

Agenda Report

December 2, 2002

TO: City Council

THROUGH: Economic Development & Technology Committee

FROM: Pasadena Center Operating Company (PCOC)

SUBJECT: Actions on Pre-Development Plan for Pasadena Conference Center Expansion.

RECOMMENDATION

It is recommended that the City Council:

1. Approve the concept of an expansion to the Pasadena Conference Center. This includes the overall proposed program and the financing plan.
2. Adopt a Resolution declaring the City's intention to establish the Pasadena Tourism Improvement District (TBID) pursuant to the Parking and Business Improvement Area Law of 1989 and ordering that notice of a public meeting and public hearing be given. The proposed TBID will include all hotels and motels within the City and the assessment will not exceed 2.89% of room revenue. Monies generated from the TBID must be used for the general promotion of tourism within the TBID.
3. Authorize the PCOC to proceed with the design development process including full development of the Conference Center expansion design including preparation of bid documents, all City of Pasadena design review processes, assistance with the completion of the EIR and competitive bid of the project construction, such authorization to include the appropriation of \$4.5 million for design, project management and other consulting services as necessary to complete the development process. These costs to be paid through PCOC operating revenues, assuming the approval of the TBID (see recommendation #2) and up to \$1,000,000.00 in short-term financing previously approved by the City Council on November 5, 2001 for pre-development expenses which has not yet been encumbered. These funds will be used for pre-development expenses on the Pasadena Conference Center Expansion.
4. Authorize the PCOC to enter into Agreements with Daniel, Mann, Johnson, Mendenhall, Holmes and Narver for an amount not to exceed \$600,000.00 for continued pre-development program management services and with Zimmer, Gunsul, Frasca Partnership for an amount not to exceed \$3,900,000.00 for architectural design services.

BACKGROUND

The PCOC Board of Directors has been carefully studying the feasibility of an expansion to the Pasadena Conference Center since 1998. The PCOC has commissioned several studies including

market analysis and financial feasibility. As part of the previously approved pre-development process, a schematic design has been developed that defines the program and layout of an expansion that is consistent with our market and feasibility consultant recommendations as well as a more detailed project budget. The results of these studies and pre-development efforts have verified that the expansion can be accommodated on the site and the project is financially feasible based on the projected construction budget. An expanded Conference Center will allow the PCOC to fulfill its mission of bringing meetings and conventions to Pasadena, maximizing the economic impact to the community in the form of increased spending in Pasadena businesses, increased employment opportunities for Pasadena residents and increased Transient Occupancy Tax (TOT) revenue for the City of Pasadena.

The project would be financed through the issuance of Certificates of Participation by the City of Pasadena. The Certificates of Participation would be retired through revenues generated by the expanded facility including net operational revenues, and the PCOC share of the TOT. A Tourism Business Improvement District (TBID) would be established to fund the destination and event marketing efforts that are currently funded by the net operating revenues of the PCOC and the PCOC share of the TOT, freeing those funds to be used for debt service without an expected reduction in current marketing services.

The TBID would be a special benefit assessment district that can be established by the City Council to fund activities that promote tourism. Other cities such as Sacramento and West Hollywood have used this mechanism to fund tourist destination programs. The funds collected must benefit the hotels and motels in the City that are assessed. The TBID cannot be established if the businesses subject to the TBID file a majority protest.

Formation of the TBID requires that the City Council take the following actions:

- (i) adopt a Resolution initiating proceedings, which appoints an advisory body for the TBID, orders the preparation of an annual report for the TBID and sets the time and date for a public meeting and public hearing (set for December 2, 2002);
- (ii) hold a public meeting and adopt a resolution stating the Council's intention to form the District (set for January 6, 2003);
- (iii) hold a public hearing and adopt an ordinance establishing the District (set for January 27, 2003); and
- (iv) adopt a resolution levying the assessment for the current fiscal year (set for February 3, 2002).

The PCOC Board recommends an assessment of up to 2.89% on hotel/motel room revenue. Once the assessment is implemented, the PCOC can free up current revenues to fund continuing development costs. Attached hereto is the Schedule of Actions showing the proposed timeline and required steps for the formation of the proposed TBID.

The City Council must appoint an Advisory Board that will report to the City Council annually. The Annual Report must include an activity review, future activities, reconciliation of funds and a recommendation on the level of assessment for the following year. The PCOC Board recommends that it be appointed as the Advisory Board since it is already promoting tourism for the City. Furthermore, it is anticipated that the City will modify its agreement with the PCOC so the PCOC may spend the assessment proceeds on behalf of the City.

The City must annually adopt a resolution of intention to levy assessment, and then at a subsequent meeting, adopt a resolution, hold a public hearing and adopt a resolution levying the assessments.

Based upon the feasibility and benefit of the project, the PCOC would like to proceed with the design development process. The design development process would include the completion of the architectural design and City of Pasadena development approval process such as the Environmental Impact Report (EIR), required commission approvals and approval of a Conditional Use Permit (CUP). Design development would also include the completion of bid documents and the bidding out of the construction project.

This work is necessary to fully define the project scope and costs so that all necessary information is available prior to the PCOC recommending that the City Council give final approval for the project.

The overall Design Development budget is as follows:

Project Management Consultant	\$ 600,000
Architectural Services	<u>\$3,900,000</u>
Total	\$4,500,000

The \$4,500,000 in design development costs will be paid from PCOC operational funds including existing net operating revenue as well as additional funds that will be made available through the implementation of the TBID. The PCOC may also need to access the \$1,000,000 in short-term financing previously approved by the City Council on November 5, 2001 that has not yet been utilized to supplement cash flow based on the timing of design development costs. If these funds are used, they will be repaid as PCOC operational funding becomes available.

Through a competitive selection process, the PCOC chose Daniel, Mann, Johnson, Mendenhall, Holmes and Narver (DMJMHN) for project management services and Zimmer, Gunsul, Frasca Partnership (ZGF) for architectural services on the expansion project. These firms were previously awarded contracts with a limited scope for the pre-development phase of the project. As we proceed with the design development process contracts with additional scope of work will be necessary with these firms.

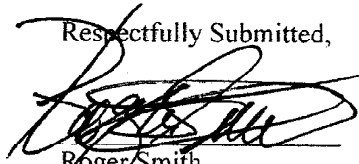
The scope of work for the project management consultant will include the coordination of the architect through the design development process and the review and approval processes of the city and other necessary agencies and assistance with the EIR. In addition, they will provide contract review and cost estimating services, and will support the PCOC in the competitive bidding process.

The architectural scope of work will include all necessary design work, drawings and specifications related to the project including design development, construction documents and bid documents.

FISCAL IMPACT:

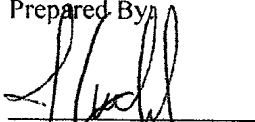
The PCOC will fund all expenses from operating revenues of the PCOC in fiscal years 2002-2003, 2003-2004, and 2004-2005. The formation of the TBID is expected to generate anywhere from \$1.3 to \$2.0 million annually, depending upon the rate set each year. At this time, it is expected that the rate will never be set below 1.89%.

Respectfully Submitted,



Roger Smith
Chief Executive Officer

Prepared By


James Canfield
Executive Director