



City of Culver City

Staff Report

File #: 23-76, **Version:** 1

Item #: PH-3.

CC - PUBLIC HEARING ITEM: Adoption of a Resolution by the City Council Approving a Real Property Transfer and Disposition and Development Agreement by and between the City and REthink Culver LLC, related to 9814 Washington Boulevard for the Construction of a Mixed-Use Affordable and Market Rate Housing Development with an Arts Related use on the Ground Floor, and Determining the Class 32 Categorical Exemption is Sufficient, and no New Additional Environmental Review is Required.

Meeting Date: September 12, 2022

Contact Person/Dept: Todd Tipton / CDD - Economic Development

Phone Number: 310-253-5783

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Attachments: ☒

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (09/07/2022); (E-Mail) Downtown Business Association and Culver City Chamber of Commerce (09/06/2022); published in the Culver City News (08/18/2022 and 08/25/2022).

Department Approval: Sol Blumenfeld, Community Development Director (08/01/2022)

RECOMMENDATION:

Staff recommends the City Council adopt a Resolution approving a real property transfer and Disposition and Development Agreement by and between the City and REthink Culver LLC, related to 9814 Washington Boulevard for the construction of a mixed-use affordable and market rate housing development with an arts related use on the ground floor, and determining the Class 32 Categorical Exemption is sufficient and no new additional environmental review is required.

PROCEDURE:

1. The Mayor seeks a motion from the City Council to receive and file the affidavits of publication and posting of notices, and correspondence received in response to the public hearing notices;

2. Mayor calls for a staff report and the City Council may pose questions to staff as desired;
3. Mayor seeks a motion to open the public hearing;
4. Mayor seeks a motion to close the public hearing after all public testimony has been presented; and
5. City Council discusses the items and arrives at their respective decisions.

BACKGROUND:

The City's property is comprised of a 6,950 square foot parcel with frontage at 9763 Culver Boulevard and 9814 Washington Boulevard (collectively referred to as 9814 Washington Boulevard). The property is currently improved with a dilapidated 2,775 square-foot building with a portion of the property serving as a utility loading facility and service area for the Kirk Douglas Theatre (KDT), which is located immediately adjacent to the property at 9820 Washington Boulevard.

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.

The Surplus Land Act (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 it will become subject to the procedures of the SLA.

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. On November 23, 2021, the term of the ENA was extended until December 31, 2022.

The purpose of the ENA was to address the statutory deadline in the SLA and to manage the Property's redevelopment. CTG's efforts to identify and select a developer partner for the proposed project were unsuccessful. CTG 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.

On April 11, 2022, the City Council selected REthink Culver LLC (REthink) as the preferred replacement developer of the Property. Since that time the ENA has been transferred from CTG to REthink, and REthink has pursued Project entitlements and made design changes in response to comments it received from the City, CTG and community members during community meetings.

On August 10, 2022, the City's Planning Commission considered and approved REthink's Site Plan Review and environmental determination (Class 32 Categorical Exemption) and recommended the City Council approve REthink's Density and Other Bonus Incentives (DOBI) request. REthink's DOBI seeks concessions and relief from Culver City Municipal Code (CCMC) provisions related to building height, onsite loading, onsite parking, minimum unit size and the maximum number of micro/studio units allowed. The City Council will be asked to consider REthink's DOBI request during its September 19, 2022 meeting.

DISCUSSION:

Project Description

REthink is proposing a three to four level, 34-unit mixed-use project, with 2,725 SF of ground floor commercial space for an arts related use. Of the 34 residential units two will be Very-Low Income & four will be Workforce Income units. The building height will vary from 44 feet (three stories) facing Culver Boulevard and 52 feet (four stories) facing Washington Boulevard.

REthink currently owns the adjacent property that it purchased and redeveloped in 2006. The property is 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.

REthink proposes to combine its property with the City's Property to create a larger development site. In addition, REthink proposes to furnish the apartment units and utilize modular construction to control quality and construct the approximately 24,000 square foot building more quickly.

DDA

The DDA Scope of Development requires:

1. The Project be constructed in accordance with all applicable local, state, and federal laws, rules, and regulations, the DDA Scope of Development and attached plans (including six affordable housing units - two Very Low and four Workforce units).
2. The Project be developed such that the Project may achieve, and the Developer shall exercise commercially reasonable efforts to achieve, LEED certification from the U.S. Green Building Council under the Leadership in Energy and Environmental Design Green Building Rating System for New Construction and Major Renovations (LEED-NC) (Version 2.2), or its equivalent.
3. The Project complies with the CalGreen requirements, photovoltaic requirements and green building requirements as mandated by the City for general application in the City and should incorporate sustainable development principles to the extent practical.
4. REthink provide comparable space and uses to those currently utilized by CTG on the property. This requires the dedication of appropriate easements to preserve loading uses and other uses utilized by CTG, at no cost to CTG, and allows CTG review and approval of the plans with respect to the Site development to ensure its rights are respected.
5. CTG have approval rights with respect to: (A) the rolling gate length on the Culver frontage,

which must be at least sixteen feet; (B) the column placement for the overhang, as well as how the ducts and pipes are configured and the clear height under the overhanging portion of the building; (C) the revised door placement of the shed space; and (D) the details of soundproofing, plumbing and electrical work. All costs to properly move, reinstall, or replace any and all HVAC, mechanical systems, plumbing, electrical, systems serving the KDT property to the extent required to accommodate the Project will be paid for by REthink.

6. REthink construct the ground floor arts space shell and core in consultation with CTG and work with CTG to make required tenant improvements to the shell and core if CTG desires. CTG will have one year following completion of the shell and core to determine if it will occupy the ground floor space. If CTG determines it will not occupy the ground floor space, REthink may work with another arts related use to occupy the space. The DDA defines an art related use as:

Any arts or artistic media-related use with at least 25% of the space regularly available for public interaction such as classroom, educational programming, gallery, community gathering space, café/beverage space or mix of concepts such as these, with the remaining spaces being utilized for other arts-oriented uses such as office or makers/studio spaces. No use will be considered compatible if it will be programmed in a way that adversely conflicts with the scheduled use of the Kirk Douglas Theatre or could create noise levels that would disturb a performance in the Kirk Douglas Theatre.

7. REthink tenant the ground floor space with an arts related use for 60 years following the close of escrow.
8. REthink coordinate all construction and operational activities with the KDT operations to minimize disruption during the term of the KDT lease.

The DDA requires the City to convey the property to REthink for the property's appraised value of \$300,000, which takes into consideration CTG's existing use of the property. If REthink purchases the property for its appraised value, Rethink is not required to pay prevailing wage since the City is not subsidizing the Project.

Relief from CCMC Provisions

In addition to relief from CCMC provisions in the DOBI, the DDA also provides relief from CCMC provisions related to:

- Commercial uses at ground floor frontages.
- Outdoor storage space for each residential unit.
- Street facing setbacks for Culver and Washington Boulevard building frontages.

Mobility

Because the Project is not providing parking, REthink will be required by the Project's SPR to:

1. Provide all new tenants signing a minimum one-year lease, with the following free of charge:
 - a) Monthly Metro or Culver City bus pass
 - b) Monthly pass or \$25 credit with the micro-mobility service of their choice (Metro bike share, Bird, Lime, etc.)

2. Expand the existing loading zone adjacent to the project on Washington Boulevard to support convenient rideshare drop off and pick up as well as other deliveries.
3. Provide secure bike storage for 40 bikes with a maintenance area equipped with common tools and tire pump for repairs.
4. Provide all tenants with free access to a shared cargo bike that will be kept in the bike room.

52201 Report

Pursuant to Section 52201 of the California Government Code, a City selling property to create an economic opportunity must prepare a report that describes and contains specific elements of the proposed transaction and make the report available for public inspection prior to the public hearing. The Report must include the following information:

- A copy of the proposed acquisition, sale, or lease agreement.
- A summary that describes and specifies all of the following:
 - The cost of the agreement to the city, county, or city and county, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the city, county, or city and county, plus the expected interest on any loans or bonds to finance the agreements.
 - The estimated value of the interest to be conveyed, determined at the highest and best uses permitted under the general plan or zoning.
 - The estimated value of the interest to be conveyed, determined at the use and with the conditions, covenants, and development costs required by the sale and the purchase price REthink will be required to pay. If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use, then the city, county, or city and county shall provide as part of the summary an explanation of the reasons for the difference.
 - An explanation of why the acquisition, sale, or lease of the property will assist in the creation of economic opportunity, with reference to all supporting facts and materials relied upon in making this explanation.

The attached report prepared by Keyser Marston Associates outlines the primary terms of the proposed sale of the property from the City to REthink as outlined in the proposed DDA and addresses the reporting requirements pursuant to Government Code Section 52201.

Environmental Determination

Pursuant to the California Environmental Quality Act (CEQA) Guidelines, initial review of the Project established that there are no potentially significant adverse impacts upon the environment, and the Project has been determined to be Categorical Exempt pursuant to CEQA Section 15332, Class 32 - In-Fill Developments, because the proposed Project is consistent with the Downtown (Commercial) General Plan Land Use designation and the Commercial Downtown (CD) Zoning standards.

The property is surrounded by urban land uses (e.g., commercial uses, medical and hospital uses, and municipal buildings). The property is comprised of a vacant single-family home and a commercial restaurant, and has no value as habitat for endangered, rare, or threatened species.

The Project will not result in any significant effects relating to traffic, noise, air quality, or water quality because it is within the anticipated development threshold for this area. The Project analysis did not identify significant impacts and determined required utilities and public services are adequately provided.

The Project is within the scope of the adopted Categorical Exemption and the circumstances under which the Categorical Exemption was prepared have not significantly changed, and no new significant information has been found that would impact the Categorical Exemption, since the Planning Commission's adoption. Therefore, no additional environmental analysis is required.

FISCAL ANALYSIS:

The sale of the property will generate approximately \$300,000 in net proceeds that will be remitted to the Los Angeles County Auditor-Controller for distribution to the taxing entities, one of whom is the City. The proceeds are being remitted to the Los Angeles Auditor-Controller because the property was previously owned by the Successor to the Culver City Redevelopment Agency, was an asset of the Long-Range Property Management Plan and conveyed to the City at no cost.

ATTACHMENTS:

1. City Council Resolution (Sale of property, Disposition and Development Agreement, Environmental Determination)
2. Draft Disposition and Development Agreement
3. Section 52201 Report
4. Project plans

MOTION:

That the City Council:

Adopt a Resolution Approving a Real Property Transfer and Disposition and Development Agreement by and between the City and REthink Culver LLC, related to 9814 Washington Boulevard for the Construction of a Mixed-Use Affordable and Market Rate Housing Development with an Arts Related use on the Ground Floor, and determining the Class 32 Categorical Exemption is sufficient and no new additional environmental review is required.