

City of Manhattan Beach

1400 Highland Avenue
Manhattan Beach, CA 90266



Meeting Minutes - Draft

Tuesday, May 20, 2014

5:00 PM

Regular Meeting

City Council Chambers

4:00 PM Adjourned Regular Meeting - Closed Session

City Council

Mayor Amy Howorth
Mayor Pro Tem Wayne Powell
Councilmember Mark Burton
Councilmember Tony D'Errico
Councilmember David J. Lesser

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A. PLEDGE TO THE FLAG

Maddie Horn led the Pledge of Allegiance.

B. ROLL CALL

Present: 5 - Mayor Howorth, Mayor Pro Tem Powell, Councilmember Burton, Councilmember D'Errico and Councilmember Lesser

C. CERTIFICATION OF MEETING NOTICE AND AGENDA POSTING

City Clerk Tamura confirmed that the meeting was properly posted.

D. APPROVAL OF AGENDA AND WAIVER OF FULL READING OF ORDINANCES

Mayor Pro Tem Powell made a motion to approve the agenda, seconded by Councilmember Burton. The motion carried by the following vote:

Aye: 5 - Howorth, Powell, Burton, D'Errico and Lesser

E. CEREMONIAL CALENDAR

1. Presentation of a Proclamation Declaring July 21-25, 2015, as Special Olympics World Games Host Town Week. **14-0230**

PRESENT

Mayor Howorth on behalf of the City Council, presented John Peetz with a Proclamation for Special Olympics World Games Host Week July 21- 25, 2015.

2. Presentation of Certificates to the Mayors Youth Council Class of 2014. **14-0229**

PRESENT

Mayor Howorth on behalf of the City Council, and Mayor's Youth Council Representative Nancy Hersman, presented certificates to the Mayors Youth Council Class of 2014.

F. COMMUNITY ANNOUNCEMENTS REGARDING UPCOMING EVENTS

Viet Ngo announced Budget Study Session No. 3 will be held tomorrow evening and that Anti Corruption Advocacy will have a meeting on Saturday, May 25, 2014, at 10:00 am.

G. PUBLIC HEARINGS

- 3.** Consideration of Certification of a Final Environmental Impact Report and Approval of a Master Use Permit Amendment, Height Variance and Master Sign Program/Exception for the Manhattan Village Shopping Center Enhancement Project at 2600 through 3600 Sepulveda Boulevard and 1220 Rosecrans Avenue (Director of Community Development Thompson). **13-0444**
- ADOPT RESOLUTION NO. 14-0025 CERTIFYING THE FINAL EIR AND RESOLUTION NO. 14-0026 APPROVING THE PROJECT WITH CONDITIONS CONSISTENT WITH THE CITY COUNCIL MOTION ON JANUARY 14, 2014**
- A- STAFF PRESENTATION - 10 minutes**
- B- PROPERTY OWNER PRESENTATIONS - 10 Minutes Each**
- C- PUBLIC COMMENTS - 1 Minute Each**
- D- CITY COUNCIL QUESTIONS**
- E- CLOSE PUBLIC HEARING**
- F- CITY COUNCIL DELIBERATIONS**

Mayor Howorth read the Rules of Decorum for the meeting.

Councilmember Burton apologized to residents noting that City Council rushed to make a decision in January on this matter, prior to City Council properly deliberating.

Mayor Howorth stated that this is distracting and noted the need to set forward with the process. She added that the City Attorney is available to guide Council through the process and decision-making. She stated that the present discussion is not effective or efficient, that this seems to be "grandstanding" and that it looks bad to the public.

Councilmember D'Errico responded noting the need to understand the process and the reasons why it is making a decision prior to taking action and knowing what City Council's obligations are.

Mayor Howorth expressed concerns that it is out of order and that it occurs at the beginning of every meeting and suggested discussing it at the proper time on the agenda.

Councilmember Burton stated that City Council is here to consider all of the different site plans, not just the two resolutions and that Council has to go through deliberations.

Mayor Howorth clarified that consideration of the resolutions does not preclude other considerations.

City Attorney Quinn Barrow responded to Council questions and clarified the process for this evening.

Community Development Director Richard Thompson gave a brief presentation on

the Manhattan Village Mall Project. He noted that all of the information available has been posted on the City's website for review and that experts are in attendance to respond to questions from City Council. He presented recommendations and addressed the current project site.

City Attorney Barrow reported there have been no changes to the project as presented on April 29, 2014, but highlighted "fine-tuning" of the resolutions and detailed those changes including changes made after discussions with the attorney representing 3500 Sepulveda.

City Attorney Barrow reported that the Public Hearing remains open but City Council has closed the public testimony portion of the hearing. However, the public will be able to comment on the two resolutions presented. He addressed the difference between closing the public testimony versus the Public Hearing noting that the City is providing due process for those wanting to provide input on this project. He added that there have been nine hearings on this matter and that the public has had ample opportunity to comment.

Mark Neumann, 3500 Sepulveda LLC. property owner, commented in defense of his property rights and read a letter submitted to the City by one of his tenants, Mike Simms. He noted meeting with Councilmembers to discuss this matter with the exception of Councilmember Lesser who indicated his desire to stay impartial. He commented on prior meetings and prior approval of the project and stated that there are flaws to the resolutions including the exclusion of Macy's. He referenced the settlement agreement with RREEF and opined that the conditions ignore the settlement agreement.

Brant Dveirin, Attorney from Lewis, Brisbois, Bisgaard & Smith LLP, representing 3500 Sepulveda LLC., referenced a letter he submitted to City Council including a red line resolution, reported meeting with RREEF and the City and commented on issues agreed to and issues needing to be addressed. He addressed parking issues affecting his clients' building and stated that they want what was agreed to in the settlement agreement. Additionally, he asked to add two conditions to the resolution including, "RREEF shall, without further reducing the available number and type of parking, add a stairwell and elevator to the north deck facing the Hacienda building, the plans to be preapproved in writing by the Hacienda building owners whose approvals will not be unreasonably withheld". The second condition requested includes, "The parties, in good faith, negotiate to add 150 spaces in a new lot adjacent to 3500 Sepulveda building". He asked that RREEF and staff work with them to develop solutions amenable to all.

Mr. Neumann added that they have reached out to RREEF in an attempt to work out the issues of contention but that RREEF has been unresponsive.

Mark English, RREEF, provided a PowerPoint presentation noting that the process has been detailed and thorough with respect to the site planning. He asked for approval of the project as proposed and stated that they are not prepared to discuss any more changes to the project. He added that they have complied with the ten items directed by City Council on January 29, 2014, and have explored all available alternatives. He addressed the scale of the project, phases, expansion on the existing square footage, Macy's consolidation, renderings, comparable projects, open space, building heights, massing, ownership and their commitment to the project.

Mayor Howorth opened the floor for public comments.

An Unknown Speaker spoke regarding the need for women to be extra vigilant in

walking by themselves in parking lots or garages adding that one out of every four rapes takes place in a public area or parking garage. She expressed concerns regarding sexual predators and increased crime.

Jerri Dearden expressed concerns regarding the Cedar Way entrance and exit at Rosecrans and Marine Avenues.

An Unknown Speaker urged City Council to avoid negativity and spoke in support of keeping taxes and jobs in Manhattan Beach and in support of the proposed enhancement.

Russ Lesser spoke in support of the project and expressed concerns regarding opposition to the project.

Robert Bush urged City Council to preserve the City's small-town charm and spoke in opposition to the project.

Michelle Murphy expressed concerns with comments by RREEF that they are not prepared to discuss any more changes to the project. She noted this is a big expansion to the Mall and expressed concerns regarding impacts to traffic.

Esther Besbris commented on the City's mission statement and stated that the express concerns of residents have not been directly addressed by City Council. She stated there are too many issues that are still open-ended that need to be addressed. She urged City Council to keep the City's small-town character.

Cory Briggs spoke on behalf of Sensible Citizens of Manhattan Beach and 3500 Sepulveda noting that City Council is violating his clients' due process rights in that it approved the project in January, closed the Public Hearing previously and did not properly reopen it. Additionally, he stated that due process rights are being violated in terms of the same attorney who advises staff also advising City Council. He alleged that Mayor Pro Tem Powell is spreading lies about 3500 Sepulveda telling members of the public that 3500 Sepulveda is only in it for \$1 million payoff. He stated that Councilmember Lesser has violated due process in that he previously told RREEF he would not meet with them but then met with them before the January City Council meeting and was in a subcommittee for this project and obtained evidence outside of the Public Hearing. He believed that both should be recused from voting on this matter.

Jan Dennis urged City Council to approve the northeast parking structure, Macy's expansion, and more shops at the Macy's Men Store and to let RREEF develop the Fry's property. However, she spoke in opposition to destroying the ambiance at 3500 Sepulveda with a parking structure and urged City Council to maintain its small-town atmosphere.

Vicki Neumann submitted a list she compiled of unanswered questions as well as a copy of an email between Jeffrey Chambers and Mark English after the January 2014 meeting.

Bob Lauson suggested letting the public decide this matter by placing it on the November ballot. He added that if City Council approves the resolutions, there is a substantial risk that it is acting contrary to the will of the people.

Faith Lyons stated that the process has been flawed from the beginning and that it compromises any decision that City Council may make. She urged City Council not to pass the resolutions at this time.

Marie Calmie stated she was encouraged there had been discussion and agreement between 3500 Sepulveda and RREEF. She encouraged City Council to vote on the project one way or another and move it forward.

Scott King commented on the numerous hearings on this project for the last seven years and noted that we need to move forward.

Viet Ngo opined that the process has been tainted and commented on meetings that have been held without the participation of 3500 Sepulveda. He alleged violations of the Brown Act and asked the City Attorney to refer the matter to the District Attorney.

Joanne Callon spoke in favor of the project and believed that RREEF has taken a lot into consideration. She encouraged City Council to keep sales taxes in the City rather than El Segundo.

Esella Buenebad, U.S. Bank in Manhattan Village, noted that parking has always been an issue and spoke in support of the project.

Neil Boyer spoke in opposition of the project noting that it is a quality of life issue and goes against the "low key" lifestyle in the City. He expressed concerns with congestion, pollution and crime.

Chuck Eldridge spoke in support of the project and urged City Council to approve it.

Mark Bell, M.D., Emergency Physician, spoke on the dangers of parking structures and commented on research he did relative to parking facilities being hunting grounds for criminals and other strangers.

Loralee Ogden reported that most people do not want to kill the Mall but rather "rethink" it. She added that the fact that the matter has been in discussion for seven years is no reason to make a decision at this time.

Diane Wallace hoped that this project can be put to bed. She stated she has appreciated the process and stated that the most significant part of this has been the opportunity to provide input. She hoped that City Council will make a decision at this time.

John Sorrenson spoke in support of the project and agreed with a parking structure.

Seeing no further requests to speak, Mayor Howorth closed public comments.

At 6:46 PM City Council recessed and reconvened at 6:52 PM with all City Councilmembers present.

Mayor Howorth indicated that comments should be made during deliberations and acknowledged Councilmember Burton's comments regarding the importance of City Council having enough time to deliberate. She apologized for her use of the word "grandstanding". She added that she always trusts the intentions of Councilmembers.

Mayor Howorth stated that City Council will not make comments at this time but will ask questions instead.

Mayor Pro Tem Powell and City Attorney Barrow discussed the point in which a decision is made. City Attorney Barrow reported that a decision is made when the

resolution is approved and noted that no decision has been made at this point. In terms of the possibility of letting voters decide the matter, City Attorney Barrow explained that initiatives and referendums are only appropriate for legislative actions. City Council could place advisory measures on the ballot.

Discussion followed regarding the deadline for placing an item on the November ballot.

Mayor Pro Tem Powell and Community Development Director Thompson discussed an agreement by Macy's to consolidate and referenced an MOU. Community Development Director Thompson reported receiving a letter from Macy's showing a strong interest in the project. In terms of the applicant paying the City \$20,000 for a traffic study regarding Oak and Cedar Avenues, Community Development Director Thompson explained what the traffic study would consist of.

Mayor Pro Tem Powell addressed the General Plan and the current zoning for the site as high-intensity commercial and Community Development Director Thompson addressed the various zoning designations and the designation for the Mall site. He added that the mall site is designated as regionally serving which is the most intensive designation. He addressed differences in zoning between the subject project and downtown. Mayor Pro Tem Powell asked if, as a result of the changes made to the resolutions, it requires another CEQA review and Community Development Director Thompson reported that any and all changes that have occurred have been evaluated through the environmental process.

Discussion followed regarding the number of conditions being imposed, no negative impacts to 3500 Sepulveda, and connectivity of Cedar Way to Rosecrans Avenue and traffic mitigation efforts.

Mayor Pro Tem Powell and Mr. English engaged in discussions regarding the status of Macy's, providing evidence of that agreement to City Council, location of the northeast parking structure and an unsuccessful RREEF project in the City of Sunnyvale.

Mayor Pro Tem Powell and Mr. Dveirin discussed a document submitted by Mr. Dveirin and received by City Council today. Mr. Dveirin reported sharing a red line version with the City Attorney weeks ago who indicated that no changes will be made unless there is an agreement with RREEF. Mr. Dveirin explained the relationship between his law firm, the applicant and the law firm represented by Mr. Briggs. He added that he is the attorney that negotiated the original settlement agreement which was not abided by RREEF and the Mr. Biggs is the CEQA counsel.

Mr. Neumann referenced a letter he submitted on April 29, 2014, and reported receiving an email from the City Attorney's office stating that if they made a deal with RREEF, the City would consider the changes. He added that he is gaining nothing and is just trying to maintain the status quo. He indicated that his property rights are being taken away and that Mr. Biggs is advising them on the proper process adding that the process has been flawed and many mistakes have been made.

Mayor Pro Tem Powell and Police Chief Eve Irvine discussed cameras, lighting, security systems, and a Police "holding" office at the Mall, statistics related to rapes and crimes in parking structures in the City, the number of parking structures in the City and typical crimes occurring in parking structures. She added that crimes in parking structures mimic what is occurring in the rest of the community. She explained the process used in evaluating crimes in the Manhattan Village Shopping Center area and noted there is no definitive correlation between putting up a parking

structure and increasing crime. She added that setting security measures in place minimizes crime and addressed these being required of RREEF including security cameras at the egress/ingress of each parking structure as well as each of the entrances to the shopping center. She noted there will be increased security personnel as well as increased lighting.

Discussion followed regarding other parking structures in the area including private parking structures. It was noted that the MBPD does not manage or patrol private parking structures.

In response to Councilmember Lesser's inquiry regarding the private settlement agreement, City Attorney Barrow reported that it has no role in City Council's decision at this time and stated that the decision will be whether to certify the EIR, whether the project has merits and whether the conditions are appropriate. He added that any private agreement with RREEF has no impact on the discretionary approvals that have been received by 3500 Sepulveda. City Attorney Barrow reported that if the City owns a property, it can dictate the uses that go on that property and can impose conditions beyond what it could on a private developer. He stated that he has reviewed some of the proposed modifications to the resolution and most are clerical issues. One of the stumbling blocks is that RREEF was trying to reach an agreement with 3500 Sepulveda, LLC. as late as this afternoon. He added that City Council could make clerical changes to the resolution and non-substantive changes but any changes that would increase or change the project in a significant way would require CEQA review.

Discussion followed between Councilmember Lesser and Community Development Director Thompson regarding the initial zoning for the Hacienda site, limitations regarding uses, the importance of RREEF and 3500 Sepulveda having an agreement and the City's understanding of same before the City heard any consideration of demand for increased parking. It was noted the certain uses are ascribed a certain number of trips for purposes of traffic studies and Community Development Director Thompson stated that staff considers not only parking demand, but traffic impacts as well. He added that planners look to have a balance of uses and noted there are different parking demands and impacts at different times.

Discussion continued regarding the scale of the project, the allocation of square footage, the traffic equivalency program and improvements to the entrance at Cedar Way and Marine Avenue. Community Development Director Thompson reported that an additional lane will be placed at the location to help with traffic congestion.

City Traffic Engineer Erik Zandvliet addressed the condition regarding a traffic study on Cedar Way and Oak Avenue including the scope of the work, funding, traffic calming measures and bypass traffic from Sepulveda. He added that the scope has not been finalized yet and that as far as the development is concerned, is not a mitigation requirement. He commented on proposed improvements to the intersection of Cedar Way and Marine Avenue and noted that the right-of-way is already there.

In response to inquiries from Councilmember D'Errico, City Attorney Barrow addressed the three different owners of the property as well as property rights. He added that the resolution makes it clear that whatever happens with the subject project, it will not change property rights that have been conferred by the City. There are portions of the existing Master Use Permit that affect their ability to do certain things.

Community Development Director Thompson addressed the use and conversion of

the Hacienda building, (3500 Sepulveda) parking for the Tin Roof restaurant and their Use Permit, impacts to parking in the Mall, and location of parking for the Tin Roof restaurant. He added that parking for Tin Roof is part of the private agreement between Hacienda and RREEF. The City also has a parking requirement which is why it was important for the City to understand the entire parking requirement for the shopping center.

Councilmember D'Errico asked how much parking the Tin Roof requires to meet its CUP and the location of same.

Community Development Director Thompson reported that the City is not so much concerned about the ownership issue as it is regarding the availability of parking, as a whole. He added that parking must be convenient and noted parking that surrounds the Tin Roof is available for their customers' use.

In response to Councilmember D'Errico's question, Mr. Neumann reported on the builder of the shopping center and stated that it has one set of zoning. He clarified that his building has never been just zoned for office noting that it had a bank and a dentist when he purchased it. He added that it is zoned for several types of uses in the shopping center. He reported that parking at the shopping center does not comply with the Municipal Code and that although he does not own a parking lot, he has an easement across the entire parking lot from Marine Avenue to the Veterans Parkway, from east to west and addressed parking required for Tin Roof restaurant.

Councilmember D'Errico and Consultant Kosmont engaged in discussion regarding revenue represented by the additional square footage and the current shopping center revenue as well as the parking ratio needed for specific retail mixes. Ensuing discussion pertained to open space, the possibility of closing off Cedar Way to use as engagement space and space in the interior of the mall that could be used for programming and interactively with retail and special events. Mr. Kosmont addressed the extension of Cedar Way and the potential for additional plaza space there.

Councilmember D'Errico and Mr. English discussed the proposed pedestrian bridge from the parking structure to the Macy's north building and the Macy's Men Store. Mr. English stated that if Macy's does not consolidate, they would want the bridge there. Mr. English addressed the time and money spent on the approval process for the project and reasons in support of same. He noted this project is consistent with everything that they have done and although there is no guarantee, there is no reason that would cause the project to stop and that their investments are from pension funds, which is something they take very seriously and is of the highest fiduciary duty. He reported there is no debt on the property. Mr. English addressed the conditions that have been negotiated and reported that if the project is not voted on or is denied, they will be disappointed but will move on. He noted the possibility of considering the need for additional work but stated that based on the way the process has been going for the last 2 ½ years, there is a strong possibility that they will not continue with the process.

In response to Mayor Howorth's inquiry regarding plans for mobility in terms of access to the greenbelt and a bike path, Mr. English reported that those plans are part of Phase 3. He added there will be significant improvements to the Veterans Parkway connection.

Mayor Howorth and Mr. Kosmont engaged in discussion regarding the total sales tax revenue generated by the mall.

Finance Director Bruce Moe reported that it represents 1/3 of the City's sales tax revenue.

Mr. Kosmont noted conditions that have not changed including a requirement of \$400,000 to complete the application as well as related occupancy permits. He added that this is not a development agreement but rather a third-party application by a property owner for zoning.

In response to Councilmember Burton's question regarding placing the two Phase I parking structures on the ballot for a vote of the community, City Attorney Barrow reported that it could be done and would be an advisory measure.

Councilmember Burton and Mr. English spoke regarding efforts at up-scaling the shopping center, refreshing the interior Mall, signing the lease extension with Apple and related improvements to the interior of the Mall. Mr. English affirmed that they are renewing leases and raising lease rents in order to get tenants to leave and attract more upscale tenants.

Councilmember Burton and Community Development Director Thompson discussed a 2007 letter sent by Mr. Simms where the City encouraged the parties to work things out among themselves while giving the City acknowledgement that parking was available for the Hacienda building. Councilmember Burton commented on the initial decision to build two parking structures and noted that the plan has not changed. Community Development Director Thompson addressed the plan for parking structures and he provided a brief history of the matter. He added there is an understanding between RREEF and surrounding village homeowners that precludes a parking structure located south of the Macy's Men Store.

Councilmember Burton and Mr. Pat Gibson, Transportation Engineer, discussed a previous traffic study, the three roads that pass through the mall, downgrading Village Drive and plans for Cedar Way and Carlotta Way. They discussed entry and exit points, parking structure ramps, the northeast parking garage structure ingress and egress, deceleration and acceleration lanes, levels of parking relative to Phase 3, the possibility of subterranean parking on the northeast corner, location of the bus stop and the importance of deceleration lanes. Discussion continued regarding project impacts to the area west of Sepulveda, additional peak hour trips to the intersection of Sepulveda Boulevard and Rosecrans Avenue, the traffic equivalency program, and other projects on which Mr. Gibson has worked that have traffic equivalency programs. Mr. Gibson reported that Village Drive is included in the traffic study and addressed traffic impacts to Carlotta Way. He added that the portion of Village Drive that is being "de-emphasized" is the portion that goes behind the stores.

Mayor Howorth and Mr. Neumann discussed parking required for the Tin Roof restaurant.

Mayor Pro Tem Powell and Community Development Director Thompson discussed Condition No. 13 and it was reported that there are no bars or liquor stores allowed in this development. Discussion followed regarding the height variances due to the rolling terrain and because of the new ADA requirements requiring an elevator as well as the reasons for the sign exceptions being sought. Community Development Director Thompson addressed the availability of all documents pertaining to this project on the City's website.

Mayor Pro Tem Powell reported that the applicant had numerous town hall meetings with nearby residents and as a result, substantially revised their plans. He commented on the history and evolution of the project throughout the process and

stressed that he did not break his campaign promise regarding approving the project. He asked that the owner of the anonymous website remove comments about him breaking his campaign promises adding that it is defamatory.

Councilmember Burton and City Attorney Barrow discussed a decision-making structure in terms of bridging the analytical gap between raw data and the ultimate decision. City Attorney Barrow reported that no decisions were reached at the City Council meeting of January 14, 2014, and that the motions made were proper. He commented on a case in Topanga and noted that this process has followed that process approved by the California Supreme Court. He addressed the numerous hearings and community input opportunities and suggested offering the owner of 3500 Sepulveda the chance for a rebuttal, after which, the Mayor may close the Public Hearing and City Council can deliberate.

Discussion followed regarding entering documents into the record and the importance of having City Council deliberate.

Councilmember Burton and Mr. English discussed the ownership of the property, RREEF's role and parent company, RREEF's world-wide asset value, creation of a lifestyle center and attempts at boosting sales per square foot, area to be served and the various site plans and one showing a single parking garage in Phase I.

Mr. English stated he does not believe that plans were ever presented that did not have parking garages up front and is unsure whether the previous owners of the property did so. He referenced site plans from 2009 that have both a north and south deck. He added there is a prior site plan that shows only one parking deck.

Councilmember Burton and Mr. English discussed the inclusion of Phase 3 in the current plans.

Councilmember Burton and Mr. Kosmont discussed lifestyle centers and related sales per square foot, areas for community events, ownership and consolidation of department stores and anchors and the probability of having Phases 2 and 3 constructed if only Phase 1 is approved and the economy does not improve.

Mayor Pro Tem Powell provided a brief history of Macy's and the development.

Councilmember Lesser addressed the process when City Council returns from recess and noted the need to have dialogue and move forward.

At 9:28 PM City Council recessed and reconvened at 9:40 PM with all Councilmembers present.

Mayor Howorth offered Mr. Neumann the opportunity for a rebuttal.

Mr. Neumann distributed a copy of a letter requiring a settlement agreement between the parties. He clarified that their property has never been strictly zoned as an office building and has always been zoned commercial. He noted they have zero parking but have an easement for 1,300 spaces. He requested information regarding the parking equivalency program and questioned how his status changed from owner to applicant.

City Attorney Barrow stated there is no material difference between the terms owner and applicant. He added that in the draft resolution, 3500 Sepulveda is described as one of the three owners of the property and that based on the request of their attorney, the two other owners were added.

Mr. Neumann reported that Macy's signed an application, but that the Macy's that signed is not the same entity that owns the building. He added that there are many factual mistakes in the resolution and complained that he has been left out of the process.

Mayor Howorth asked regarding Mr. Neumann's main issues of concern and he responded that it relates to the north parking structure and the elimination of parking spaces directly in front of his building. He expressed concerns that the number of parking spaces serving his building is decreasing. He added that the garages could have simply been moved to the south and commented on the traffic coming out of the parking structures. He expressed concerns with fairness. His attorney, Cory Briggs, added that the City received a letter from one of Mr. Neumann's lawyers asking to add two conditions to the resolution.

Mayor Howorth offered an opportunity to RREEF to rebut.

Mr. English reported that they have never refused to meet with 3500 Sepulveda, adding that verbal and written requests for meetings have been issued. He noted that a lot of evidence has been presented through a normal process and expressed concerns with evidence that has been presented at the last minute. Additionally, he suggested keeping private agreements, private and noted that RREEF is fully compliant with the agreement between RREEF and 3500 Sepulveda. He added that Mr. Neumann does not have an easement giving him unfettered access to 1,300 parking spaces in front of his building, but rather a reciprocal agreement which gives him access to a certain proportion of parking equaling 70 spaces.

Mayor Howorth noted that City Council should not be looking at the agreement between the parties, but rather the resolution and the project.

Councilmember Burton apologized to Mr. English and stated he was looking for examples of site plans that did not have the two parking structures and showed more open space.

Mayor Howorth closed the Public Hearing at 9:57 PM.

Mayor Pro Tem Powell stated he would stipulate to the two additional conditions suggested by Mr. Briggs and stated that he has the utmost respect for Mr. Neumann and clarified comments made as well as the fact that the project has been modified substantially resulting in his ability to consider approving it. He added that there are disparaging opinions regarding this project and noted his efforts at generating solutions. He acknowledged the efforts of the developer and the many changes made but noted he is still concerned about the public and the fact that there are two property owners that have a dispute. He stated he wants to see the two parties get together and resolve their differences as they have before. He expressed concerns that City Council will approve the project but that it will be held up in litigation because the owners cannot reach an agreement between themselves.

Councilmember Burton indicated his agreement with Mayor Pro Tem Powell comments. He stated there has been a lot of misinformation generated on this project and commented on the lack of representation by Macy's. He addressed the importance of Macy's consolidation, Phase 3 being a part of the project and the extension of Cedar Way. He expressed concerns that if City Council approves Phase 1, Phases 2 and 3 will not be completed. He stated that Macy's is highly motivated to maintain their Men Store as the lease rate is very low. Councilmember Burton suggested there are other alternatives to the two proposed parking structures

and expressed concerns with increased traffic, the lack of an outdoor lifestyle experience and not integrating Phase 3 into the project. He noted the need for certainty and stated there is no rush in making a decision.

Councilmember D'Errico addressed comments made regarding his intentions on this project. He commented on the divergent community opinions and stated that residents in favor of the project are in favor of the Mall redevelopment but not of the proposed parking structures. He noted the importance of keeping tax dollars in the City and commented on lifestyle malls and creating great open spaces and a central destination. He commented on the importance of the Fry's property and indicated wanting it to be integrated and part of the whole experience of the shopping center. He addressed Macy's consolidation and its driving of the parking structures and expressed concerns regarding Macy's lack of representation.

Councilmember Lesser commented on the challenge for the community being how to get beyond the divisiveness of residents who all care about the community. He noted that everyone is concerned about traffic, the loss of the small-town charm and the scale of new construction. He addressed the goals and policies of the General Plan, noted that he has retained an open mind in considering this project and agreed that the main issue of concern is the parking structures where he would rather see it as a pedestrian centric, open area, outdoor mall with smaller scale development. He addressed the disagreement between the property owners and stated that although he would design it differently if it were his property, it is a privately-owned property and it will be difficult to reach consensus.

Councilmember Lesser commented on the changes made from the original proposal and addressed economic development, setting precedence, getting Macy's to consider consolidation, saving Apple, the importance of revitalizing the Mall, enhancements to the parking structures and open spaces. He indicated he would be willing to support the resolution and looked forward to opportunities of bringing the community back together.

Mayor Howorth noted that originally, the project was not perfect but was a vast improvement over the oil fields. She added that she would not design the project as proposed but added she has no investment in the matter and the City has no leverage with Macy's and they have a lot of pull. She commented on the parking structures and stated that RREEF has cooperated by modifying the project extensively. The shopping center is not perfect, but will be better than it is now. The Mall will need to be expanded in order to justify the improvements that the City wants the developer to make. She noted that the City has no financial risk in the project but that there will be no increase in tax revenue without the project. Mayor Howorth commented on the private agreement between the owners and stated she would like to see a resolution. She commented on the additional conditions suggested by Mr. Neumann including adding a stairwell and elevator facing the Hacienda building. Additionally, she believed that RREEF has compromised and while it is not perfect, the fault lies in the footprint of the existing buildings with which they must work. She noted that the City should not be an unfriendly environment for economic development and stated her support of the resolutions proposed with consideration to the conditions of approval suggested by Mr. Neumann.

Councilmember Burton commented on the location of the parking structures, impacts to developments along the Sepulveda corridor, developing an outdoor life experience, the economics of the project, deciding what is in the best interest of residents and concerns that Phases 2 and 3 will not proceed. He does not believe that the development was scaled back and commented on an agreement between Macy's and RREEF noting that they both have financial incentives not to build the project out.

He reiterated that the parking structures are inappropriate and expressed concerns that if only Phase 1 is built, it will hurt the City, permanently. He believed that City Council should approve Phase 2 and including Phase 3 as well.

Councilmember Lesser addressed the two conditions proposed by Mr. Neumann and City Attorney Barrow reported that there would be no problem relative to Item No. 1 but was unsure as to whether there would be enough room for a stairwell and an elevator. He stated that adding just a stairwell, would be do-able and would not require additional environmental studies. Regarding Item No. 2, he stated he cannot recommend adding it to the resolution without further environmental review. He commented on the possibility of having the parties resolve their differences in an attempt to avoid litigation but noted that according to a letter received yesterday from Mr. Briggs, the City is already being sued by a group called, "Sensible Citizens for Manhattan Beach".

City Attorney Barrow addressed previous discussions regarding RREEF providing parking in the event that 3500 Sepulveda wants to change their use to a more intensive use, adding that the he believed that was something that could be worked out and that it would not require additional CEQA analysis. He addressed medical uses noting that the resolution was drafted to approve medical use, with a cap. He added that is another issue that could be resolved without additional environmental analysis. He reported that he cannot recommend on the addition of Item No. 2 as proposed by Mr. Neumann as it might require additional environmental analysis.

Mayor Pro Tem Powell commented on other shopping centers that have small-scale parking structures. He noted that Condition 1 seems to be stipulated by all and indicated he would like to see a stairwell on the west side of the parking structure providing access to the Hacienda building and 3500 Sepulveda. He noted that one of the parking structures was reduced by 50% and suggested getting rid of the half level on the North Structure in Phase I and reducing it to two levels. He stated he would like to see an MOU or some type of definitive agreement with Macy's relative to the consolidation and keeping Macy's as an anchor tenant. He would like to see the two parties getting together to work out their other differences.

City Attorney Barrow noted the need to act on the CEQA resolution, first.

Councilmember D'Errico commented on economic development in terms of doing nothing and clarified that the "do nothing" alternative is not a "dooms day" one. He commented on what Phases 1 and 2 add in terms of value added, revenue lost during construction and making a decision based on what residents want. He added that City Council has the responsibility to do what is right for residents and not anyone else. He reported that he will not make a decision based on potential litigation.

Mayor Howorth agreed that the fact there is a disagreement between the parties is not a basis for approving or not approving the project. She noted that City Council is making a decision as to whether or not the use is appropriate for a particular site or property. Additionally, she commented on the loss of revenue during construction and stated that it cannot get in the way of progress.

Councilmember Burton reiterated that Phase 3 should be included and stated that there is a competition with The Point and presented photos for comparison.

Mayor Howorth encouraged City Council to reach a compromise.

Mayor Pro Tem Powell addressed Phase 3 noting that it is not a "show stopper" in his

book and commented on negotiations with Fry's for a long-term lease. Not all three phases can be done at once.

Councilmember Powell commented on getting the process going.

A motion was made by Councilmember Burton, seconded by Councilmember D'Errico, to direct staff to return with a resolution to consider approving Phases 2 and 3 and if necessary, perform additional CEQA analysis to determine whether it has been covered in the EIR.

Councilmember Lesser noted that the motion was made without input from the applicant regarding the matter.

City Attorney Barrow reported that Phase 3 has been analyzed in the EIR.

Councilmember Burton withdrew the motion.

Mayor Pro Tem Powell noted he has not seen any plans for Phase 3.

A motion was made by Mayor Pro Tem Powell, seconded by Councilmember Lesser, to add Item No. 1 as a condition, requiring the addition of a stairwell in the Phase I North Parking Structure for access by 3500 Sepulveda and the Hacienda building, that the north parking structure be reduced to two levels, deferring to RREEF to determine if the reduction in the parking structure requires a reduction in the building to meet the parking requirements, performing CEQA updates as required, including appropriate mitigation measures, an MOU from Macy's with a commitment to the consolidation and having RREEF and the 3500 Sepulveda owners get together and resolve their differences. All other conditions of approval in the resolutions would stand.

Councilmember Lesser asked if the applicant could address the motion and Council concurred.

Council may consider the applicant's agreement or opposition to the conditions.

Mr. English commented on the need to relocate the elevator when the parking structure was reduced. He stated they would be happy to place a stairwell along the western façade of the north deck as chosen by Hacienda. With respect to the allocation of medical office as well as providing that parking is equalized to allow that to happen, he stated that RREEF would be willing to do that. With respect to reducing the north deck further, he stated that RREEF will not agree to that. He commented on the compromises they have made and stated that reducing the Village Shops does not work. He stated that he has shared the terms of the agreement with Macy's and noted there are conditions of approval that address the matter. There is no signed agreement with Macy's yet but he would be willing to accelerate providing that information to the City. He added that he believes the parties may be able to resolve their issues but did not think that Council's vote to approve the project precludes them doing so. He stated that the reality is that they own property together, they need to cooperate, and it is in their mutual best interest to do so. He added that they will not agree to conditioning approval of the project on the resolution of a private agreement.

In response to Mayor Pro Tem Powell's inquiry regarding other parking that would satisfy the parking ratio, Mr. English noted that they need to be cognizant of the location of parking and reported that they could make the footprint of the parking

structure bigger but expressed concerns regarding the aesthetics and noted that the other owners would need to agree to it. However, they will not agree to reduce the square footage of the Village Shops.

Mr. Neumann stated they would like to have an elevator and a stairwell added in the settlement agreement. He suggested that RREEF consider two-story retail buildings adding that it would reduce the footprint and allow for more parking. Additionally, he suggested doing Phase 2 first.

City Attorney Barrow noted the need to act on the CEQA resolution first and suggested directing staff to return with a resolution with additions and analyzing whether that requires additional environmental review.

Mayor Pro Tem Powell added that concurrent to the CEQA analysis, the parties could negotiate to determine if they can resolve their differences. He stated that he would agree to add an elevator.

Mr. English commented on challenges with making snap decisions that include plan changes such as the reduction of the north parking structure. He stated they will agree to the elevator and commented on the need to comply with a core parking ratio. He objected to the way Macy's actions have been characterized and noted there are very good reasons why they want what they want. They have determined what it will take in order for them to consolidate.

Discussion followed regarding including Phase 3 and whether it would help with the parking ratio.

Mayor Howorth called for the question.

Councilmember Burton made a friendly amendment to include Phase 3 noting that it has already been evaluated within the EIR.

Discussion followed regarding the Fry's lease agreement.

Councilmember Burton opined that Fry's will not stay.

Mayor Pro Tem Powell commented on the lease terms and stated he would accept the friendly amendment if it is to occur upon the expiration of the lease agreement.

A motion was made by Mayor Pro Tem Powell, seconded by Councilmember Lesser, to direct staff to return with a resolution including all existing conditions and with additional conditions requiring the addition of a stairwell and an elevator on the western side of the Phase I North parking structure, reducing the north parking structure to G plus 1 level and determine how that would impact the parking ratio and directing staff to explore ways to do so to such an extent that it would keep the same amount of parking, performing CEQA updates as required, including appropriate mitigation measures, provide a copy of the MOU from Macy's with a commitment to consolidate within ten (10) days of execution and adding a requirement that RREEF and 3500 Sepulveda have to negotiate in good faith.

Councilmember Burton made a friendly amendment to include Phase 3 noting that it has already been evaluated within the EIR.

The motion passed by the following vote:

Aye: 3 - Powell, Burton and Lesser

Nay: 2 - Howorth and D'Errico

City Attorney Barrow reported that staff will return to City Council with a resolution as discussed above along with a CEQA resolution. Additional supplemental analysis may need to be performed.

H. CITY MANAGER REPORT

None.

I. CITY ATTORNEY REPORT

None.

J. CITY COUNCIL ANNOUNCEMENTS AND REPORTS

None.

K. PUBLIC COMMENT ON NON-AGENDA ITEMS

Viet Ngo alleged criminal activity on the part of members of the City Council and misappropriation of funds.

Mayor Howorth commented briefly on the absolute absurdity of the previous speaker's claims.

Patrick McBride spoke on issues he witnessed at Polliwog Park, and the difference between the Municipal Code of the City and the current signs in Polliwog Park. He thinks this is overkill on the part of the City.

Craig Cadwallader spoke regarding the Bite at the Beach event, the desire for a sign of support for SB-270, encouraged the idea of a charge per paper bag to encourage the use of reusable bags, gave evidence of cities where this is present in ordinances.

L. CONSENT CALENDAR

- 4.** One-Year Contract with Verizon California, Inc. to Provide Telecommunications Services Including Integrated Services Digital Network, Digital Signal 1 and CentraNet Telecommunications Services with an Estimated Annual Value of \$49,809 (Acting City Manager Moe).

CON 14-0019

APPROVE

A motion was made by Mayor Pro Tem Powell, and seconded by Councilmember D'Errico to approve the Consent Calendar. The motion passed by the following vote:

Aye: 5 - Howorth, Powell, Burton, D'Errico and Lesser

M. GENERAL BUSINESS

5. Approve Request for Proposals for Downtown Plan Preparation and Briefing on Possible Interim Regulations (Community Development Director Thompson). **14-0235**

APPROVE RFP AND RECEIVE BRIEFING

Senior Management Analyst David Biggs gave a report on the Downtown Specific Plan. Recommend approval of the RFP.

Community Development Director Thompson answered a question posed by Councilmember Lesser regarding earlier documents studying the downtown, and the current document in the proposed RFP.

Community Development Director Thompson answered questions posed by Mayor Pro Tem Powell regarding integration with the mobility plan and misplaced names on the report.

City Attorney Barrow reported that the report is approved as to form.

Senior Management Analyst Biggs responded to Councilmember D'Errico's question regarding Speak Up Manhattan Beach, the purpose of the project, and the developing nature of the project being as it is only in the beginning of the process.

Mayor Amy Howorth opened the floor to public comment

Viet Ngo inquired where the \$100,000 in the project comes from. Commented on the use of the city seal and location of posters being used for this project, alleges misappropriation of funds on the part of members of the City Council.

Seeing no further requests to speak, Mayor Howorth closed the floor to public comment.

A motion was made by Councilmember Burton, seconded by Mayor Pro Tem Powell, to a request for proposal for the preparation of a specific plan for downtown Manhattan Beach.

Aye: 5 - Howorth, Powell, Burton, D'Errico and Lesser

6. Employment Agreement with New City Manager (City Attorney Barrow). **CON 14-0026**
APPROVE

City Attorney Quinn Barrow gave a PowerPoint Presentation regarding the contract for the new City Manager, Mark Danaj.

Mayor Howorth opened the floor to public comment.

Viet Ngo alleged the car and housing rental allowances were illegal.

Seeing no further requests to speak, Mayor Howorth closed the public comment.

Councilmember Lesser commented on the skills and personality of the new City

Manager, Mark Danaj, to raise the City's standards and outlined the qualities he will bring to Manhattan Beach. These comments were echoed by all City Councilmembers.

A motion was made by Councilmember Burton, seconded by Mayor Pro Tem Powell, to approve the employment contract with Mark Danaj, with the amendment of 280 hours of general leave per year. The motion carried by the following vote:

Aye: 5 - Howorth, Powell, Burton, D'Errico and Lesser

N. ITEMS REMOVED FROM THE CONSENT CALENDAR

None.

O. OPTIONAL ADDITIONAL PUBLIC COMMENTS ON NON-AGENDA ITEMS

None.

P. OTHER COUNCIL BUSINESS, COMMITTEE AND TRAVEL REPORTS, FUTURE DISCUSSION ITEMS

Councilmember Lesser reported that Councilmembers Burton, D'Errico, Powell, and Lesser attended a Beach Cities Health District presentation "Living Streets" providing overview of issues that may come forth through a mobility plan. No city funds were expended.

Q. RECEIVE AND FILE ITEMS

7. Financial Reports: **14-0196**
Schedule of Demands: April 24, 2014 and May 8, 2014 (Acting City Manager Moe).
RECEIVE AND FILE

A motion was made by Councilmember Burton, seconded by Councilmember Lesser for the item to be received and filed.

The motion carried by the following vote:

Aye: 5 - Howorth, Powell, Burton, D'Errico and Lesser

R. ADJOURNMENT

At 12:40 AM the City Council adjourned to the 6:00 PM Adjourned Regular Meeting Budget Study Session #3 on Wednesday May 21, 2014 in the Police / Fire Conference room.

Vida Barone
Recording Secretary

Amy Thomas Howorth
Mayor

ATTEST:

Liza Tamura
City Clerk