

## Iraheta, Alba

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**From:** Jonathan Edwards <jedwards@gmail.com>  
**Sent:** Monday, April 03, 2017 1:59 PM  
**To:** Gordo, Victor; Hampton, Tyron; Madison, Steve; Masuda, Gene; McAustin, Margaret; Tornek, Terry; Wilson, Andy; Kennedy, John  
**Cc:** cityclerk; Jomsky, Mark  
**Subject:** Re: #10 Economic Development Subsidy Report - YWCA / Kimpton Hotel

A clarification—There are two types of demand that I mean:

1. Demand *by visitors* to **rent (occupy)** hotel rooms.
2. Demand *by developers/investors* to **build** additional hotel rooms, to contribute to the supply of hotel rooms available for rent in the city.

## Jonathan Edwards

On Apr 3, 2017, at 1:34 PM, Jonathan Edwards <jedwards@gmail.com> wrote:

RE: 10. Public Hearing: Economic Development Subsidy Report Pursuant To Government Code Section 53083 For A Ground Lease Agreement By And Between The City Of Pasadena And KHP III PASADENA LLC (KHP)

Dear Mayor Tornek & Council:

1. **Insufficient Notice.** The public has been told over the past several years that this particular developer, KHP III PASADENA LLC aka “Kimpton” won the RFP because its submittal required no public subsidy and achieved the city’s objective to recoup its investment of staff time and public money to purchase the vacant YWCA via eminent domain.

The “Kimpton” bid by non-local investors won out over several *local* Pasadena bids who submitted bids that *did* require a public subsidy, and the requirement of a public subsidy was one of the factors cited in rejecting the local Pasadena bids.

This item #10 is the first public notice of this material change, that the winning bid *will receive* a public subsidy, after all. This is a significant change to the project of great public interest. However, notice of this significant change was released just 3 days ago on Friday afternoon, under the above (very obscure) title.

The public will be upset when they learn of the public subsidy and may view your actions, if you choose to approve the staff recommendation tonight, as a deceptive tactic designed to avoid public notice. I suggest that you defer tonight’s item or reject it outright.

2. **Tax Receipts are unrelated to the subsidy; a subsidy diminishes the return to the city.** The staff report recommends approval of the subsidy because “the project will generate approximately \$2 million to the General Fund from transient occupancy tax, sales tax, and property tax payments....five times [the subsidies].”

However, tax payments would and do come from *any* hotel project, unrelated to a subsidy.

Currently, there are multiple hotel developments in process, because investors believe that there is *demand* by visitors for additional hotel rooms. Each additional hotel room built will *satisfy* that market demand, and hotels will continue to be built until the demand is satisfied and investors believe that additional hotel rooms will be unprofitable.

The existing **demand** for hotel rooms is not created by subsidizing hotels. A public subsidy given to a private hotel developer does *not* increase the number of visitors who will purchase hotel rooms in Pasadena. Visitor demand for hotel rooms is not driven by public subsidies of those hotel rooms.

Building subsidized hotel rooms will, however, increase the supply and diminish the demand to build additional hotel rooms.

Therefor, by subsidizing this "Kimpton" hotel, the city is decreasing the likelihood that other investors will build other additional, unsubsidized hotel rooms, which would contribute to the General Fund without requiring a public subsidy. Those unbuilt, unsubsidized hotel rooms are *foregone tax receipts*.

Therefor, the so-called 5x return is irrelevant and is not justification for approving the subsidy.

**Jonathan Edwards**

(writing in my personal capacity).  
161 S Madison Ave, Pasadena CA

\*unless the public subsidy causes room rates to decrease via an *oversupply* of hotel rooms, in which case the tax payments to the city *also decrease*.

**Iraheta, Alba**

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**Subject:** FW: "Kimpton" Hotel now asking for Public Subsidy; Council vote on Monday, April 3rd

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**From:** Christine Celata [<mailto:ccelata@sbcglobal.net>]

**Sent:** Monday, April 03, 2017 2:07 PM

**To:** Morales, Margo

**Subject:** Fwd: "Kimpton" Hotel now asking for Public Subsidy; Council vote on Monday, April 3rd

Dear Ms McAustin,

I am worried about the problems with the Klimpton Hotel subsidies that are mentioned in the email below. I feel like there are just too many hotels going up in Pasadena anyway. The traffic is so bad, and the parking, and I also worry about the extra water use that a hotel means. It just seems like more hotels is the last thing the city needs. So please think about voting this down, and getting something else besides a hotel to take that historic building.

Thank you.

Christine Celata  
1455 Loma Vista Street, Pasadena, 91104

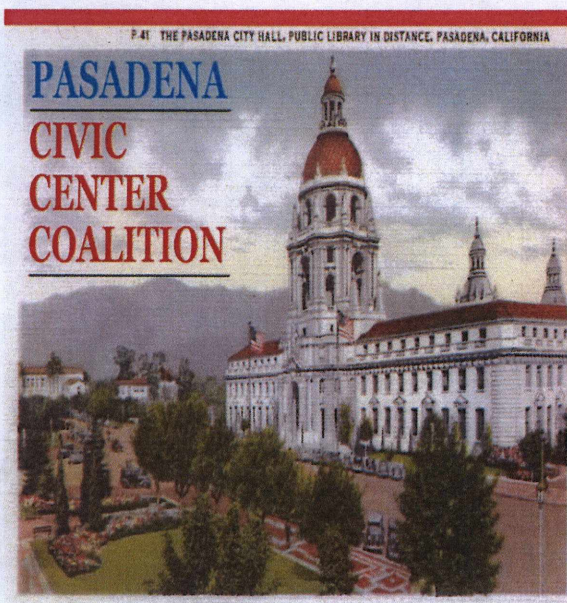
Begin forwarded message:

**From:** Pasadena Civic Center Coalition <[action@savepasadenaciviccenter.org](mailto:action@savepasadenaciviccenter.org)>

**Subject:** "Kimpton" Hotel now asking for Public Subsidy; Council vote on Monday, April 3rd

**Date:** April 2, 2017 at 6:06:12 PM PDT

**To:** Christine Celata <[ccelata@sbcglobal.net](mailto:ccelata@sbcglobal.net)>



Christine --

## **MONDAY NIGHT: Taxpayers to lose in last-minute switch?**

**In latest unraveling of the YWCA / KHP deal, Public Subsidy of 6-story hotel continues to go up.**

**Previously promised \$8.3M payment scrapped, taxpayers now last in line, bumped to 3rd place behind banks and investors.**



**Is this really the only way to save the YWCA?**

As part of its original submittal in 2013, KHP proposed to pay to the City a required lease payment of at least \$300,000 per year.

KHP is now requesting two economic subsidies:

1. No lease payments for the land and the YWCA building, and
2. No charge for parking. (City to dedicate 136 parking spaces out of its existing garages, for free.)

*If* the hotel is more profitable than anticipated, *then* the city *may* share in some of the profits.

This subsidy is just the tip of the iceberg:

- Julia Morgan's pool gets covered up...
- Parking for City Hall impinged...
- Sister City trees cut down...
- Robinson Memorial trivialized...
- Bennett's garden setting of Civic Center reduced...
- Grand facade of City Hall to face rear of the hotel....

What more will it take for City to say "enough is enough, this deal stinks?!"

Please see the Staff Report and Economic Development Subsidy Report, linked below. The city council must approve this report before it can take

write your council person and attend the Council Meeting on **Monday April 3 at 7 pm\*** to tell them the Economic Development Subsidy Report is not adequate and to not approve the Economic Development Subsidy Report. There should be no public subsidy given to private investors that want to build a large hotel on the site of the Julia Morgan YWCA building and the public open space across from City Hall.

\*Meeting starts at 7pm, but there are a lot of agenda items, the issue may not be discussed until LATE. Hard to predict what time it's "safe" to arrive, but City Council meetings start around 7 and regularly run until 11pm or past midnight.

Staff Report

AND

Economic Subsidy document

Full meeting agenda

For more info about the proposed hotel and the ongoing litigation, see:

Pasadena Civic Center Coalition

<http://www.savepasadenaciviccenter.org/>

Civic Center Coalition · Pasadena, CA 91101, United States  
This email was sent to [cclata@sbcglobal.net](mailto:cclata@sbcglobal.net). To stop receiving emails, [click here](#).  
You can also keep up with Pasadena Civic Center Coalition on [Facebook](#).

Created with [NationBuilder](#), software for leaders.

April 3, 2017

232 Avenue 64  
Pasadena, CA 91105

**RE: Economic Subsidy Report for KHPIII LLC hotel (Item 10 on Agenda tonight)**

Honorable Mayor and Members of the City Council:

As some of you know, I am a City Planner who worked for Pasadena for 14 years in a career of over 30 years. During that time, I reviewed several fiscal impact reports projecting benefits that my city would receive from a particular action or development.

In reviewing the data in the Economic Subsidy Report, one question that troubles me is how the increased transient occupancy tax that the City might receive has been calculated. Is it merely the total tax to be collected from the new hotel, or does it subtract the tax that other hotels will not send to the City because guests choose to stay in this hotel rather than an existing hotel? When I asked this question of Dave Klug over the weekend, he responded this morning that it is 12.11% of the projected revenue from room rentals at the new hotel.

**The Economic Subsidy Report needs to be corrected and revised** so the citizens of Pasadena will understand the real effects of this proposed new hotel. The current Report assumes that every single person who stays in the new hotel is drawn to Pasadena specifically by the new hotel and not by anything else (Rose Bowl, Gamble House, Norton Simon Museum, conventions, business meetings, Pasadena Symphony, Rose Parade, etc.). This is clearly an incorrect analysis. I believe that **MOST** of the guests who will be staying in the new hotel would have stayed in another Pasadena hotel had this new hotel not been built. There is no additional TOT from any guests like this, just a shift in the accounting.

Do hotels bring visitors to Pasadena? Only to a very limited extent. Most visitors, probably the vast majority, come for another reason and just happen to stay in hotels. Since the Economic Subsidy Report states that **90% of the increased income** to the City is from the TOT, and since this is a major error in the Report, the report needs to be corrected and revised before it is approved. **The City will probably accrue just a small fraction of the income that this report predicts.**

Thank you for your consideration.

Sincerely,

Darrell Cozen

**04/03/2017**  
**Item 10**



PASADENA CIVIC CENTER COALITION

April 3, 2017

*By Email ([mjomsky@cityofpasadena.net](mailto:mjomsky@cityofpasadena.net)) and By Hand*

City Council  
City of Pasadena  
175 N. Garfield Avenue  
Pasadena, CA 91101

Re: Agenda Item #10, April 3, 2017 City Council Meeting: Comments on Economic Development Subsidy Report pursuant to Government Code Section 53083 (Subsidy Report) for a Ground Lease Agreement by and between City of Pasadena (City) and KHP III Pasadena LLC (KHP)

Dear Honorable Mayor Tornek and Members of the City Council,

The Pasadena Civic Center Coalition (Pasadena CCC) submits the following comments and asks that you:

1. Not adopt a motion accepting and approving the Subsidy Report; and
2. Disclose the revisions to the project scope and design that contributed to the 64% cost increase and determine whether those revisions would trigger further environmental review.

Major concerns of the Pasadena CCC regarding the Subsidy Report are that its:

1. **Conclusion that the City subsidy is warranted due to increased project construction costs, is not adequately supported:**
  - a. The Subsidy Report reasons that while the developer return is below market based on current conditions, because the developer may believe there is significant economic upside in the future for it and its investors, the City subsidy is warranted. How does potential increased economic benefit to private investors justify additional up-front City subsidy and investment?
  - b. Furthermore, the Subsidy Report states the probability of repayment of any part of the City's \$8.3 million paid to acquire the YWCA building and site, is very unlikely based on current and projected market. As such, what was to be a required minimum \$8.3 million contractual lease payment obligation of the developer to the City, one of the two most important City objectives and

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reason for its August 15, 2016 approval, is now gone. Instead, the City's sole source of repayment of its taxpayer funded up-front investment would be from project economics, and only if and when, the project out-performs the market by approximately 45% (based on assumptions in Keyser Marston Associate's (KMA) feasibility review dated March 23, 2017).

- c. As such, the proposed subsidy merely transfers market risk to the City from the private developer in order to provide the private developer and its investors the potential to benefit in project upside at the expense of the taxpayers today.

**2. Analysis of benefit to the City is not adequate:**

- a. It does not subtract the City's required subsidy and up-front investment (estimated KMA to be approximately \$14.1 million, consisting of acquisition cost of YWCA building and site, plus 136 off-site parking spaces) from estimated TOT, sales tax and property tax revenues; nor does it include the value of Parcel 3 (the public open space) in its estimate of City required subsidy and up-front investment;
- b. It does not include a city-wide net absorption analysis in estimating potential future TOT and sales tax revenues; nor a sensitivity analysis assuming below-market, at-market and above-market ADR and occupancy;
- c. It does not provide an alternative analysis to consider a hotel flag/operator other than "Kimpton," while stating any change in hotel flag/operator would have a significant material affect;

**3. Analysis of Project Costs and Project Increases is not adequate:**

- a. Overall analysis does not sufficiently detail or support project costs or increases (over the life of the project and/or since August 2016). For example, it states increases are due to revisions in scope and design, inflation, and prevailing wage. However, other than attributing 23% of the \$40 million increase to prevailing wage, it does not detail what increases are due to inflation and revisions to project scope and design;
- b. The analysis fails to disclose the revisions to the project scope and design. The remaining \$30.8 million in increases could mean there are substantial revisions to the project that must be disclosed and potentially analyzed in a subsequent environmental review document; and

Honorable Mayor Tornek and Members of the City Council  
April 3, 2017

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- c. Staff Report does not identify specific change in Prevailing Wage law that triggered Prevailing Wage requirement between August 2016 and January 2017.

The Pasadena CCC urges the City Council to uphold the City's goals and objectives outlined in the General Plan, Central District Specific Plan, and other relevant plans and policies. To truly assess the City's net economic benefit of the subsidy and provide the good-faith effort at full compliance and disclosure required by this Government Code 53083 requires further documentation and analysis to justify any subsidy for this project and the need for taxpayers to bear the market risk of a private commercial real estate project, as well as to incur the loss of public parkland and open space in the Civic Center.

Thank you for your consideration of these comments.

Very truly yours,



Chris Fedukowski  
On behalf of the Pasadena Civic Center Coalition

**Jomsky, Mark**

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**Subject:** RE: Future Kimpton Hotel Project in Pasadena, California

-----Original Message-----

From: Avram Gold [<mailto:avram3@earthlink.net>]

Sent: Saturday, April 01, 2017 10:40 PM

To: DL\_KGC\_PublicRelations <[media@kimptongroup.com](mailto:media@kimptongroup.com)>

Subject: Future Kimpton Hotel Project in Pasadena, California

KHP Capital Partners is in negotiation with the City of Pasadena for a 181 room hotel to be built in the Civic Center across from City Hall. There is prevailing confusion about the actual management of the hotel once built. KHP is the equity partnership firm funding the project under the fund name KHP III. Now that IHG owns the Kimpton chain and that brand, and KHP is no longer directly affiliated with Kimpton, will the KHP project be a Kimpton Hotel managed by the Kimpton Group?

Avram Gold  
West Pasadena Residents' Association  
Director, Land Use and Planning

04/03/2017  
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Thomas D. Seifert  
436 South Arroyo Boulevard  
Pasadena, CA 91105

April 3, 2017

City of Pasadena  
Mayor Tornek and Members of the City Council  
100 N. Garfield Avenue  
Pasadena, CA 91101

**RE: Agenda Item #10: Agenda Item #10, April 3, 2017 City Council Meeting:  
Comments on Economic Development Subsidy Report pursuant to  
Government Code Section 53083 (Subsidy Report) for a Ground Lease  
Agreement by and between City of Pasadena (City) and KHP III Pasadena LLC  
(KHP)**

Dear Mayor Tornek and Members of the City Council:

If there was ever a time for individual council members and the Council as a whole to change positions on this project, the time is NOW. This is not the same project that you previously approved.

I request that City Council **not approve** the Economic Development Subsidy Report, **not approve** the ground lease, and **not approve** any subsidy for private development on Civic Center property.

I additionally ask that the City Council not proceed further until a project that truly addresses the concerns of the citizens of Pasadena is brought forward.

Sincerely,

*Thomas Seifert*

**04/03/2017  
Item 10**

**Jomsky, Mark**

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**From:** Ann F. Scheid <scheid@usc.edu>  
**Sent:** Monday, April 03, 2017 3:57 PM  
**To:** Jomsky, Mark  
**Subject:** Tree protection proposal Agenda Item #8

Dear Mark,

Can you please distribute my comments to the Mayor and Councilmembers?

Comments regarding proposed amendments to Tree Protection Ordinance

This is a good start on trying to protect and enforce protections on City trees. However, the language is ambiguous and in some cases uninformed. As the City of Santa Monica makes clear in their manual on tree protection, to erect a fence to protect the area within the dripline of vertical trees (pines, for instance) does not effectively protect the root zone. The protected area should be much larger (refer to City of Santa Monica manual on tree protection in construction zones). There are several instances of this uninformed approach in the proposed amendments.

These amendments apply only to **City trees impacted by construction projects**. They should apply to other instances of tree removal or demolition by neglect on both private and public property. Trees, wherever they are, benefit the entire community, by reducing air pollution and providing multiple environmental benefits. Private trees also need protection.

Construction sites can contain private trees that are protected trees or trees eligible for landmark status. These trees are not mentioned in the proposed language of the amendment.

The penalties only cover appraised values. Replacement with a tree of the same size as the tree removed or neglected should be available as a recommended penalty, depending on the circumstances. Not all mature trees can be transplanted successfully, but some that can include palms, olives, and some oak species.

The examples given for tree values are for tree species that are uncommon as City trees in Pasadena. A better illustration of values for Pasadena trees would be oaks (*quercus agrifolia*), palms (*Washingtonia robusta*), and camphors. These are all relatively common street trees in Pasadena.

I request that the Council take these comments into consideration.

Sincerely,

Ann Scheid  
Former member of UFAC  
Former staff to Design and Historic Preservation Commissions

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**MARSHA V. ROOD, FAICP**  
**216 S. MADISON AVENUE, #302**  
**PASADENA, CA 91101**  
**marsharood@earthlink.net**  
via Mark Jomsky at **mjomsky@cityofpasadena.net**  
**officialrecords-cityclerk@cityofpasadena.net**

**April 3, 2017**

**City of Pasadena City Council**  
**175 N. Garfield Avenue**  
**Pasadena, CA 91101**

**Subject: Agenda Item #10, April 3, 2017; City Council Public Hearing on  
Accepting and Approving the Economic Development Subsidy Report for the  
YWCA/Hotel Project**

**Dear Mayor Tornek and Honorable Councilmembers:**

**I have reviewed the Agenda Report and Economic Development Subsidy Report ("Subsidy Report") for the City Council meeting scheduled for April 3, 2017 at 7 p.m. The limited time to review this Subsidy Reports has not permitted a full analysis of the findings and recommendations contained within it. After a limited review of the Subsidy Report, the only conclusion than can be reached is that if the recommendations as contained in the Subsidy Report are approved, the City's stated economic goals for this Project can never be achieved based upon this "deal".**

**Essentially, it is a give-away of public land and public funds to the developer of this project done primarily in Closed Sessions not available to the public. The bases for this preliminary conclusion are that the City (a) will not receive ground lease payments for 50 years; (b) will not be compensated for the lease cost of parking spaces in or adjacent to the Civic Center it would lease to satisfy the hotel's parking requirements; (c) will not be repaid the \$8.3 million it spent of General Fund money for the YWCA Building and parking lot; (d) will assume a high level of market risk for ever receiving any rate of return for its investment, and (e) will not be compensated for the Fair Market Value of the open space (Parcel 3) it will be leasing to the developer. This "deal" does not represent what was promised to the public as late as August 15, 2016.**

Although the General Fund will benefit from the Transit Occupancy Tax ("TOT"), sales tax and property tax generated by the project, this would be true for any private market hotel with no governmental subsidies.

The City Council Closed Sessions on this Project will continue. The Economic Development Section of the City Manager's Office has stated that the City Council does not have to publicly review the proposed ground lease, nor approve it publicly, and have not done so in past cases. In my 35 years of professional experience in economic development and redevelopment, to my knowledge, never has a land sale or long-term lease been approved in a private Closed Session of the governing body. Chapter 4.02 of the Municipal Code calls for a public process for the disposition of City land "...open to public examination through a public process". Aside from legal issues regarding alienation of public property, public policy in Pasadena has always been that the "public's business should be done in public", including the sale or long-term lease of City-owned land.

#### **ECONOMIC DEVELOPMENT SUBSIDY REPORT: QUESTIONS; COMMENTS**

Based upon my review of the Subsidy Report, I have the following questions for the City Council and City Staff:

1. There appears to be an "increasing compulsion" to do this "deal" - the deal is extremely "thin" - so why do it? The "deal" is too risky with such a large City investment of General Fund money and commitment of land in the Civic Center. The Agenda Report says it all: "Return requirements for hotels are generally higher than other land use due to their high level of risk, as hotels are particularly susceptible to broader economic trends based on their transitory nature." (p. 4)
2. The Subsidy Report analysis is a material change in the "deal". The previous "deal" was for the City to receive back its \$8.3 M spent for the purchase of the YWCA Building and to receive Ground Lease payments of at least \$300,000 per year. Also, the project was to have parking built as part of the Project (See RFP for the YWCA).
3. In Terms of Process:
  - a. The time to review this Subsidy Report in any detail and to do necessary research of the data contained therein is very short, considering the fact that the project has been the subject several



**Closed Door Sessions over a period of four years not open to the public.**

- b. The public has been given only two business days to review the Report a very short time; this item should be continued to a subsequent City Council meeting.**
  - c. This Subsidy Report should have gone first to the City Council's Economic Development and Technology Committee before it reached the City Council. In that way, the public would have had more time to review and analyze the Report. Why was this not done?**
  - d. Why is Report being considered before the Ground Lease? It is extremely difficult to evaluate the Report and the Ground Lease as stand-alone documents. These two interdependent documents are treated as separate agreements separated in time. Why has it been done this way?**
- 4. This "deal" is not really a Ground Lease; rather, it is a give-away of public land and building to the developer.**
  - 5. What is the purpose of the "deal" in the first place? Will there be enough money to rehabilitate the YWCA Building? How will the money be tracked regarding money to be spent on the rehabilitation of the YWCA building in accordance with National Trust Standards?**
  - 6. Public statements have been made by the Mayor and the City Manager that this "deal" will help toward the *CalPERS* debt, yet the deal is being structured in a such a way that the \$8.3 M will not be returned to the City - it is being left in the Project. There is no requirement for minimum Ground Lease payments monthly or annually for 50 years.**
  - 7. The Subsidy Report is nearly all from the developer's point of view. Why is there no analysis of the City's position as "co-developer" in the "deal"? As a corollary, is it a "good deal" for the city? What is the Return on Investment (ROI) for the City on its all in costs? There are no minimum Ground Lease payments due to the City either monthly or annually in this "deal" until 50 years out. Why not?**

8. The Final Environmental Impact Report states that the reason for choosing the Project as the "Preferred Alternative" over the "Environmentally Superior Alternative" was that the Project has more "operational capacity". The implication, though not explicitly stated, is that the Project was more "economically feasible" than the Environmentally Superior Alternative, Alternative 2E. Also, the Alternative to restore and rehabilitate the historic YWCA building with no adjacent construction "...would not return to the City the substantial investment it undertook to save the structure from demolition by neglect" because this alternative "would substantially reduce the operational capacity of the hotel as compared to the proposed project." Based upon the massive City subsidies to the proposed Project, how can the selection of this preferred Project be supported? What are the economics of the Environmental Superior Alternative vs. the Project so that they may be compared and contrasted?
8. Ground leases are typically subordinated to the financing; that means that if the owner may not be able to make "mortgage" payments, the property will be taken over by the bank or other lending institution. Essentially, the land and building serve as collateral for the project loans. If the lender forecloses upon land and buildings, what happens to the provisions of the Ground Lease? Are they considered "null and void"? If not, how will the City enforce its Ground Lease provisions on a bank or other lending institution? *Land and building that are foreclosed upon means that the lender becomes the property manager of Civic Center property. NOT GOOD*
9. What are the line-by-line costs to rehabilitate the YWCA - a lump sum is proved with little back-up information. What numbers are being added up to determine the "lump sum?" *The rehabilitation of the YWCA Building is the whole justification for this entire hotel Project in the first place.* How arrived at? By what standards is it to be measured - National Trust Standards? Other?
10. What is the value of the park/open space? Was a Fair Market Value (FMV) appraisal done? If so, by whom? What were the results?
11. Are there standards for evaluating the quality of the buildings, site improvements and Furnishings, Fixtures, and Equipment (FF&E)? Are

there standards for on-going maintenance of the exterior of the hotel and the grounds that surround it? How enforced over time? Remedies?

12. Are there standards for maintaining and repairing the historic YWCA Building over time? If so, what are they and where are they specified in the Ground Lease? Remedies?

13. How is quality of the hotel development defined? Monitored over time? Remedies?

14. According to the Agenda Report, "... since 2013, the total cost per room has increased from \$289,900 to \$451,459, an increase of nearly 64%." What is the justification for this huge difference in cost per hotel room? This is highly unusual to see increases like this.

15. The ENA has been in effect for just one month shy of 4 years; ENAs are typically for 90 - 120 days, with reasonable extensions. What is the status of the ENA negotiating period? Extensions to the ENA with the developer were done in Closed Session - the public does not have any way of knowing about them or attending them. How and on what basis were the extensions justified in the Closed Sessions? What is the justification for ENA extensions over a 4-year period? These extensions were always done in public and approved by the City Council (sitting as the Pasadena Community Development Commission) during the time I served as the City's Development Administrator; during that time, there were never any 4-year long ENAs.

16. Are there changes of hotel operator approvals in the Ground Lease? If so, are there any minimum standards for future hotel operators? Is a "boutique" hotel a standard? How is "boutique" hotel defined? Would the City Council have to approve such a change in hotel operator?

17. According to then-Assistant City Manager Steve Mermell, the project proposed by KHP III, LLC was selected in response to a Request for Proposals ("RFP") primarily because "it did not require any subsidies". What has changed and why? If the project requires subsidies from the City, why has it not been rejected?

18. How will the City get back its \$8.3 million that it paid for the YWCA Building? This is a stated City goal. There are no ground lease payments

for 50 years and no change for parking. How is this \$8.3 million to be recovered by the City?

19. What are the actual values of the proposed City subsidies, e.g. annual parking lease payments? Total costs to acquire YWCA land and buildings? Value of open space to be leased? Other?
20. The property, according to the developer, will be "flipped in 5 - 10 years". Does the City have any approval rights over to whom it will be flipped? How long the developer must hold it?
21. What are the City's opportunity costs of investing its money into this project versus other investment opportunities?
22. The developer essentially receives all the profit - the City receives very little for its risk in ground leasing the City's land, building and surrounding open space. There are no specific minimum Ground Lease payments to the City and, in fact, none are to be paid over a 50-year period. Rather, payment to the City is percentage of net revenue, after the lenders and KHP III, LLC's investors have taken a preferred return. The City is, essentially, third in line. The City should receive a preferred return, considering the risk it is taking, prior to distribution of net profit to the investors.
23. The City will share in 15% of room sales when KHP exceeds threshold room's sales as specified in the Ground Lease. This is capped at \$438,720 in the first year, with a 3% increase each year. What are the estimated actual amounts that the City will receive?
24. All of the *pro forma* numbers are based on the hotel operator being Kimpton Hotels. What guarantees are there in the Ground Lease to ensure that the operator is Kimpton Hotel? If it is, what is the specified time period? If the developer requests a change in hotel operator, are there any criteria in the Ground Lease that the developer must meet, as judged by the City that allows this change to take place?
25. KHP III, LLC, the developer, has stated publicly that it will sell the Ground Lease for the property after a period of 5 - 10 years. Does the Ground Lease allow a change in Lessee? If so, what approval rights does the City have and would it be taken to City Council for approval?

26. What is the developer's internal ROI? How determined?
27. What is the cost to the City of the annual parking lease payments? Where are the parking structures located? Have the lease been secured? If not, how far along is the City in obtaining them and what are the projected lease payments over time? The developer should pay the City's cost of leasing the required spaces for the Project because the City did not require the developer to build parking to satisfy its parking requirements. This was specified in the RFP.
28. "...the hotel will create a new, active use in the Civic Center." Where in the General Plan and the Central District Specific Plan is that goal spelled out? What are the page numbers? This has never been a Civic Center goal that I can remember.
29. TOT is valued at \$25.99 M over 20 years @ 5% discount rate. How was discount rate determined? What is the TOT flow year- by- year as shown in a graph? What are the projected room rates, and occupancy rates to justify the projected TOT?
30. What is the need for a hotel use - we have 5 or so new hotel or planned hotel - all done in the private market without City subsidies. What effect do these new hotels have on the economics of the YWCA/Hotel? Are the projected YWCA/Hotel revenues affected by this recent and anticipated supply?
31. The returns are all based on the developer's pro forma. What is the *City's return on its investment* based upon the money invested, aside from fees, TOT, taxes, etc. which any hotel would pay? This is called the "public balance sheet".
32. What is the FMV of the YWCA and its associated land with an allowed use, not just a hotel use? A hotel was never a goal of the City - just something that would "fly" in the marketplace.
33. The City continues to claim that the hotel operator will be a "Kimpton Hotel" and the analysis in the Report is based upon the customer draw and the high quality of this operator. What are the standards for "high quality"? Is this in the Ground Lease? If there is a proposed change in

hotel operator, how will these standards be applied and enforced over time?

34. Because the *pro forma* is based on the "Kimpton Hotel" as the operator, if there is a future change in hotel operator, how would the *pro forma* be effected?

35. The Ground Lease is for 99 years. How will anyone in City Hall know about the existence of the Ground Lease in years to come? Where will the institutional memory be? (Examples are DDAs and OPAs from redevelopment deals; how are agreements being monitored?) Who will know what they are?

Thank you for the opportunity to comment. I look forward to having these issues and concerns addressed.

Thank you,

**Marsha Rood**

**Marsha V. Rood, FAICP**

**Member, Pasadena Civic Center Coalition**

**Former Development Administrator, City of Pasadena; 1982 - 2000**

cc: Steve Mermell, City Manager  
David Klug, Senior Project Manager

**Jomsky, Mark**

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**From:** Molly Kennington <themoll@dslextreme.com>  
**Sent:** Monday, April 03, 2017 4:17 PM  
**To:** Jomsky, Mark  
**Subject:** FW: Kimpton Hotel Deal

Mr. Jomsky,  
Please make my comment below part of the public record.

Thank you,  
Molly Kennington

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**From:** Molly Kennington [<mailto:themoll@dslextreme.com>]  
**Sent:** Sunday, April 2, 2017 9:20 PM  
**To:** 'smadison@cityofpasadena.net'  
**Subject:** Kimpton Hotel Deal

Mr. Madison,

DO NOT vote for the Economic Development Subsidy Report tomorrow night at the council meeting.

This deal was a disaster from the start and just gets worse and worse....

Molly Kennington  
355 South Los Robles AV