



City of Culver City

Staff Report

File #: 19-444, Version: 1

Item #: PH-4.

CC - PUBLIC HEARING: (1) Introduction of an Ordinance Amending the Culver City Zoning Map, as Referenced in Title 17, Zoning, of the Culver City Municipal Code, Section 17.200.015 - Zoning Map; and (2) Adoption of a Resolution Amending the General Plan Map; Approving a Reduction in the Number of Required Parking Spaces through Shared Parking Facilities; and Approving Modified Condition of Approval No. 18 for a Voluntary Contribution to the City's Mobility Fund, for the Development of a 3 to 4 Story Office Building (Known as The Brick and the Machine) with Ground Floor Retail and Restaurant at 9735 Washington Boulevard.

Meeting Date: October 22, 2018

Contact Person/Dept: Jose Mendivil, Associate Planner
Michael Allen, Current Planning Manager
Todd Tipton, Economic Development Manager

Phone Number: (310) 253-5757 / (310) 253-5727

Fiscal Impact: Yes No

General Fund: Yes No

Planning Commission Approval: Yes No **Date:** 6/27/18

Public Hearing: **Action Item:** **Attachments:**

Public Notification: (Mailed) Property owners and occupants within a 500 foot radius of the Project Site (08/06/18); (Sign) Posted on the Site (08/06/18); (E-Mail) Meetings and Agendas - City Council (10/18/18); (Posted) City Website (08/09/18); (Published) Culver City News (08/09/18).

Department Approval: Sol Blumenfeld, Community Development Director (10/18/18)

RECOMMENDATION

Staff recommends the City Council (1) introduce an Ordinance approving Zoning Code Map Amendment P2017-0021-ZCMA (Attachment No. 1); and adopt a Resolution approving General Plan Map Amendment P2017-0021-GPMA; a reduction in the number of required parking spaces through the use of shared parking facilities; and modification of Project Condition of Approval No. 18 for a voluntary contribution to the City's mobility fund (Attachment No. 2), subject to conditions of approval in Exhibit A of Planning Commission Resolution No. 2017-P015 (Attachment No. 3) for the development of a 3 to 4 story office building (known as The Brick and the Machine) with ground floor retail and restaurant at 9735 Washington Boulevard.

PROCEDURE

On August 27, 2018, the Council conducted the public hearing, and after receiving public testimony and some

deliberation, determined that additional information relating to the Project was needed. The City Council continued the public hearing to October 22, 2018. At this time, the City Council should follow the following procedures.

1. The Mayor states for the record that the affidavit of publication and posting of the public hearing notice was received and filed on August 27, 2018.
2. The Mayor calls on staff for a brief staff report and City Council poses questions to staff as desired.
3. The Mayor seeks a motion to re-open the public hearing, providing the applicant the first opportunity to speak, followed by the general public.
4. The Mayor seeks a motion to close the public hearing after all testimony has been presented
5. The City Council discusses the matter and arrives at its decision.

BACKGROUND

Request

On January 27, 2017, Clarett West Development (Applicant/Property Owner) submitted an application for an Administrative Modification, Administrative Use Permit, Site Plan Review, General Plan Map Amendment, and Zoning Code Map Amendment to allow the development of an office, retail, and restaurant project, (Project) and a request to reduce the number of required parking spaces by twenty-four (24).¹ Please refer to the February 28, 2018 Planning Commission Staff Report (Attachment No. 4) and related attachments 5, 6, 7, and 8 for a complete discussion on the Project Existing Conditions, Description, and Analysis.

On August 23, 2017, the Planning Commission continued the project to a date uncertain in order to allow time for resolution of outstanding issues with an abutting property owner. The Project was continued and rescheduled several times (October 25, 2017, November 15, 2017, February 28, 2018 and June 27, 2018 in order to address objections by Prospect Medical Holdings, Inc., owner of Southern California Hospital at Culver City ("SCH-CC" or "Hospital") located north of the Project site. The applicant and the Hospital have come to agreement resulting in construction mitigation measures that are incorporated in the Conditions of Approval.

Planning Commission Public Hearing and Recommendation

On June 27, 2018, the Planning Commission adopted Resolution No. 2017-P015 approving the Project and recommending to the City Council approval of General Plan Map Amendment P2017-0021-GPMA and Zoning Code Map Amendment P2017-0021-ZCMA, and approval of a reduction in required parking by 24 spaces through the use of an in-lieu fee. During the public hearing, the Planning Commission considered the staff report, including an overview of the Project, comments from the public, and requests from the Applicant. One of Applicant's requests was to modify Condition No. 18, which relates to the reduction in required parking spaces through the use of an in lieu fee to be reserved for the future development of remote parking facilities outside of the immediate Downtown area or other parking and mobility measures as necessary to reduce vehicle trips and traffic congestion that are associated with under parked older Downtown developments.

The Commission was supportive of the Applicant's request as it addressed several issues including utilization of off-peak parking in the downtown and supported downtown business, but it did not address the key mobility issue of generating in lieu parking fees in order to develop peripheral parking to alleviate downtown traffic congestion. (Please see Attachment No. 3.)

City Council Public Hearing and Continuance

On August 27, 2018, the City Council conducted a public hearing and, after receiving public testimony (including a presentation by the Project applicant) and some deliberation, the City Council determined that additional information related to the Project was needed. City Council's discussion at the time included, but was not limited to, consideration of an in-lieu parking fee for reduced parking and the proposed uses in the development. Generally the City Council was in favor of the Project but had some concerns regarding the Planning Commission's recommended In-Lieu Parking Fee reflected in Condition No. 18 of the Project Conditions of Approval. Some of the Council Members felt the fee was inadequate to address the cost to supply peripheral parking and address mobility concerns and agreed with the original staff recommended Condition No. 18 (Attachment No. 15). Also some Council Members were concerned about the economic feasibility of having another restaurant in Downtown Culver City and the potential for empty commercial space in the development. The public hearing was continued to October 22, 2018 in order to allow time for Staff to work with the applicant to prepare a retail market analysis to address the commercial viability of the Project retail tenant spaces and for the Developer to provide an alternative proposal to address the concerns related to the proposed in lieu parking fee. Please refer to the August 27, 2018 City Council Staff Report and minutes (Attachment Nos. 16 and 17) for a complete discussion on the above issues. The retail market analysis is included as Attachment No. 18.

ANALYSIS

Summary of Retail Market Analysis

In early October 2018, the City entered into an agreement with Noell Consulting Group (Noell) to perform the following services related to the Brick and Machine project at 9735 Washington Boulevard. Noell's Scope of Work included the following:

- Discussion of potential tenanting in the trade area and more specifically the Culver City downtown;
- Analysis of expectations about the retail market over the near-term and over a more extended horizon in the trade area;
- Analysis relative to proposed building retail uses that are currently undersupplied in the Culver City downtown and that new retail may not be viable;
- Discussion of non-traditional retail uses in the trade area that could occupy the ground floor given the building layout;
- Analysis relative to City's concern that proposed restaurant space may be oversupplied in the downtown;
- Analysis relative to City's desire that future tenants in the building remain and ground level spaces are not vacant for extended periods; and
- Analysis relative to City's desire the project design provides flexibility to accommodate changing market conditions.

Noell's findings are summarized below:

- The local trade area has a population of 77,065 with median household incomes of \$76,807.
- The trade area is expected to grow to approximately 81,000 over the next five years with a median household income of \$125,000.
- The local trade area is forecasted to add 3,673 residents over the next five years at estimated median

household incomes of \$125,000. Much of this growth is in new Class-A multifamily buildings being added to the trade area.

- There are approximately 3,700 employees within a .5 mile radius of downtown who earn \$40,000 or more. This number is expected to increase by 3,000 over the next five years due to the leasing of One Culver, Culver Steps, Culver Studios, and the subject site;
- There is approximately 129,000 square feet of restaurant and service-oriented office/retail space in downtown. Of this amount, approximately 68 percent is restaurant and 32 percent is office/retail. Downtown is expected to grow by approximately 60,313 square feet once the Culver Steps, Brick and Machine and One Culver projects are fully leased.
- The vacancy rate in downtown is 2.8 percent, which is low. The average annual rent is \$61 per square foot.
- There is 188,435 square feet of unmet retail and restaurant demand in downtown after deducting existing uses. With this demand and the low vacancy rate, Noell believes the downtown market will remain strong in the near-term. Noell expects turnover of existing businesses to continue as the market matures and evolves from a local to a regional destination. Downtown's evolution from a local to regional destination will ensure there are sufficient patrons to support the businesses in the future.
- Noell recommends a regional market strategy be implemented in order to differentiate downtown from the Ivy Station and TOD district. Noell believe the market strategy necessary so downtown remains viable once the Ivy Station project opens and the TOD stabilizes. Failure to do so could result in the Ivy Station attracting patrons that would otherwise visit downtown
- Noell recommends the City pursue a transit connection between downtown and the Ivy Station project, work to increase tourism and increase the number of housing units in order to provide additional patrons for downtown businesses.
- There is estimated need for 86,301 square feet of specialty food stores, beer, wine, & liquor stores, clothing stores, shoe stores, full-service restaurants, limited-service restaurants, drinking places, medical offices, and fitness and other recreation uses in downtown. The 188,435 square feet in unmet demand allows for these uses and the vacant space in One Culver, Culver Steps, and the site to be tenanted with 29,312 square feet of unmet demand remaining.
- The building's ground floor space is well suited for traditional retail uses such as specialty food stores, beer, wine, & liquor stores, clothing stores, shoe stores, full-service and limited-service restaurants, drinking establishments, and fitness and other recreation uses.
- Non-traditional retail uses such as boutique wellness concepts (barre or spin fitness facilities) and/or athletic clothes/shoe retailers are well suited given the project site's proximity to Equinox. More experiential concepts such as Wine Taste Before You Buy and/or retailers such as Amazon Go, Marine Layer, Bonobos, Casper are also appropriate. The success of the non-traditional uses will depend upon their ability to pay the high rents required by new construction unless the uses exceed \$400 per square foot in annual sales. Noell notes that medical office is well suited to occupy the upper floors given the close proximity to Southern California Hospital at Culver City.
- The project site features strong site characteristics that will enable it to remain tenanted over time due

to a strong leasing plan that includes: 1.) Competitive tenant improvement allowances for new construction space in the market (\$30-60 per square foot for small tenants, \$75-100 per square foot for restaurants); 2.) Strong parking ratios, particularly on weekends; 3.) Building valet for optimal parking management.

- Noell believe the ground floor retail space at the subject site provides for maximum future flexibility because the space has a strong multi-faceted location in the Downtown core featuring: 1.) A hard corner intersection; 2.) Washington Blvd frontage, visibility, and address; 3.) Proximate to two strong national tenants - Starbucks and Equinox; 4.) Adjacent to many demand generators - Kirk Douglas, One Culver, hospital, Harlow apartments; and 5.) Onsite office tenants
- The site has good space configuration including: 1.) Depths of 65-70 feet; 2.) Flexible column free spans of 25 feet; 3.) Façade allowing multiple divisions of space; 4.) Clear ceiling heights of 15 feet; 5.) Rear service corridor with separate loading and direct access to trash room; 6.) Potential for future integration to office lobby; 7.) Minimal grade separation with sidewalk; and 8.) Planned for central vent stack, grease traps, and high electrical service panel.

Modified Condition No. 18 - Contribution to the Mobility Fund

The Developer has agreed to a voluntary contribution to the City's mobility fund in the total amount of \$525,000, consisting of \$175,000 as a one-time, payment to the mobility fund prior to issuance of a Certificate of Occupancy; and additional payments to the fund of \$35,000 annually for 10 years. Condition No. 18 has been modified to reflect the details of the voluntary mobility fund contribution (Attachment No. 19). The funds will be used to address area mobility measures to benefit the Project and the downtown area in general which has been experiencing increasing traffic congestion and mobility problems.

The one-time payment equates to approximately \$2.20 per square foot of office and retail development and over the 10-year term the proposed contribution equates to \$6.50 per square foot.² These amounts compare favorably with the mobility fund contributions related to the recent entitlements for the Culver Studios and the former HBO projects.

ENVIRONMENTAL DETERMINATION

Pursuant to the California Environmental Quality Act (CEQA) Guidelines, an Initial Study was prepared for this Project. The Initial Study determined that the Project would not result in significant impacts on the environment provided certain mitigation measures are required and a Mitigated Negative Declaration (MND) was prepared as the required CEQA clearance documentation for the Project. The MND (Attachment No. 7) determined that the Project will require mitigation measures to reduce "potentially significant" impacts on the environment to a less than significant level. The mitigation measures address items related to Biological Resources, Cultural Resources, Geology and Soils, Hazards and Hazardous Materials, Hydrology/Water Quality, Noise, and Public Services. The MND was adopted by the Planning Commission on June 27, 2018, which determined that the Project will not have a significant adverse impact on the environment. Pursuant to Section 15162 of CEQA, General Plan Map Amendment and Zoning Code Map Amendment, P2017-0021-GPMA, and -ZCMA are within the scope of the adopted MND, the circumstances under which the MND was prepared have not significantly changed, and no new significant information has been found that would impact the MND. Therefore, no additional environmental analysis is required.

CONCLUSION

The City Council favorably considered the design of the proposed Project but was concerned about the viability of the retail and restaurant spaces, and disagreed with the Developer's proposal to address their request for a reduction in Project-required parking and the Planning Commission's recommendation regarding the related in lieu parking fees. The Developer originally proposed an in-lieu parking contribution in the form of an allocation of 30 shared parking spaces for DBA valet parking during off-peak parking periods to satisfy Condition No. 18 pursuant to CCMC Section 17.320.025.A (Alternative Parking Provisions). The Developer has since proposed to address the impacts from reduced parking through shared parking facilities, in accordance with CCMC Section 17.320.025.F, but also make a voluntary contribution to the City's mobility fund in the amount of \$525,000 paid over 10 years, which includes an up-front payment of \$175,000 prior to the issuance of a Certificate of Occupancy. The funds will be used for mobility related purposes to help alleviate traffic congestion in the downtown. Furthermore, the retail market analysis indicates that the Project can be effectively tenanted with conventional retail and restaurant tenants that can readily be absorbed within the downtown given current market conditions and projected growth.

In light of the above, staff believes the findings for General Plan Map Amendment, and Zoning Code Map Amendment, Case No. P2017-0021, and findings for the reduction in the required number of parking spaces can be made as outlined in the proposed City Council Ordinance and Resolution (Attachment Nos. 1 and 2) and recommends approval of the Project.

ATTACHMENTS

1. Proposed Ordinance (including Exhibit A - Proposed Zoning Map).
2. Proposed Resolution (including Exhibit A - Proposed General Plan Map).
3. Planning Commission Resolution No. 2017-P015 and Exhibit A - Conditions of Approval.
4. February 28, 2018 Planning Commission Staff Report without attachments.
5. February 28, 2018 Planning Commission Minutes.
6. Preliminary Development Plans dated July 27, 2017.
7. CEQA Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting. Program, dated August 2, 2017.
8. Traffic Impact Analysis prepared by Crain & Associates, December 22, 2016
9. June 27, 2018 Planning Commission Staff Report without attachments.
10. June 27, 2018 Planning Commission Minutes.
11. ESA/PCR Updated Noise Memorandum dated June 21, 2018.
12. Revised Mitigation Monitoring and Reporting Program in Strike Out/Underline.
13. Shared Parking Demand Study by Crain and Associates, December 16, 2016.
14. June 20, 2018 Applicant Request Regarding Condition No.18.
15. Originally Proposed Condition No. 18.
16. August 27, 2018 City Council Staff Report without attachments.
17. August 27, 2018 City Council Minutes.
18. Retail Market Study Analysis
19. Revised Condition No. 18 (also reflected in Exhibit B to the proposed Resolution)

RECOMMENDED MOTION(S)

That the City Council:

1. Introduce an Ordinance approving, Zoning Code Map Amendment, No. P2017-0021; and
2. Adopt a resolution approving General Plan Map Amendment, No. P2017-0021; a reduction in the

number of required parking spaces; and a modification to Project Condition of Approval No. 18, subject to conditions of approval in this Resolution and in Exhibit A of Planning Commission Resolution No. 2017-P015.

NOTES:

1. CCMC Section 17.320.025 allows reductions in the amount of required parking when it can be demonstrated that project peak and off-peak parking demand can be adequately handled with a reduced parking supply. The project parking demand and related requirements are:

Use/Criteria	Areas (SF)	Required/ (CD Zone)	Required
Office Space	55,611	1/370 SF	150.3
Retail Space	8,158	1/400 SF	20.4
Restaurant	4,234	1/100 SF	42.34
Restaurant - Ground Outdoor Dining	798	1/100 SF	7.98
Restaurant - Roof Top Outdoor Dining	1,786,88	1/100 SF	17.87
Total Project Parking Required (Prior to Parking Reduction and Shared Parking Analysis)			238.9 or 239
Shared Parking Request			23.9 or 24
Total Project Parking Required after 10% Reduction			239-24 or 215
Total Project Parking Provided			215

2. $\$175,000 / 80,519 \text{ sq. ft. net retail/office development} = \2.18 per sq. ft.
 $\$525,000 / 80,519 \text{ sq. ft. net retail/office development} = \6.52 per sq. ft.