

Agenda Report

DATE: FEBRUARY 4, 2008

TO: CITY COUNCIL

FROM: BERNARD K. MELEKIAN, CITY MANAGER

SUBJECT: AUTHORIZE EXECUTION OF A LEASE AGREEMENT, LICENSE AGREEMENT, AND TWO OPTION AGREEMENTS BETWEEN THE CITY OF PASADENA AND ART CENTER COLLEGE OF DESIGN FOR THE USE OF CITY PARCELS DEEMED TO BE EXCESS WITHIN THE PASADENA WATER AND POWER DEPARTMENT GLENARM POWER PLANT SITE

RECOMMENDATION:

It is recommended that the Pasadena City Council:

1. Approve the Initial Study (Attachment 3) and Mitigated Negative Declaration prepared for Parcel B (Attachment 4);
2. Acknowledge the Option Agreements to be exempt from the California Environmental Quality Act (CEQA) Admin. Code Title 14 Chapter 3 Sec. 15061 (b) (3) (Attachment 5);
3. Approve the Notice of Exemption for the Option Agreements (Attachment 5);
4. Authorize the City Manager to Execute a Lease Agreement for Parcel B;
5. Authorize the City Manager to Execute a License Agreement for Parcels D & E;
6. Authorize the City Manager to Execute an Option Agreement for Parcel A (Glenarm Power Plant Building); and
7. Authorize the City Manager to Execute an Option Agreement for Parcels D & E.

EXECUTIVE SUMMARY:

The recommended series of Agreements allows the Art Center College of Design to develop the next phase of its South Campus. The stepped approach of a Lease, License, and two Option Agreements provides both the City and Art Center with a logical sequence of commitments so that more specific development plans and financing options can be prepared.

BACKGROUND:

Art Center College of Design (“Art Center”) has requested to enter into a Lease Agreement, License Agreement, and two Option Agreements with the City of Pasadena in order to pursue improvements on the Glenarm Power Plant Site (“Site”), including adaptive reuse of the historic Glenarm Power Plant Building (“Building”). A Parcel Map and descriptions are included as Attachment 1 to this report.

Art Center currently operates a south campus facility at 950 S. Raymond Avenue (“South Campus”), north of Glenarm Street from the Power Plant Site. The primary purpose of this location is for the College to establish an even stronger, more visible presence in Pasadena. The South Campus offers programs to the public such as Art Center for Kids and Design-Based Learning Lab. Other public programs, including Art Center at Night, Saturday High, and Summer Institute for Teachers, are particularly well-suited to the South Campus location rather than the Hillside Campus, which is located at 1700 Lida Street. This holds true for Art Center’s use of the South Campus for public conferences and exhibitions as well. The College intends to continue this public purpose through potential expansion of the South Campus.

In recent years, Pasadena Water and Power (“PWP”) has consolidated its operation at the Broadway and Glenarm facilities. Consequently, use of the Glenarm Power Plant Building is no longer necessary, and portions of adjacent parcels have been deemed excess as well. Art Center’s proposed occupancy of the Building and Site would allow Art Center to establish a graduate studies headquarters, thereby relocating many of these operations, including staff and students, off of the existing main campus location at 1700 Lida Street.

Existing South Campus improvements include adaptive reuse of the “wind tunnel” building as well as a 145-space surface parking lot. In 2005, a Master Development Plan was approved for the South Campus, including a proposal for development of student housing on the site of the existing parking lot. The Parcel B Lease Agreement and Parcel D License Agreement would facilitate Art Center’s ability to move forward with its student housing development by providing space for construction staging, overflow parking, and eventual replacement parking for residents of the student housing.

Art Center and the City have also discussed the potential rehabilitation and reuse of the Glenarm Power Plant Building for classroom, office, and exhibition space; potential use of the Pacific Electric Substation for graduate programs; and perhaps a commercial mixed-use development in the future along S. Fair Oaks Avenue.

Art Center has been a vital member of the Pasadena Community for over 30 years. Since moving here from Los Angeles in 1976, the College has made critical contributions to Pasadena residents, visitors, and businesses alike. With annual payroll expenditures in excess of \$16 million, spending by Art Center faculty, staff, and students is estimated at more than \$55 million annually, approximately \$9 million of which is taxable by the City of Pasadena. Art Center’s tangible benefits are a key factor in the overall economic engine of the City. In addition, related enterprises are attracted

to Pasadena in large part due to proximity to Art Center. The most recent example of this was Honda's decision to locate an Advanced Design Center in Old Pasadena. The City is also home to several "spin-off" design firms that were born at Art Center. These contributions and more have helped to solidify Pasadena's reputation as a leading destination for, and home to, cutting edge design and culture.

AGREEMENT STRUCTURE:

If approved, the Lease Agreement would permit Art Center the right to apply for discretionary building and land use approvals for the following: 1) to utilize Parcel B for interim construction staging and, 2) subsequent development of an above-ground parking structure. Approval of the License Agreement would permit Art Center the right to apply for discretionary approvals to improve and utilize Parcel D for temporary surface parking and construction staging for a period not to exceed three years. Approval of the Option Agreements would permit the City and Art Center to enter into further exclusive discussions with the aim of developing a plan for the future rehabilitation of the Glenarm Power Plant Building (within two years) and/or potential development plans for the property immediately south of the Power Plant (within three years).

The Site is comprised of six parcels that each have unique characteristics and encumbrances (parcel descriptions are included as Attachment 1 to this report). Accordingly, the sequencing of the proposed Agreements has been established in a way that allows both Art Center and the City flexibility in successfully pursuing future improvements on the Glenarm Power Plant Site—the City with respect to maintaining appropriate access to certain PWP facilities on the property that are still in operation (e.g. Gas Turbines 1 and 2 on Parcel F and the Broadway Power Plant to the east), and Art Center with respect to securing financing and/or a development partner to complete improvements on the Site.

Provided that all contingencies are met by both the City and Art Center throughout the terms of the proposed Agreements, Art Center developments on the Glenarm Power Plant Site would occur in the following sequence:

A. Phase I (Lease Agreement & License Agreement)

Parcels B and D would be made available to Art Center first because they are necessary in the near term to permit construction to commence on the previously approved student housing development. Parcels B and D can be immediately improved with temporary construction staging and surface parking respectively. Parcel B is currently improved with three fuel oil storage tanks which are no longer in use by PWP and would be removed to allow for construction staging. Parcel D is a largely vacant site that could be paved for use as an interim surface parking lot, while maintaining appropriate access to active PWP operations on and adjacent to the Site. The historic Pacific Electric Substation building is located on the southern edge of Parcel D. Occupancy of that building by Art Center, however, would not be provided unless and until such time as a Lease Agreement is successfully

negotiated for Parcel D that includes an acceptable proposal for reuse of the structure.

The aforementioned interim improvements on Parcels B and D would allow Art Center to move forward with its proposed student housing project at the northeast corner of Raymond Avenue and Glenarm Street. Land use entitlements for the student housing project were approved in 2005.

Proposed Improvements

- Art Center to remove fuel oil tanks on Parcel B to allow for use of the Site for construction staging related to Art Center student housing and any remediation occasioned by such removal.

- Subsequent construction of a multi-level parking facility in connection with development of student housing. (The student housing component was approved in 2005 as part of a Master Development Plan within the South Fair Oaks Specific Plan area.)

- Construction of a surface parking lot along Fair Oaks Avenue frontage (Parcel D) for overflow parking needs and construction staging. An easement (Parcel E) must be maintained at all times for surface access, ingress, and egress from Fair Oaks Avenue by PWP.

If construction of the South Campus student housing project is not undertaken, potential development of a multi-level parking structure on Parcel B will not be considered unless and until a Lease Agreement for Parcel A is approved.

B. Phase II (Parcels A & D Option Agreements)

Parcel A is improved with the Glenarm Power Plant Building, which is currently under consideration by the City Council for designation as a local historic monument. The City's Department of Public Works is currently overseeing seismic repairs to the Power Plant Building, which are necessary for any future viable use of the structure. This work is expected to be complete by May 2008. In the interim, Art Center will have two years to conduct site investigations and design work and to submit a development plan for reuse of the building.

Parcel D is largely unimproved. Art Center will have up to three years to conduct site investigations and design work and to submit a development plan for improvements on the property.

The viable and responsible reuse of the Glenarm Power Plant Building is a high priority. Consequently, improvements on Parcel D will not be approved unless and until improvements on Parcel A have commenced or a Lease for Parcel A has been approved that includes explicit assurances, satisfactory to the City, that the Power Plant Building will be improved in a timely manner.

Phase II is not a part of the subject Lease, but rather the subject of the Option Agreements. The City and Art Center will require an amendment to the Lease

Agreement based on successful exercise of the Option Agreements in order to implement Phase II.

Proposed Improvements

- Rehab and reuse of Power Plant Building for Art Center uses.

- Construction of building(s) and related parking to serve Art Center and/or Art Center-related uses.

C. Phase III

Phase III would be triggered by the City's removal of existing generators (Glenarm Gas Turbines #1 & #2) from Parcel F. Until such time as the Glenarm Gas Turbines are decommissioned and removed from Parcel F, use of Parcel C shall be limited to pedestrian use only.

Phase III is not a part of the subject lease; City and Art Center will require an amendment to the Lease Agreement in place at the time in order to implement Phase III.

ENVIRONMENTAL REVIEW – MITIGATED NEGATIVE DECLARATION:

Approval of the Lease Agreement is the first discretionary action to be undertaken for this proposed project. As such, and in accordance with the California Environmental Quality Act (CEQA), a Mitigated Negative Declaration (MND) was prepared and distributed for public review on January 9, 2008. Due to the fact that Parcel B is the only parcel for which a Lease Agreement is being contemplated at this time, and Parcel B is the only parcel on the Site for which a specific development project is currently proposed, the MND was prepared on the basis of potential development on the Parcel B site only. The Initial Study was available for a 20-day public review period between January 9, 2008 and January 28, 2008, during which time no comments were received. The Initial Study found that potential Air Quality, Geology and Soils, Hazards and Hazardous Materials, and Traffic impacts could be eliminated or mitigated to less than significant impacts.

FUTURE DISCRETIONARY ACTIONS:

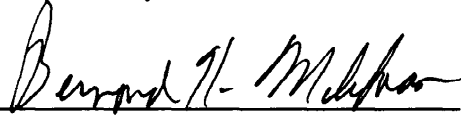
Upon successful negotiations of Lease Agreements at the end of the two-year Option Period for Parcel A and three-year Option Period for Parcel D, Art Center would be required to submit applications to the City for applicable land use entitlements, including a Master Development Plan Amendment to expand the boundaries of the existing Art Center South Campus Master Plan area to incorporate the newly leased Parcels. Master Development Plan Amendments are reviewed by the Planning Commission and approved by the City Council. Appropriate environmental analyses and Design Review approval will be required for all future development proposals on the Site. A Certificate of Appropriateness will be required for applicable proposed alterations within the Glenarm Power Plant Building.

FISCAL IMPACT:

Approval of the Parcel B Lease Agreement grants Art Center the right to construct improvements on a 0.70-acre parcel of City-owned property at a lease rate of \$1.00 per year for an initial term of 55 years. Approval of the Option Agreements obligates Art Center to pay a \$10,000 annual Option Payment per Option Agreement to the City for each year of continued exclusive negotiations (i.e. a total of \$50,000 if the full Option Term is utilized). Approval of the License Agreement does not result in any financial obligations by the City at this time.

Construction tax proceeds paid to the City by Art Center as a result of Art Center development projects will first be applied to the completion of seismic retrofit work on the Glenarm Site and the relocation of certain underground utilities on Site. These funds were pledged to the Glenarm Power Plant seismic retrofit project regardless of whether or not Art Center completes its proposed development program on the Site.

Respectfully submitted,



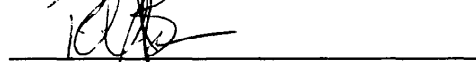
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