

Agenda Report

JANUARY 8, 2001

TO: City Council

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: APPROVAL OF A SETTLEMENT AGREEMENT BETWEEN THE CITY OF PASADENA, PASADENA PLAYHOUSE STATE THEATRE, PASADENA PLAYHOUSE ASSOCIATES AND OTHER RELATED PARTIES

RECOMMENDATION

It is recommended that the City Council approve a Settlement Agreement between the City of Pasadena, Pasadena Playhouse State Theatre (PPST), Pasadena Playhouse Associates (PPA), and other related parties and authorize the City Manager to sign said Agreement.

BACKGROUND

For the past three years, there have been lawsuits and counter lawsuits between individuals affiliated with PPA and PPST, as well as claims and lawsuits between the organizations themselves. During the same time period, PPA, owner of the property at 39 El Molino Avenue, home of PPST, has been in bankruptcy in order to protect itself against its creditors, including the City of Pasadena.

Approximately nine months ago, the City began meeting with representatives from PPA and PPST in an attempt to reach a settlement between the parties with respect to the various lawsuits. The attached settlement agreement represents the successful results of these negotiations and is consistent with the negotiating parameters provided by the City Council.

DISCUSSION

Under this Settlement Agreement, the parties have agreed to the following:

1. PPST agrees to pay to PPA \$305,000 to cover back taxes and any and all other financial claims made by PPA against PPST.

MEETING OF 1/8/2001

AGENDA ITEM NO. 4.A.(9)

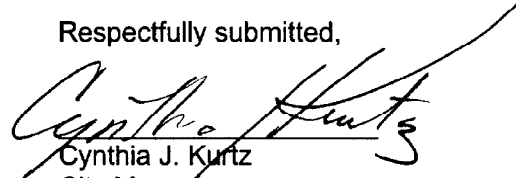
2. PPA agrees to accept \$305,000 as satisfaction of all claims it has against PPST.
3. In order to satisfy the \$305,000 obligation, PPST will enter into a note obligation with PPA for \$105,000. The note will provide for a monthly payment of \$1,000 for no more than 60 months and will accrue interest at a rate of at 7% per year on any unpaid balance. There will be a balloon payment due at the end of the fifth year in an amount equal to the amount of the unpaid principal balance plus interest. There will be nothing to preclude PPST from prepaying this note without penalties.
4. PPST will permanently assign to the City all of its rights to parking revenues for parking which takes place on City property west of the Playhouse. In recognition of this, the City will forgive the \$200,000 note between the City and PPST.
5. In order to satisfy the balance of the \$305,000 settlement, PPST will assume the \$200,000 note obligation between the City and PPA. Upon the satisfactory completion of PPA's obligations under the Settlement Agreement, the City will release its deed of trust on PPA's property.
6. There will be a mutual general release between PPA, PPST and their affiliates, except for Mr. David Houk's right to seek indemnity against PPST should Commercial Bank call on Mr. Houk's guarantee of PPST's obligation to that Bank.
7. PPA will dismiss with prejudice its unlawful detainer proceeding/arbitration against PPST.
8. The City and PPA and the City and PPST will begin discussions to amend the current lease and sub-lease, respectively, to better delineate the roles, rights and responsibilities of PPA and PPST to use the property. This will address common areas as well as private areas.
9. PPA and its affiliates will vacate the Library under the sub-lease control of PPST.
10. The City will explore the feasibility of building and operating a parking garage on its property west of the Playhouse for the use by PPST and the tenants of PPA. All parking related revenues from the parking garage will go to the City to cover the cost of construction, operations and maintenance of said garage. If it is determined that the parking needs in the area can be met with the construction of this garage and the building of one or two floors of additional commercial space appears feasible, City will consider such construction on top of the garage and will negotiate the terms under which a user might acquire the rights thereto.
11. Both PPA and PPST agree to install the necessary meters to track electrical consumption for their respective areas. The cost for this project will be split 50/50 by PPA and PPST. In the interest of moving this project forward, the City will advance the necessary funds to both party to complete this project. These funds will be advanced interest free for one year.

As the City Council will note, this agreement has been agreed to by all parties and is now awaiting City Council approval.

FISCAL IMPACT


The short term cost of this agreement to the City is the forgiveness of the \$200,000 note as well as the interest lost on the funds advanced to install the new electrical meters. Both will be repaid over time through either the additional parking revenues the City will receive as well as direct payment.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Approved:



Jay M. Goldstone
Director of Finance

