



City of Culver City

Staff Report

File #: 23-856, Version: 1

Item #: PH-2

CC - PUBLIC HEARING: Approval of an Amendment to the Parking License Agreement Relative to the Construction and Operation of the Culver Public Market Public Parking Structure at the Intersection of Washington Boulevard and Centinela Avenue.

Meeting Date: May 22, 2023

Contact Person/Dept: Elaine Warner / Office of Economic and Cultural Development

Phone Number: (310) 253 - 5777

Fiscal Impact: Yes No

General Fund: Yes No

Public Hearing: Action Item:

Attachments: Yes No

Public Notification: (E-Mail) Meetings and Agendas - City Council (05/18/2023)

Department Approval: Jesse Mays, Assistant City Manager (4/11/2023)

RECOMMENDATION:

Staff recommends the City Council approve an amendment to the Parking License Agreement (Agreement) relative to the construction and operation of the Culver Public Market Parking Structure (Parking Structure) at the intersection of Washington Boulevard and Centinela Avenue (Property).

BACKGROUND

On October 8, 2018, the Successor Agency authorized execution of a Disposition and Development Agreement (DDA) with Culver Public Market, LLC (Developer) to construct the Culver Public Market project (Project). Additionally, a separate City Development and Construction Contract (DCC) was executed relative to the Developer's obligation to construct an attached three and a half-level public Parking Structure that would accommodate approximately 180 public parking spaces to serve the Project and the local community. On May 28, 2019, the City approved the Agreement with the Developer for the management and operation of the City-owned Parking Structure.

At the time of the Agreement's approval, it was estimated that the Parking Structure would cost approximately \$8.1 million to construct, of which the City would contribute \$6.72 million in tax-exempt

bond proceeds or contribution(s) of equivalent value.

In March 2020, the Developer invoked the Force Majeure provisions of the DDA and the DCC due to the COVID-19 pandemic, which paused the Schedule of Performance. In July 2022 and in January 2023, the City approved two additional six-month extensions to the Force Majeure delay period to allow for additional negotiation with the Developer's proposed anchor tenant and to assess the financing of the Parking Structure, due to increased construction and operational costs. Staff met with the Developer and Keyser Marston, the City's financial consultant, to discuss these issues. After analyzing the Project, Keyser Marston agrees that a modification to the Agreement is warranted to make the Project financially feasible.

In October 2022, the Developer requested an amendment to the Agreement to allow for revenue production and sharing between the City and the Developer. The Developer estimates that the hard costs to construct the Parking Structure are approximately \$12 million due to increased labor and supply costs; the costs for the Project have gone up significantly as well. To that end, the Developer proposes modifying the revenue neutrality provisions of the existing Agreement and developing competitive parking rates, similar to The Platform project and other regional destinations, in order to generate income to fund the additional constructions costs. The rates are intended to encourage regular levels of turnover of parking spaces to allow for reasonable availability for customers and employees of the Project as well as for visitors to other businesses and establishments in the vicinity.

The proposed amendment includes the following terms.

1. Increase parking rates from revenue-neutral to market levels, in order to generate additional funds, which would be paid to the Developer and the City to offset the increased costs to construct the Parking Structure and the Project, capped at \$15 million for each entity (targeting at least \$100,000 each per year).
2. Provide for annual contribution to a reserve fund for capital repairs at 1% of the hard construction costs of the Parking Structure incurred by the Developer (approximately \$120,000 per year); this amount may be increased or decreased on an annual basis if both the Developer and City consent based on the needs and timing of capital repairs.
3. Prepare an annual parking budget each year with competitive parking rates to avoid shortfalls and encourage revenue generation similar to other regional parking structures. The parking budget and rates would still be subject to City approval.
4. Apply parking revenues, as available, in the following order:
 1. Non-capital current costs for the Parking Structure (operation and maintenance) (in existing Agreement)
 2. Other current costs (such as capital repairs to be carried out this year) (in existing Agreement)
 3. Contribution to reserve fund for future capital repairs (in existing Agreement)
 4. Developer assistance (revenue share) (new)
 5. City assistance (equal revenue share as the Developer but paid once the Developer's share has been fully funded) (new)
 6. Developer and City assistance funding would be contingent upon parking revenues for the fiscal year being sufficient to make such payments. If there is a shortfall that cannot pay the Developer or the City fully, there would be no carry over into a subsequent fiscal year. However, once the Developer has received \$15 million, the City alone would continue to receive its annual assistance until it also reaches its \$15 million cap.

7. As is the case in the existing Agreement, if parking revenues in any fiscal year are greater than the amount required that year, then excess parking revenue would be deposited into a reserve/surplus fund (Shortfall Fund) for the purpose of funding any future shortfalls and/or mandatory capital improvements; all discretionary capital improvements would remain the sole obligation of the City.
8. As is the case in the existing Agreement, if parking revenues in any fiscal year are not enough to cover the operations and maintenance, after exhausting the Shortfall Fund, the Developer and the City would contribute a *pro rata* share to fund the Parking Structure operations (based on 137 Developer spaces and 43 City spaces).

The Developer and the City have prepared a proposed Amended and Restated Parking License Agreement reflecting the above terms. The Developer has the right to terminate the DDA, the DCC, and the Agreement in July 2023 if it determines that the Project would not be financially viable.

FISCAL ANALYSIS:

To date, the Successor Agency and the City have invested/committed nearly \$17 million into the Project, including land acquisition. If the City approves amending the Parking License Agreement, both the Developer and the City would receive up to \$15 million each in additional revenue, due to higher parking rates, over the Project's duration, as compared with what each party would receive under the existing Agreement. The DCC previously approved a net economic development subsidy to the Parking Structure of \$4,060,000 due to the construction of City owned parking spaces (Attachment 1). The proposed amendment to the Agreement would result in an additional economic development subsidy of up to \$15 million to the Developer.

ATTACHMENTS:

1. Summary Report Pursuant to California Government Code Section 53083

MOTION:

That the City Council:

1. Approve an amendment to the Parking License Agreement relative to the construction and operation of the Culver Public Market Parking Structure;
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.