

**City of Culver City, California
Agenda Item Report**

Meeting Date: 2/25/2013		Item Number: C-7	
CITY COUNCIL AGENDA ITEM: Approval of a First Amendment to the Disposition and Development Agreement and Grant Deed Covenant for the Property Located at 5640 Sepulveda Boulevard.			
Contact Person/Dept.: Kriss Casanova, CDD Todd Tipton/CDD		Phone Number: (310) 253-5769 (310) 253-5783	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☐	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: On February 11, 2013, notice was mailed to all property owners and occupants within a 500-foot radius from the property line extended to end of city block. (E-Mail) Meetings and Agendas – City Council (02/19/13), BevMo! and CFT Developments.			
Department Approval: Sol Blumenfeld (02/13/13)		City Attorney Approval: Carol Schwab (by H. Baker) (02/19/13)	
Chief Financial Officer Approval: Jeff Muir (02/19/13)		City Manager Approval: John M. Nachbar (02/19/13)	
<u>RECOMMENDATION:</u> Staff recommends the City Council approve an amendment to the Disposition and Development Agreement and Grant Deed Covenant for the property located at 5640 Sepulveda Boulevard (the Site) in order for BevMo! to sublease a portion of the Site. <u>BACKGROUND:</u> In the early 1990's, the former Culver City Redevelopment Agency (CCRA) assembled the Site and subsequently entered into a Disposition and Development Agreement (DDA) with Office Depot to develop the Site as an Office Depot store. The Site was conveyed with the expectation that it would remain a "big box" retailer similar to Office Depot. The DDA and the Grant Deed conveying the Site contain a covenant that protects the former CCRA's investment. The covenant ensures that all future uses are high quality and defines alternate use criteria¹ should Office Depot no longer occupy the Site. Per the criteria, an acceptable alternate use is a retailer having at least 50 other locations, each with a minimum floor area of 12,500 square feet with per square foot taxable sales of \$300 (in 1994 dollars), which when adjusted to 2013 dollars equates to approximately \$450 per square foot. On February 22, 2011, the former CCRA assigned the DDA to the City. Additionally, on December 10, 2012 the City Council adopted Resolution 2012-R098 which transferred to the City certain land use related plans and functions of the former CCRA.			

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The alternate use criteria ensures credit worthy national tenants occupy the Site and limits competition with Culver City's regional mall by attracting complementary tenants who strengthen the market place by creating additional retail destinations.

On September 24, 2012, BevMo!, a specialty beverage retailer, submitted a letter to staff requesting to sublease a portion of the existing Office Depot space and to amend the covenant's "minimum rentable space" requirement.

DISCUSSION:

BevMo! proposes to sublease 8,546 sq. ft. from Office Depot, which is downsizing stores in order to respond to changes in the retail market such as on-line shopping and new consumer spending habits.

The proposed amendment to the DDA and Grant Deed Covenant would modify the alternate use criteria by reducing the minimum floor area requirement from 12,500 sq. ft. to 8,500 sq. ft. to accommodate the addition of a BevMo! store at the Site. If the City Council approves the proposed amendments, Office Depot will reduce the size of its existing location from 27,386 sq. ft. to 18,764 sq. ft. BevMo! would like to open in mid-2013.

FISCAL ANALYSIS:

The City's sales tax consultant (HdL Companies) indicates that approximately 95% of BevMo! merchandise is taxable. As a result, an average BevMo! store in Los Angeles County generates between \$30,000 to \$90,000 in annual local tax (1%) with the average store generating between \$50,000 to \$60,000 per year. This average amount would satisfy the \$450 per square foot requirement established by the alternate use criteria.

Additionally, HdL believes sales from Office Depot will remain constant as its inventory will likely be reduced in order to remove the slowest selling merchandise, maximizing the efficiency of the remaining floor area.

MOTION:

That the City Council:

1. Approve a First Amendment to the Disposition and Development Agreement and Grant Deed Covenant affecting 5640 Sepulveda Boulevard in order to reduce the minimum floor area requirement for an alternate use from 12,500 sq. ft. to 8,500 sq. ft.

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

3. Authorize the City Manager to execute such documents on behalf of the City

NOTES:

¹ The per foot taxable sales criteria is used to determine whether or not a proposed use is eligible to occupy the site and is not a performance criteria guaranteeing any specified level of taxable sales to be generated.