



City of Culver City

Staff Report

File #: 22-880, Version: 1

Item #: A-2.

CC-ACTION ITEM: Selection and Approval of REthink Development as the Preferred Replacement Developer of City-Owned Property at 9814 Washington Boulevard.

Meeting Date: April 11, 2022

Contact Person/Dept: Todd Tipton CDD/Economic Development
Phone Number: (310) 253-5783

Fiscal Impact: Yes No

General Fund: Yes No

Attachments: Yes No

Commission Action Required: Yes No **Date:**
Commission Name:

Public Notification: (E-Mail) Meetings and Agendas - City Council (4/06/2022); (E-Mail) Downtown Business Association (4/06/2022).

Department Approval: Sol Blumenfeld (3/30/2022)

RECOMMENDATION

Staff recommends the City Council select and approve REthink Development (REthink) as the preferred replacement developer of City-owned property at 9814 Washington Boulevard (Property).

BACKGROUND

The Property is comprised of a 6,950 square foot parcel and a dilapidated 2,775 square-foot house built in 1921. The rearmost portion of the Property currently serves as a utility loading facility and craft service area for the Kirk Douglas Theatre (KDT) that exists at 9820 Washington Boulevard (immediately adjacent to the Property).

In 2001, the former Culver City Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with Center Theatre Group (CTG) to renovate and occupy the former Culver Theater (now KDT) and lease the rearmost portion of the Property. Pursuant to the DDA, CTG leases the theater and rearmost portion of the Property for 60 years (with a 10-year option) at a rate of \$1 annually.

On November 9, 2020, the City Council authorized execution of an Exclusive Negotiating Agreement (ENA) with CTG to investigate development of the Property with an arts-related use on the ground floor and affordable housing above. The ENA stipulates the Property must be conveyed by the City no later than December 31, 2022, to avoid becoming subject to the Surplus Land Act (SLA). On November 23, 2021, the term of the ENA was extended until December 31, 2022.

The SLA was recently expanded to require property listed in the City's Long Range Property Management Plan (LRPMP) to be under contract (such as an ENA) by December 31, 2020 and sold for development by December 31, 2022, or else it will become subject to the procedures of the SLA.

The purpose of the ENA was to address the statutory deadline and to manage the Property's redevelopment. CTG's efforts to identify and select a developer for the proposed project were unsuccessful because the City's proposed development program included a 100% affordable housing project which was considered infeasible by CTG developer partners. CTG has offered to permit the ENA to be transferred to another entity.

On January 13, 2022, the City issued a Request for Proposals (RFP) for a market rate and affordable housing, and arts related development on the Property. The RFP process sought development proposals from qualified firms and provided for responses to be thoroughly vetted in order to result in the most qualified developer being selected.

DISCUSSION

The City received three responses to the RFP. Each respondent was interviewed and assessed based on its experience with a small project site and housing development, the project pro forma and the proposed arts related use, among other things. Following the interviews, staff recommends that REthink be selected and approved as the preferred replacement developer.

REthink purchased and redeveloped the adjacent property in 2006, which is currently occupied by Café Vida on Culver Boulevard and a new restaurant concept on Washington Boulevard that will be opening in Summer 2022. When REthink redeveloped the adjacent property, it included structural and mechanical infrastructure to accommodate additional development above the existing tenant spaces should the opportunity arise in the future to combine their parcel with the Property.

REthink proposes to combine its property with the City's Property to create a larger development site. By combining the two parcels REthink was able to propose a project with an approximately 44-foot-high building that includes 28 market rate units, six affordable units (three Workforce and three Low-income), and 4,500 square feet of ground floor space that is currently configured as a 50-seat developmental theatre, which can be reconfigured as desired to accommodate CTG's needs. In addition, REthink proposes to furnish the apartment units and utilize modular construction to control quality and construct the approximate 24,000 square foot building more quickly.

In order to construct the project REthink is requesting:

1. *Additional Building Story.* A partial fourth floor will be required to accommodate the full 34 units. The current height restriction on the north side of Culver Boulevard is three stories. The proposed project complies with the 44-foot height limit.

2. *Reduced parking/ offsite parking.* The project will provide no on-site parking for the residential units or arts use.

3. *Relaxation of Development Standards:*

- The minimum unit size requirement waived (i.e., One-bedroom units approximately 570 sf to incorporate all 34 units).
- The maximum of 25 percent of micro + studio units waived to fit 34 units. (a maximum of 26 units is possible otherwise)
- Upper floor residential setback reduction

These items will be considered during the entitlement process and may be allowed as developer concessions or development standards waivers under the requirements imposed by the Government Code Section 65915 et seq. density bonus statute.

If the City Council approves REthink as the preferred replacement developer, CTG would assign its ENA to REthink via an Assignment and Assumption Agreement (AAA). In exchange for doing so CTG is requesting the following provisions be incorporated into the AAA:

In exchange for assigning its rights CTG is requesting REthink work with CTG to design and construct the core and shell of the unimproved ground floor space for a use consistent with CTG's artistic mission, and not to seek another user for the completed space for an agreed amount of time during which CTG would seek funding to improve the ground floor space. If CTG does not improve the ground floor space within the agreed amount of time, and/or CTG and REthink do not otherwise reach an arrangement whereby REthink builds out the space to rent to CTG, REthink could utilize the space for a range of possible allowable types of replacement uses to be negotiated as part of the initial assignment of the ENA by CTG.

REthink and CTG are currently negotiating the AAA. If the City Council approves REthink as the preferred replacement developer and the AAA between CTG and REthink is executed, REthink would be expected to:

- Complete DDA negotiations by June 2022*
- Obtain all entitlements and City approvals by July 2022
- City Council considers DDA in August 22, 2022
- Acquire financing and take ownership of the Property prior to December 31, 2022
- Obtain all required permits between January and March 2023
- Begin construction April 2023

*The RFP required the selected developer to accept general terms and conditions outlined in a draft DDA that was attached to the RFP. Respondents were required to identify proposed modifications to the DDA at the time of submittal with the understanding that future modifications may be necessary but would be kept to a minimum in order to adhere to the schedule identified above.

If the City Council approves entering into a DDA with REthink in August 2022, CTG further requests the following provisions be incorporated into the DDA:

CTG has certain rights under its agreements with the City that would be incorporated into REthink's design for the project, including comparable space and uses to those currently utilized by CTG on the Property. The DDA shall require the dedication of appropriate easements to preserve these loading uses and other uses utilized by CTG, at no cost to CTG. REthink has also agreed that any construction would be coordinated with the theatre operations to minimize disruption.

As set forth above, REthink's proposed modifications to the DDA relate primarily to when construction documents, the construction contract and construction financing (among other things) must be obtained. REthink indicates these items are typically obtained near the start of construction. The City Attorney and City Special Counsel believe these items can be addressed by adding language to the DDA.

Staff recommends REthink as the preferred replacement developer of the Property based on its experience, proposed design, the project's financial feasibility, minimum modifications to the DDA and CTG's support, among other things.

FISCAL ANALYSIS

There is no fiscal impact associated with approving REthink as the preferred replacement developer of the Property. REthink projected to construct its project using prevailing wage because it was anticipated that the land would be sold at its reuse value of \$0, due to the requirement for the buyer to relocate and maintain electrical equipment and HVAC equipment, loading and unloading facilities, and a craft service area for the construction of props and scenery. If instead REthink purchases the land for its fair market price, then prevailing wages would not be required.

ATTACHMENTS

1. Proposed project renderings

MOTIONS

That the City Council:

1. Select and approve REthink as the preferred replacement developer of City owned property at 9814 Washington Boulevard; and
2. Authorize the City Attorney to review/prepare the necessary documents;

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