

Agenda Report

May 9, 2011

TO: Honorable Mayor and City Council

FROM: Office of the City Manager

SUBJECT: A RESOLUTION APPROVING MAGUIRE PARTNERS-PLAZA LAS FUENTES TRANSFER OF ITS LEASEHOLD INTEREST IN THE AIRSPACE PARCEL ON WHICH A HOTEL IS LOCATED TO HEI PASADENA LLC

RECOMMENDATION:

It is recommended that the City Council adopt a Resolution that approves the following actions:

1. Grant Maguire Partners – Plaza Las Fuentes, LLC (MPG) the right to transfer its leasehold interest in the Hotel Airspace Parcel to HEI Pasadena LLC (Hotel Buyer), with such transfer to be effected by splitting the Existing Airspace Lease into two separate amended and restated leases (a) one executed by Hotel Buyer and the City for the Hotel Airspace Parcel and (b) the other executed by MPG and the City for the remainder of the Leased Premises;
2. Authorize the City Manager to take any and all actions necessary to execute and deliver the following documents:
 - a. an Amended and Restated Hotel Air Space Lease to be entered into by and between the City, as lessor, and Hotel Buyer, as lessee, pertaining to the Hotel Airspace Parcel (Hotel Airspace Lease);
 - b. an Amended and Restated Office/Restaurant Air Space Lease to be entered into by and between the City, as lessor, and MPG, as lessee, pertaining to the remainder of the Leased Premises (Office/Restaurant Airspace Lease);
 - c. an Agreement for Grant of Easements and Establishment of Covenants, Conditions and Restrictions to be entered into by and among MPG, the City and Hotel Buyer (ECCR).
3. Authorize the City Manager to take any and all actions necessary to execute and deliver such other ancillary documents as may be necessary or appropriate in the judgment of City Manager/Chief Executive Officer to consummate the transactions contemplated hereunder, with the form of any such ancillary documents to be acceptable in the judgment of City Manager.

BACKGROUND:

On December 19, 1985, the Pasadena Community Development Commission (PCDC), as lessor, and Maguire/Thomas Partners/Pasadena Center, Ltd., predecessor-in-interest to Maguire Partners - Plaza Las Fuentes, LLC (MPG), as lessee, executed, and recorded an Air Space Lease (as amended to date, the Existing Airspace Lease) pursuant to which PCDC leased to MPG certain airspace parcels (Airspace Parcels) and an easement parcel (collectively, the Leased Premises) located at 99 through 191 North Los Robles Avenue. The Leased Premises are improved with an integrated mixed-use commercial project commonly known as "Plaza Las Fuentes" consisting principally of an 8-story office building with ground floor retail space, a 350-room hotel currently operated as the "Westin Pasadena" (the Hotel), two stand-alone restaurants, a civic garden and various plazas and other exterior improvements (collectively, the Project). The Leased Premises are generally situated above a subterranean parking structure (Parking Facility) that was initially owned by PCDC, and serves the Project and certain other adjacent property. Subsequently, PCDC transferred to the City all of its right, title and interest in and to the Leased Premises and the Parking Facility, and all of its interest as lessor under the Existing Airspace Lease.

Pursuant to the Existing Airspace Lease, MPG has the right to separately transfer the Airspace Parcel on which the Hotel is located (Hotel Airspace Parcel), subject to the approval by the City of the transferee, which approval shall not be unreasonably withheld or delayed. MPG desires to transfer its leasehold interest in the Hotel Airspace Parcel to HEI Pasadena LLC, a Delaware limited liability company (Hotel Buyer) and has requested that the City approve of Hotel Buyer as transferee in accordance with the provisions of the Existing Airspace Lease. MPG intends to retain its leasehold interest in the remaining Leased Premises. Consequently, staff recommends that the City approve MPG's intent to transfer its leasehold interest in the Hotel Airspace Parcel to Hotel Buyer, and recommends the City's approval of:

- (a) Hotel Buyer as transferee of leasehold interest in the Hotel Airspace Parcel, with such transfer to be effected through execution by Hotel Buyer and the City of the Hotel Airspace Lease;
- (b) the following documents:
 - i. an Amended and Restated Hotel Air Space Lease to be entered into by and between the City, as lessor, and Hotel Buyer, as lessee, pertaining to the Hotel Airspace Parcel (Hotel Airspace Lease);
 - ii. an Amended and Restated Office/Restaurant Air Space Lease to be entered into by and between the City, as lessor, and MPG, as lessee, pertaining to the remainder of the Leased Premises (Office/Restaurant Airspace Lease);
 - iii. an Agreement for Grant of Easements and Establishment of Covenants, Conditions and Restrictions to be entered into by and among MPG, the City and Hotel Buyer (ECCR); and
 - iv. such other ancillary documents as may necessary or appropriate in the judgment of City Manager/Chief Executive Officer to consummate the transactions contemplated hereunder, with the form of any such ancillary documents to be acceptable in the judgment of City Manager.

COUNCIL POLICY CONSIDERATION:

The City's approval of MPG's transfer of its leasehold interest in the Hotel Airspace Parcel to Hotel Buyer is consistent with the City Council's strategic plan goal to support and promote the quality of life and the local economy.

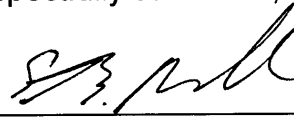
ENVIRONMENTAL ANALYSIS:

This action has been determined to be exempt from the California Environmental Quality Act (CEQA) per Section 15061 (b) (3). The activity is covered under the general rule that CEQA only applies to projects that have a potential for causing a significant effect on the environment. The proposed action is an approval of a transfer of an existing leasehold interest for existing property improvements and the execution of certain amended and restated agreements related to the Leased Premises. There are no changes proposed other than the transfer and the execution of the agreements.

FISCAL IMPACT:

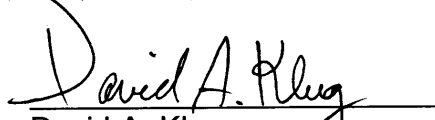
The Airspace for the entire PLF site has an annual rental payment of \$608,400. The proposed action would split this into two lease payments of \$319,950 from HEI and \$288,450 from Maguire Partners - Plaza Las Fuentes, LLC. Under the terms of the proposed amended and restated leases, the City will continue to receive the same rental payment (when payments under both leases are aggregated). Consequently, there is no direct fiscal impact associated with approving MPG's transfer of its leasehold interest in the Hotel Airspace Parcel to HEI Pasadena LLC and the execution of certain amended and restated agreements and related documents.

Respectfully submitted,



Steve Mermell
Assistant City Manager

Prepared by:


David A. Klug
Redevelopment Manager

Approved by:


Michael J. Beck
City Manager

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF PASADENA APPROVING MAGUIRE PARTNERS
- PLAZA LAS FUENTES TRANSFER OF ITS LEASEHOLD INTEREST IN THE
AIRSPACE PARCEL ON WHICH A HOTEL IS LOCATED TO HEI PASADENA LLC**

WHEREAS, on December 19, 1985, the Pasadena Community Development Commission (PCDC), as lessor, and Maguire/Thomas Partners/Pasadena Center, Ltd., predecessor-in-interest to Maguire Partners - Plaza Las Fuentes, LLC (MPG), as lessee, executed, and recorded an Air Space Lease (as amended to date, the Existing Airspace Lease) pursuant to which PCDC leased to MPG certain airspace parcels (Airspace Parcels) and an easement parcel (collectively, the Leased Premises) located at 99 through 191 North Los Robles Avenue.

WHEREAS, the Leased Premises are improved with an integrated mixed-use commercial project commonly known as "Plaza Las Fuentes" consisting principally of an 8-story office building with ground floor retail space, a 350-room hotel currently operated as the "Westin Pasadena" (the Hotel), two stand-alone restaurants, a civic garden and various plazas and other exterior improvements (collectively, the Project). The Leased Premises are generally situated above a subterranean parking structure (Parking Facility) that was initially owned by PCDC, and serves the Project and certain other adjacent property.

WHEREAS, subsequently, PCDC transferred to the City all of its right, title and interest in and to the Leased Premises and the Parking Facility, and all of its interest as lessor under the Existing Airspace Lease.

WHEREAS, pursuant to the Existing Airspace Lease, MPG has the right to separately transfer the Airspace Parcel on which the Hotel is located (Hotel Airspace Parcel), subject to the approval by the City of the transferee, which approval shall not be unreasonably withheld or delayed.

WHEREAS, MPG desires to transfer its leasehold interest in the Hotel Airspace Parcel to HEI Pasadena LLC, a Delaware limited liability company (Hotel Buyer) and has requested that the City approve of Hotel Buyer as transferee in accordance with the provisions of the Existing Airspace Lease. MPG intends to retain its leasehold interest in the remaining Leased Premises.

NOW THEREFOR, BE IT RESOLVED by the City Council of the City of Pasadena:

1. The City of Pasadena hereby approves MPG to transfer its leasehold interest in the Hotel Airspace Parcel to Hotel Buyer, with such transfer to be effected through execution by Hotel Buyer and City of the Hotel Airspace Lease; and

2. In order to facilitate the transfer, the City Council also approves an Agreement for Grant of Easements and Establishments of Covenants and Restrictions to be entered into among MPG, City and Hotel Buyer and an Amended and Restated Office/Restaurant Lease between City and MPG.

3. The City Manager is authorized and directed to execute the documents described above and any other necessary or appropriate ancillary documents that may be required by a lender to the Hotel Buyer or MPG in connection with the transfer.

4. This action is determined to be exempt from the California Environmental Quality Act (CEQA) per Section 15061 (b) (3). The activity is covered under the general rule that CEQA only applies to projects that have a potential for causing a significant effect on the environment. (The proposed action is an approval of a transfer of an existing leasehold interest for existing property improvements and the execution of certain amended and restated agreements related to the Leased Premises.)

5. The City Clerk shall certify to the adoption of this resolution and shall permanently maintain a copy thereof in the records of the City.

Adopted at the _____ meeting of the City Council on the ____ day of _____, 2011, by the following vote:

AYES:


NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, Secretary

Approved as to form:


Brad Fuller
Assistant General Counsel