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September 6, 2023

VIA EMAIL

Heather Baker
City of Culver City
City Attorney
heather.baker@culvercity.org

Re: The Meadows Vested Rights

Dear Heather:

Our firm represents the owner (the "Owner") of the apartment building located at 6300 Green Valley Circle ("Meadows Apartments" or the "Meadows") in the City of Culver City ("City"). The Owner is a family owned and operated company that obtained permits and constructed the Meadows in 1974 and has operated it ever since. It has deep roots in the community and is committed to being a good corporate citizen.

Given the age of the buildings and the reasonable life of the infrastructure installed when the Meadows Apartments were constructed, the Owner undertook a comprehensive infrastructure replacement and improvement program starting in 2016. To date, the Owner has invested over $19.7 million on infrastructure, roofing, plumbing, electrical, mechanical and other construction (together, the "Improvements") at the Meadows in reliance on the approximately 100 building permits[1] issued by the City between 2016 and 2019 (the "Building Permits"). While a significant portion of the Improvements is complete, work to connect the exterior infrastructure to the buildings in the Meadows North is outstanding, largely because of the interruptions caused by the Covid-19 pandemic.

The failing infrastructure inside the Meadows North is causing significant damage to the building and disruptions to tenants. It is critical that the Owner be able complete the Improvements, starting no earlier than March of next year (as promised to the tenants). Completion of the work will require that tenants on the first floor of the Meadows North to vacate their units. The Owner is committed to working with tenants in a compassionate and professional manner on permanent relocation within the Meadows consistent with the spirit and intent of the City's Rent Control Ordinance (Ordinance No. 2020-014) and Tenant Protections Ordinance (Ordinance No. 2020-015) (together, the "RCO") that went into effect on October 30, 2020 . Indeed, the plan proposed by the Owner complies with substantially all of the terms of the RCO. However, the Owner secured vested rights prior to the adoption of the RCO (indeed, its rights vested even before the adoption of the urgency ordinance in 2019 that preceded the RCO). As such, the strict letter of the RCO is inapplicable to the Meadows.

[1] This number has been updated to more accurately state the permits issued by the City.

The Owner cares about its tenants and has developed a plan that provides tenants with almost of all the protections under the RCO, while still maintaining and protecting Owner's private property rights. While this plan is not what the Owner had in mind when it undertook the comprehensive infrastructure upgrade in 2016, the Owner is willing to make compromises that allow it to fix a significant portion of the underlying problems while complying with the spirit and intent of the RCO.

We urge the City to accept this compromise, one that will not set precedent for other buildings as the facts in this case are unique, and that will provide significant tenant protections. Should the City reject the compromise and abrogate the Owner's vested rights, the Owner will have no choice but to pursue all of its legal remedies in court. The Owner would much prefer to spend its resources on tenant relocation within the Meadows instead of on litigation costs. However, if the Owner is forced to seek relief in court, the offer to assist tenants as outlined herein will be a thing of the past. The loss of the benefits offered to the residents will be the fault of the City. As such, we hope that the City will agree to the Owner's offer to settle this matter, and to avoid both the substantial risk and potential damages that would result from litigation, and damage to the Meadows residents.

1. The Owner Has Spent Approximately $19.7 Million To Upgrade The Meadows, $17.6 Million Of Which Was Expended Prior To The Adoption Of The RCO.

The Meadows is comprised of two areas, the "Meadows North" and the "Meadows South". (See Exhibit A, Map.) Between 2016 and 2019 the City issued the approximately 100 Building Permits for the Improvements, which permits cover both the Meadows North and the Meadows South. The Owner commenced work and spent over $19.7 million to date in reliance on the Building Permits. The aging infrastructure for the Meadows Apartments had come to the end of its useful life, and the Improvements were (and are) necessary. The Improvements consisted of first installing new water, sewer and gas lines, as well as new AT&T data/communication infrastructures throughout the entire complex. This consisted of digging trenches for the water, sewer, gas and data/communication lines and installing the lines, along with associated earthmoving, landscaping, engineering, legal, design and other work. The Owner undertook this work in phases, as shown in Exhibit B. By August 2019, all of the exterior site infrastructure work needed for the entire Meadows complex was complete. At this time, additional building infrastructure upgrades such as the installation of some new roofing, some new roof gas lines/gas submeters, new in-unit subpanels, breakers, feeders and the installation of new motion/humidity sensor exhaust fans in all unit bathrooms was also completed. The Owner expended approximately $7.8 million on this work for the Meadows North, alone prior to the adoption of the RCO.

Starting in June of 2019, as the exterior site work on the Improvements was close to completion, the Owner commenced the work to connect the exterior infrastructure to each of the units. This too occurred on a phased basis, starting with the Meadows South. The interior work at the Meadows South required the units to be vacated, as large trenches were built in the interior hallways and the interior walls and floors of the units were largely demolished to replace interior plumbing pipes and electrical lines, as shown in Exhibit C. The Owner also installed new drywall, paint, flooring, appliances, and finishes for the units in the Meadows South. The interior of all of the units in the Meadows South were completely renovated at a total cost of approximately $9.8 million. When the residents were displaced at the Meadows South, the Owner provided substantial relocation benefits or move-out incentives, even though it was not required to do so under any state or local law, nor did the City require it to do so..

Due to the Covid-19 emergency, the Owner shifted its plans and continued with any work on the Meadows North that could be done without displacing tenants. This work included finishing the remaining

new roofs and new roof gas/gas submeter installations for the entire complex. As of the date of the adoption of the RCO, the Owner spent approximately $7.8 million on the Meadows North (79.1% of all costs to date for the Meadows North). Another $2.1 million has been spent since then, for a total of approximately $9.9 million expended for the Meadows North.

2. As A Matter Of Law, The Owner Has Vested Rights To Complete The Improvements In Accordance With The Pre-RCO Regulations.

The Owner has vested rights to complete the Improvements in accordance with the pre-RCO rules. As noted in the seminal case of *Avco Community Developers, Inc. v. South Coast Reg'l Comm'n* (1976) 17 Cal.3d 785, 791 "if a property owner has performed substantial work and incurred substantial liabilities in good faith reliance upon a permit issued by the government, he acquires a vested right to complete construction in accordance with the terms of the permit." (See, also, *Pardee Construction Co. v. California Coastal Com.* (1979) 95 Cal.App.3d 471 [developer not subject to the newly implemented Coastal Act when it expended substantial sums on its development in reliance on permits issued prior to the Coastal Act even though development was delayed due to an economic downturn]. This means that changes to the law made subsequent to the time of vesting are inapplicable. Moreover, when outstanding work authorized by a building permit, but upon which no actual construction has commenced, is so interdependent on work already completed pursuant to those permits, an owner has vested rights to complete that work in accordance with the rules and regulations applicable when the permit was issued. *Sierra Club v. California Coastal Zone Conservation Commission* (1976) 58 Cal.App.3d 149 (work commenced prior to the adoption of the Coastal Act was sufficient to vest developer's rights to finish the work in accordance with the pre-Coastal Act rules because the work was sufficiently interdependent).

For the Meadows, the Owner expended approximately $17.6 in reliance on the approximately 100 permits issued prior to the adoption of the RCO. In particular, the Owner completed all of the exterior infrastructure work for the Meadows North as of 2019. The Owner cannot use that infrastructure until the interior work in the Meadows North is completed. Put another way, the Owner has expended $7.8 million on work for the Meadows North in reliance on its permits which is sitting unused and dormant. This is a clear cut case of vested rights under the law.

3. The Owner Is Offering A Compromise That Protects Tenants And Complies With The Spirit And Intent Of The RCO.

Although the Owner has vested rights to complete the Improvements without complying with the RCO, the Owner is committed to a tenant benefit and relocation package that complies with the spirit and intent of the RCO. Note, the Owner's original plan for the Meadows North was the same as the Meadows South – to complete the interior improvements for the units on a phased building-by-building basis in which the construction for all of the units in a single building would be completed together. Then, the completely renovated units would be offered at market rent, taking into account the substantial improvements to those units. The original plan would have resulted in the displacement of 573 households over a four to five year period.

However, the Owner understands that the residents have significant concerns about potential displacement and has developed a plan that balances the need to upgrade the building infrastructure that is causing damage to the building and disruption to residents. In particular, there is a need to replace the

interior infrastructure and provide connections to the exterior infrastructure on the first floor of the buildings at the Meadows North. Thus, the Owner proposes the following settlement and compromise:

- Residents of first floor units at the Meadows North will be relocated to a like apartment on the second and third floors of buildings within the Meadows North. Thus, if a resident lives in a one bedroom apartment, they will be relocated to a similar one bedroom apartment elsewhere in the Meadows North.

- Relocated residents' rents in the like apartment will remain the same as their current rent (with yearly increases permitted by the RCO). Thus, residents will not experience any immediate increase in rent in their new apartment.

- The Owner will pay the reasonable moving costs to relocate first floor residents from their old apartment to their new apartment.

- If, instead, a current first floor resident wants to leave the Meadows North permanently, the Owner will pay to that resident a relocation fee of three months rent plus $1,000, in accordance with the RCO.

- The Owner will make reasonable accommodations to all residents to minimize disruption during construction. The Owner will also regularly communicate with all residents regarding the construction schedule and potential disruptions.

- Renovation of second and third floor apartments will occur on a unit-by-unit basis when those units become vacant in the normal course of business.

- Residents on second and third floors will not be asked to permanently vacate their units for the purpose of completing the Improvements, though some work will be required in 2nd and 3rd floor units and some inconvenience incurred.

This settlement and compromise complies with almost all of the requirements of the RCO, except that first floor residents will not have the right to return to their units at their current rent. First floor residents will be able remain at their second or third floor apartments at their current rent (with permitted RCO yearly increases).

This settlement and compromise is a significant concession on Owner's part. Based on its vested rights, it has no obligation to relocate the residents at the Meadows, to pay them three months plus one-thousand dollars of relocation fees, or to allow them to continue living at the Meadows at their current rent. Moreover, this approach in which the second and third floor units are renovated on a piecemeal basis will be significantly more costly and slower for the Owner. However, the Owner is committed to working together with the residents and the City to minimize displacement and disruption.

We urge the City to accept this settlement and compromise which complies with the spirit and intent of the RCO. Indeed, it complies with substantially all of the requirements of the RCO. If the City instead rejects this offer and abrogates the Owner's vested rights, the Owner will have no choice but to pursue litigation against the City. Such litigation would result in significant financial damages to the City, as the Meadows would seek to recover all of the costs of the infrastructure already constructed and laying

dormant, along with other damages incurred by the Owner. Moreover, the resident benefits offered herein would be null and void. If the City rejects this offer, it will create a substantial hardship for the residents that could otherwise be avoided.

We look forward to working with the City to create a win-win compromise.

Sincerely,

Elisa Paster

Elisa Paster
Managing Partner
of RAND PASTER & NELSON, LLP

EP
Attachments

cc: John Nachbar, City Manager
Christine Burrows, Assistant City Attorney

Exhibit A

THE MEADOWS
APARTMENT HOMES

6300 Green Valley Circle
Culver City, CA 90230
www.MeadowsApts.com

Leasing Office
(310) 417-8138

Resident Services Office
(310) 670-5983
FAX (310) 670-0123

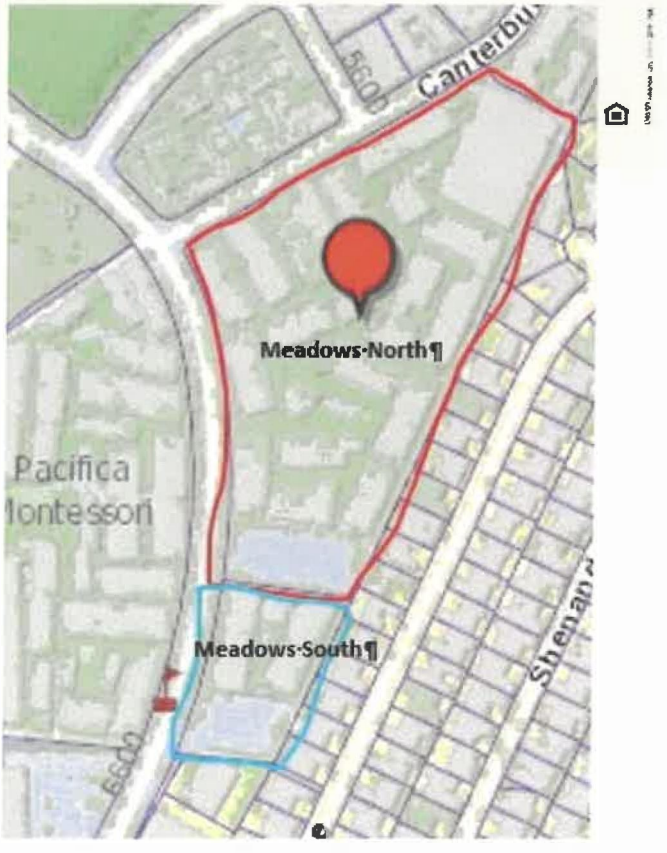


Exhibit B

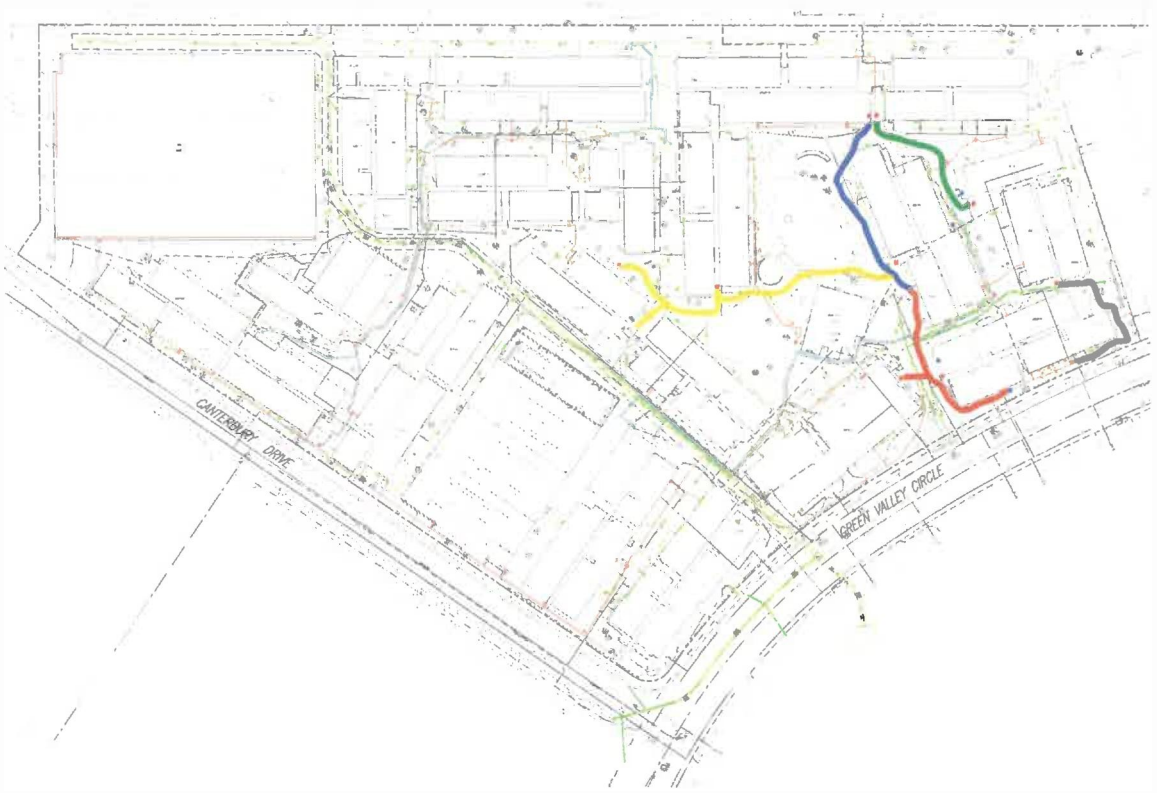
Consolidated, Inc

Consolidated, Inc

EXHIBIT "H.1"

MEAReno07

September 29. 2016
Revised: November 17, 2017



Meadows- Project Phasing.2

WATER (W)
GAS (G)
SEWER (S)

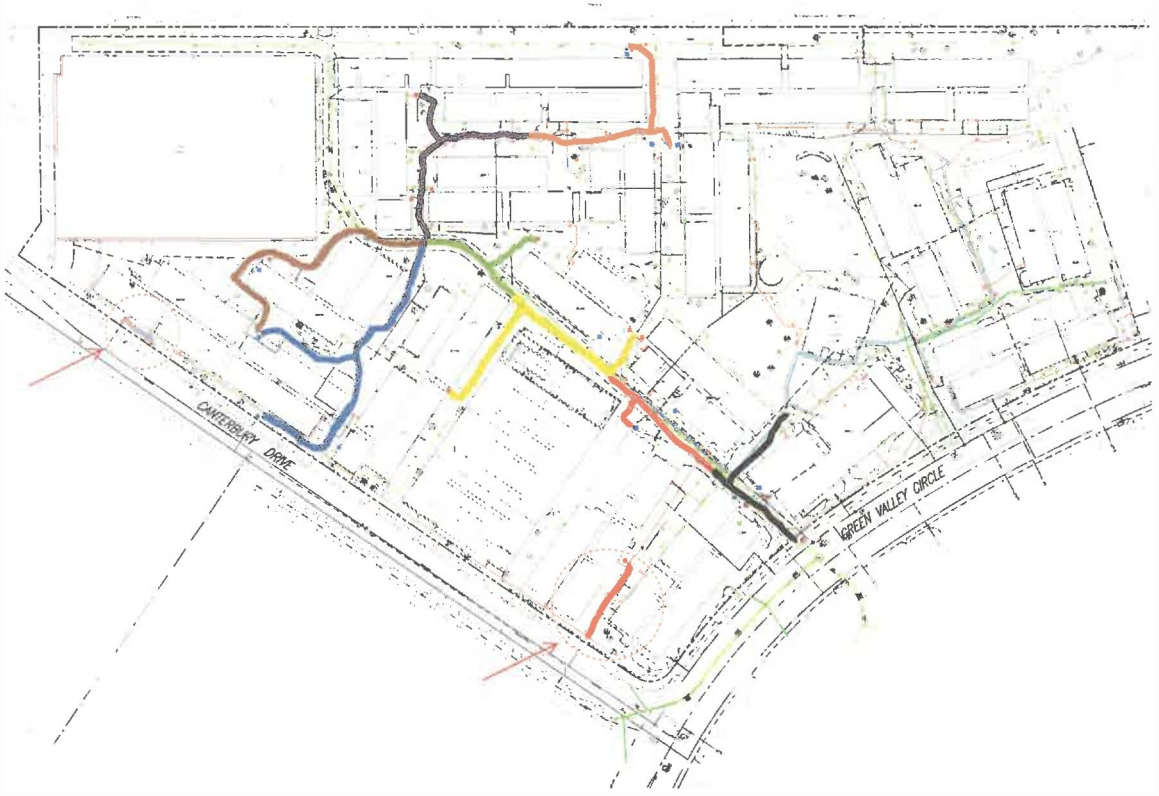
- 14- S/W/G
- 15- S/W/G
- 16- S/W/S
- 17- S/W/G
- 18- S

Consolidated, Inc

EXIHIT "G.1"

MEAReno07

September 29, 2016
Revised: November 17, 2017



Meadows- Project Phasing.1

WATER (W)
GAS (G)
SEWER (S)

- 5- S
- 6- W
- 7- W/G/S
- 8- W/G/S
- 9- W/G
- 10- W/G/S
- 11- W/G/S
- 12- W/G/S
- 13- S

Barbara L. Hall, P.E., Inc.

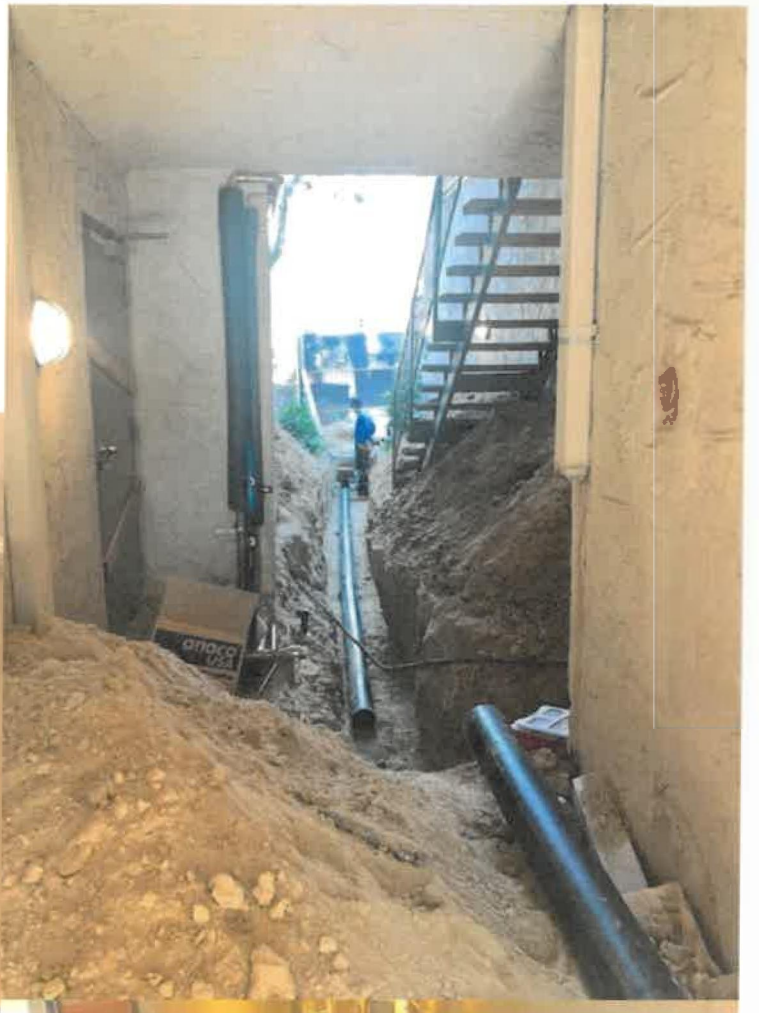
Exhibit C

Meadows North
Site Exterior Re-pipe
New Copper Sleeves

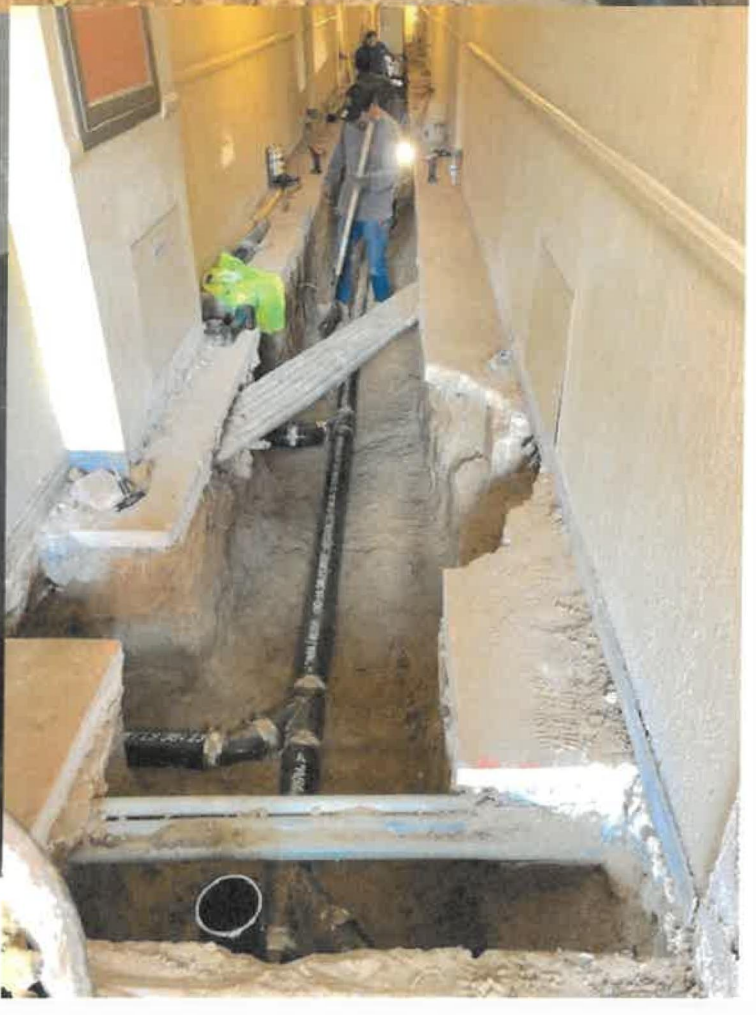
All new sewer and water pipes were installed up to the entry of each building waiting to be brought into the building hallways and interiors

Meadows South
New Sewer/ Bldg. 13 Hallway

Photos of the old sewer line being removed, and the new sewer line being installed down the center of the building hallway with connections to each stack of units

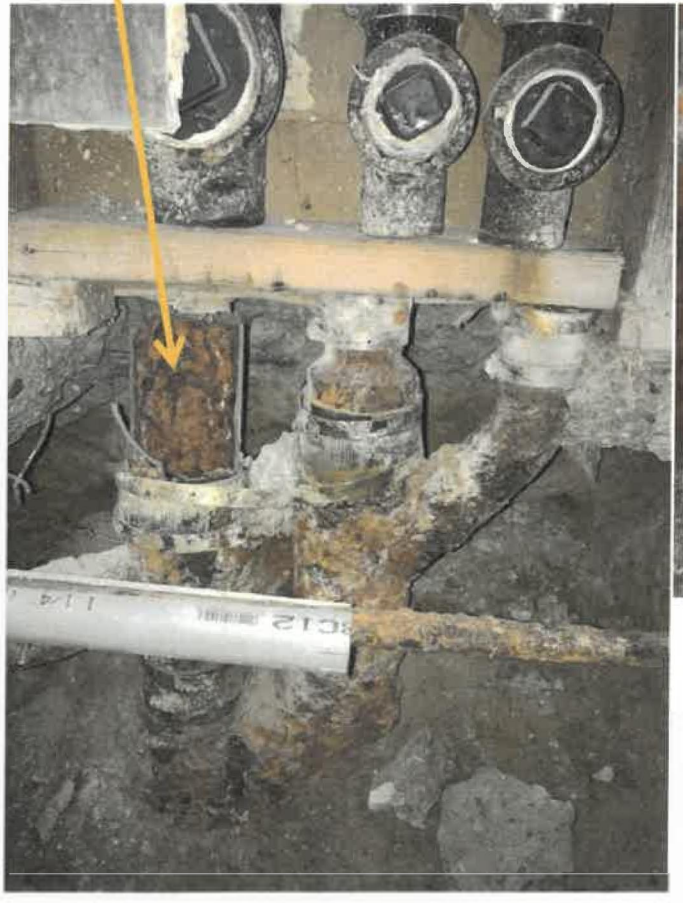


Old Sewer Pipe



Meadows South
1st Floor Excavation / Bldg. 13 Existing Conditions

Photos of the demo and examples of the existing pipe conditions exposed underground in unit interiors



Wires lose in the ground – conduit corroded over the year

Meadows South
1st Floor Excavation / Bldg. 13 Unit Trenches

Photos show the level of trenching needed inside 1st floor unit interiors to make all the new pipe connections