the supply of affordable housing" (Health and Safety Code Section 33334.2(a)).

   Culver City's RHNA requirement over the next 7 years is 504 housing units, with 294 units designated for very-low, low and moderate income households.

   The CHS is based on the concept of mixed-income, low-density, scattered site affordable housing developments. Based upon the RHNA requirements, the City must annually develop approximately 17 units of very-low income, 10 units of low-income and 11 units of moderate income housing. During the last RHNA cycle, the

City only produced 29% of its allocation of 650 units. Since 2000, the City, on average, only creates 8.1 units of multi-family housing per year and has only created twenty-three (23) units of affordable housing. Attachment No. 5 depicts the City multi-family housing production over the last 11 years.

Regional Housing Needs Assessment Goals for Culver City

Number of Units	Income Category	% of Area Median Income*	Max. Income Limits+
129	Very-low	50	$75,600
80	Low	80	$66,250
85	Moderate	120	$74,500
211	Above Moderate (Market)	Above 120	Unrestricted

***2010 Los Angeles Median Income = $63,000**
+Income Limits based upon a household size of four (4) persons

The housing production sites approved for implementation under Years 1 -2 of the CHS are depicted in the chart below. These sites have the potential to yield 73 units which include 56 units designated for low to moderate income households. On July 26, 2010, the Agency Board approved an Affordable Housing Agreement for the development of the 4043 Irving Site. This project will yield 28 units of housing with 12 units of affordable housing. The Agency Board approved the release of a Request for Proposal on November 22, 2010 to solicit a qualified developer to develop 4044-4068 Globe Avenue. The Globe RFP submission deadline was January 20, 2011.

CHS – Years 1 – 2

SITE	UNITS	HOUSING TYPE	AFFORDABILITY
4044-4068 Globe Avenue	12	Townhomes/ Ownership	8 moderate 4 low
4043 Irving Place*	28	Rental Housing Units	16 market 9 moderate 3 low
11042-11056 Washington Blvd.	33	Mixed-use/Rental	12 moderate 6 low 14 very low 1 manager
Total	73		16 market 29 moderate 13 low 14 very low

*Replaces 4075 Lafayette

6. Established in 1989, the Los Angeles Housing Partnership (LAHP) is a non-profit public benefit agency whose mission is to expand, ensure the long-term affordability, and preserve the supply of decent affordable housing in the City and County of Los Angeles for low to moderate income households and the homeless. LAHP's real estate track record includes new construction of rental housing, major rehabilitation, historic preservation, mixed-use, and community facilities as well as the development of for-sale single family residences. LAHP's portfolio includes 1,200 multi-family units which LAHP both owns and operates with rents affordable to a broad mixture of households, ranging from moderate income families to homeless veterans. Attachment A provides a listing of LAHP properties. Since 2009, LAHP has leveraged over $52.5 million in public financing, $29 million in conventional permanent debt, over $55 million in investor equity, and over $2.2 million in the Affordable Housing Program (AHP). LAHP is also an approved distributing agency of the Los Angeles Regional Food Bank and manages 2 food bank distribution programs in Hollywood and MacArthur Park that serve over 9,000 hungry individuals and families every year.