



Board Report

File #: 2021-0449, File Type: Agreement

Agenda Number: 7.

PLANNING AND PROGRAMMING COMMITTEE SEPTEMBER 15, 2021

SUBJECT: CULVER CITY STATION ADJACENT DEVELOPMENT

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer or their designee to execute amendments to a Perpetual Easement Agreement and Perpetual Reciprocal Easement Agreement, accept Grant Deeds and enter into other related documents with Ivy Station LLC and/or its affiliates under common control (Developer) for the mixed-use development adjacent to the Metro E Line (Expo) Culver City Station.

ISSUE

In 2017, Metro, the City of Culver City (City) and the Developer entered into a Perpetual Easement Agreement and a Perpetual Reciprocal Easement Agreement (Easement Agreements) related to the development of a mixed-use development (Project) on certain real property, including some Metro-owned property, adjacent to the Metro E Line (Expo) Culver City Station (Station). The Project Site has been subdivided into several airspace lots associated with the Project's various uses such that the property for each development type can be sold or financed separately. However, numerous airspace lots straddle the boundary between property owned in fee by Metro and property owned in fee by the Developer and it has been determined that such straddle lots cannot legally or practically be conveyed or mortgaged. With construction substantially complete, amendments to the Easement Agreements and acceptance by Metro of Grant Deeds are necessary for the Developer to convert from construction financing to permanent financing. These actions will establish Metro as unified fee ownership of ground and airspace lots that straddle property lines (as an interim step and subject to easements and restrictions) and authorize Metro to reconvey such portions once the Developer secures approvals from local jurisdictions for revisions to subdivision maps.

BACKGROUND

In 2000, the City commenced planning for the redevelopment of parcels surrounding the planned Station, and subsequently began assembling parcels and working with Metro to incorporate portions of Metro's right-of-way with the intent of developing a transit-oriented development. In 2011, Metro entered into an Option Agreement (Option) with the City and the Culver City Redevelopment Agency to allow portions of the future development to be constructed on Metro-owned property adjacent to the Station (See Attachment A - Site Map). As a condition of allowing development on portions of

Metro property, a park-and-ride facility with 300 parking spaces for Metro transit riders was required to be constructed in the future development, as well as temporary transit rider parking on-site until the development began construction, and off-site during construction of the permanent facility.

In 2012, following a competitive solicitation, the City selected Lowe Real Estate (parent company of Ivy Station LLC) as the site's Developer. Metro did not participate in the scoping of the Project or solicitation of the developer and was not party to the Implementation Agreement between the Developer, the City, and the Successor Agency to the Culver City Redevelopment Agency.

In December 2016, the Metro Board of Directors authorized Metro to enter into the Easement Agreements with the City and Developer per terms substantially consistent with those authorized by the Board and contained in the Option. Upon exercise of the Option by the City, the parties entered into the Easement Agreements in June 2017, and construction commenced.

Site Overview

The 5.5-acre project site is triangular and bound by Washington Blvd. to the southeast, National Blvd. to the northeast, Venice Blvd. to the northwest, and the Station/Metro E Line (Expo) to the south (Project Site) (see area outlined in red on Attachment A - Site Map). The Project Site includes approximately 1.67 acres of Metro-owned property consisting of the northerly 91 feet of Metro right-of-way (Easement Area) (see blue highlighted area on Attachment A - Site Map). The southerly 59 feet of Metro property consists of the Station and operating right-of-way (Station Parcel) and is not a part of the Project Site (see yellow highlighted area on Attachment A - Site Map). Additionally, the municipal boundary between the City and the City of Los Angeles bisects the Project site.

Project Overview

The Project, commonly known as Ivy Station, includes a 148-room hotel, an approximately 197,000 square foot office building, 200 market-rate apartments, approximately 58,000 square feet of ground floor retail space, and parking including 300 stalls dedicated for Metro transit-riders (Project). Project amenities include more than two acres of publicly-accessible open space that will be programmed regularly, numerous public art installations, and design features intended to integrate the Project with transit by providing riders with safe, comfortable paths of travel to the Station from the surrounding community. Construction of the Project is substantially complete, except the hotel which is scheduled to open in late 2021. The Metro park-and-ride facility opened to the public in early September.

DISCUSSION

Subdivision Maps

In fall 2020, final subdivision maps were recorded in the City of Culver City and the City of Los Angeles establishing ground lots and several airspace lots (legally defined, three-dimensional blocks of air). This subdivision technique intends to allow airspace lots at different elevations in the Project to be sold or financed separately. In the Project's case, separate uses (e.g.: office, apartments, hotel, parking) are located in one or more separate airspace lots clustered in distinct development zones intended to be sold or financed separately. The recorded final subdivision maps erroneously contained numerous single airspace lots, which straddled a portion of underlying ground lot owned in fee by Metro and a portion of underlying ground lot owned in fee by the Developer. Because an airspace lot cannot be lawfully conveyed or mortgaged unless the underlying ground lot has a unified

ownership, such “straddle lots” prevent Developer from being able to convey or mortgage each portion of the Project as was intended.

To address the subdivision map issue resulting from the circumstances described above and to facilitate timely refinance of the construction loan for the project, amendments to the Easement Agreements and conveyance of certain Grant Deeds are necessary.

Key terms include the following:

- Developer will convey fee ownership of its portion of each straddle lot (Conveyed Portions) to Metro via Grant Deeds
- Developer will retain ownership of all improvements and retain easements for all airspace lots, subject to easements in favor of Metro, where applicable
- Developer retains all obligations to maintain, repair, insure, indemnify with respect to its ownership and operation of the improvements with the exception that Metro will be responsible for maintaining and operating parking access and revenue control systems and equipment as well as collect parking revenues
- Additional indemnification provisions have been added to minimize any additional liability to Metro as a result of acquiring fee ownership of Conveyed Portions, including hazardous materials risk
- Metro will receive, at Developer’s cost, a title insurance policy to insure its fee interest in the Conveyed Portions
- Developer covenants to use good faith best efforts to obtain, at Developer’s cost, approvals for revised subdivision maps and/or lot line adjustment to establish separate legal lots that can be freely sold and financed
- Upon approval and recordation of revised maps, Metro will reconvey Conveyed Portions to the Developer or its successors, as applicable

Although the parties’ intend to adjust the maps to legally subdivide each straddle lot into two legal airspace lots, such approvals will require discretionary approvals by the cities of Culver City and Los Angeles that may take more than a year. The amendments to the Easement Agreements and conveyance of Grant Deeds will allow for Developer’s timely conversion from construction to permanent financing, which is necessary for the Project’s financial viability. Although acceptance by Metro of fee to Developer portions of the straddle lots (subject to easements and restrictions) is intended to be an interim condition, the terms described above will protect Metro should reconveyance be delayed or the subdivision map adjustments not be approved by one or both of the cities.

DETERMINATION OF SAFETY IMPACT

Approval of this item which pertains to conveyance of real estate fee interests will have no impact on safety. However, the Project, which opened to the public earlier this year, activates the station area and improves connections between the Station, adjacent transportation amenities and the surrounding community.

FINANCIAL IMPACT

The Reconveyance Lots are subject to easements and restrictions that render the value at zero. Metro will incur no additional costs as a result of the recommended actions.

Impact to Budget

Funding for Project transaction costs are included in the FY22 budget in Cost Center 2210, Project 401041 and will be reimbursed by the Developer per terms of existing agreements. Additionally, the amendments to the Easement Agreements require the Developer cover all costs associated with the documentation and approvals of the revised subdivision maps and reconveyance back of Conveyed Portions to Developer, including reimbursing Metro for its related costs.

EQUITY PLATFORM

The recommended action relates to the conveyance of real estate fee interests for an existing development which was envisioned, solicited and shaped by the City. The key terms of Metro's participation in the Project, namely granting certain development rights in the Easement Area in exchange for 300 Metro park-and-ride spaces, were defined in and limited by the Option executed in 2011, which predate the adoption of Metro's Equity Platform.

More recently, Metro has adopted a Supportive Transit Parking Program Master Plan (2018) and updates to its Joint Development Policy (2015 and 2021) which provide a strategic framework for leveraging Metro-owned property adjacent or proximate to transit. These plans and policies allow an equity-focused lens to guide future approaches to land development and public/private partnerships to maximize public benefits and prioritize transit-supportive uses, including affordable housing and investments in alternative modes of accessing the transit system.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This Project supports the Strategic Plan Goal 3 to "enhance communities and lives through mobility and access to opportunity" by helping to catalyze a transit-oriented community. The Project's community-oriented amenities such as the transit plaza, event lawn, and mix of uses, including extensive ground floor retail, activate the station area and encourage transit ridership. Additionally, the park and ride facility supports multi-modal access to the transit system.

ALTERNATIVES CONSIDERED

The Board could choose not to authorize amendments to the Easement Agreements. Staff does not recommend this option as construction of the Project is substantially complete. Without the approval of the recommendations, the Developer will be unable to convert from construction financing to permanent financing. An extended delay could jeopardize the Project.

NEXT STEPS

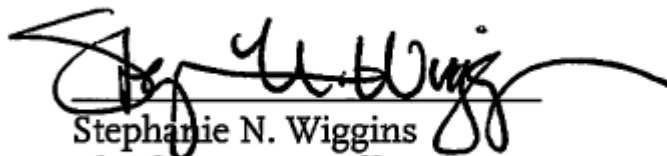
Upon Board approval of the recommended action, Metro and the Developer will execute the amendments to the Easement Agreements and accept Grant Deeds to the Conveyance Portions. Subsequently, Metro will work with the Developer in securing municipal approvals for revisions to the subdivision maps that will allow for the Conveyance Portions to become separate legal lots that will be reconveyed to the Developer.

ATTACHMENTS

Attachment A - Site Map

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