

OFFICE OF THE CITY MANAGER

DATE: JUNE 20, 2005
TO: FINANCE COMMITTEE
FROM: CITY MANAGER
SUBJECT: RESPONSES TO QUESTIONS REGARDING THE PROPOSED ICE RINK PROJECT

BACKGROUND

On May 2, 2005, staff presented several recommendations to the Finance Committee relating to the proposed ice rink project located between Foothill Boulevard and Orange Grove Boulevard. At the meeting, the Finance Committee raised several questions regarding the project and the management agreement and asked staff to return with additional information prior to forwarding the item to the full City Council. Below are responses to these questions:

1. What is the development cost of the proposed ice rink project?

Response: The cost of the proposed project is estimated to be \$12 million. The \$12 million represents hard and soft cost, road construction, and furniture, fixtures and equipment (FF&E). This will be paid for with \$2 million provided by the Pasadena Center Operating Company and the issuance of Certificates of Participation (COPs). The COPs will be repaid from operating revenues from the ice rink.

2. Requested that the Pasadena Ice Skating Center (PISC) provide an annual operating pro forma.

Response: Included as Attachment 1 is the annual operating pro forma provided by PISC.

3. Include in the City cash flow pro forma a line item that establishes a capital reserve for any long term maintenance issues.

Response: Included as Attachment 2 is the City's cash flow which addresses the capital reserve issue.

4. Clarify the conditions related to the termination of the Management Agreement between PISC and the City.

Response: The terms of the management agreement establish that the City may terminate the agreement if the operator fails to meet the conditions established in the performance standards. Although the general terms only provide a mechanism in which PISC can receive a management bonus, staff and the operator will negotiate a provision related to termination should the operator not generate sufficient revenue to pay the debt serviced on the project or should the operator not receive a satisfactory annual performance review.

5. Clarify who is responsible for maintenance and repairs.

Response: The ice rink facility will be constructed and owned by the City. The operator will be responsible for minor maintenance cost. Minor maintenance cost include such items as graffiti removal, landscape repair, lighting and equipment repair. All capital cost shall be the responsibility of the City. Capital cost shall include heating and air conditioning, electrical and structural improvements. The City will establish a capital reserve account to address future capital cost.

6. Will the City design the exterior lighting to protect the adjacent residential community from glare while providing sufficient light to ensure public safety?

Response: During the design phase of the project the architect and Public Works staff will work together to ensure that exterior lighting is directed away from adjacent residential areas while providing adequate illumination for the patrons.

7. Will the City provide free parking for patrons to the ice rink and how will the City ensure that Pasadena City College (PCC) students will not use the ice rink parking area?

Response: The City is required to provide 143 parking spaces for the proposed ice rink. The parking for the ice rink facility will be located on the north side of the building. The parking for the ice rink patrons will be free. To the south of the ice rink site exists the parking area for PCC. Students who park in the PCC parking lot are required to display a parking permit on their vehicle. PISC security will be required to monitor the parking to ensure that students from PCC do not use the parking spaces required for the ice rink.

8. Will the City provide a landscape buffer between the ice rink building and the residents along Avocado to the east?

Response: Currently, a landscape buffer along Avocado Street to the east of the ice rink facility is not included in the budget. However, staff has determined that a chain link fence screened with shrubs is estimated to cost approximately \$62,500 and can be included in the cost of project.

9. Is the cost of the access road across Southern California Edison property included in the cost of the project?

Response: The cost to construct the access road across SCE property is estimated at approximately \$75,000 and has been included in the \$12 million cost of the project. The cost to lease the SCE land is estimated to be \$25,000 per year.

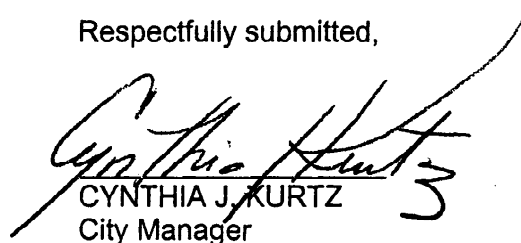
10. The performance standard related to graffiti removal should be reduced.

Response: The performance standard related to graffiti removal has been changed from one week to within 24 hours.

11. Standard conditions related to the time frame in which damages to steps, railings etc. are repaired needs to be reduced.

Response: Standard conditions related to the time frame related to making repairs to steps, ceilings, etc. have been changed from two weeks to within 48 hours.

Respectfully submitted,



CYNTHIA J. KURTZ
City Manager

Attachment 1

Pasadena Ice Skating Center

Annual Operating Pro Forma

Pasadena Ice Skating Center
Pasadena, CA

Revision 09/07/04

Print Date
Page
Section

| PROJECTED INCOME AND EXPENSES FOR SKATING FACILITY | | |
|----------------------------------------------------|--------------------|----------------|
| Fiscal Year (Sept - Aug) | | Percent of |
| Income Categories | | Gross Rev. |
| Hourly Rental | \$48,487 | 2.29% |
| Contract Rental | \$402,813 | 19.00% |
| Figure Skating Programs | \$139,200 | 6.57% |
| General Admissions | \$389,050 | 18.36% |
| Skate Rentals | \$106,905 | 5.04% |
| Class Lessons | \$313,800 | 14.81% |
| Hockey Lessons | \$48,600 | 2.29% |
| In-House Hockey Leagues | \$387,000 | 18.26% |
| **Private Lessons (Net) | \$75,000 | 3.54% |
| Birthday Parties | \$42,120 | 1.99% |
| Vending and Video (Net) | \$14,728 | 0.69% |
| Locker Rentals | \$6,258 | 0.30% |
| Skate Repair | \$7,688 | 0.36% |
| Sport Shop (Rent) | \$21,403 | 1.01% |
| Food Service (Rent) | \$15,470 | 0.73% |
| Misc. | \$5,000 | 0.24% |
| Board Advertising | \$36,000 | 1.70% |
| Pick-up Hockey | \$48,000 | 2.26% |
| Spectator Admissions | \$12,000 | 0.57% |
| ===== | ===== | ===== |
| Gross Revenue | \$2,119,522 | 100.00% |

* Some of the information in this report was supplied by the developer.

** Typical income numbers are being used until space allocations and inventories are determined.

| COST OF GOODS & SERVICES | | | | |
|----------------------------|-----------------|-------|-----|-----------------|
| Sport Shop | 0 | Using | 0% | Cost of Goods |
| Food Services | 0 | Using | 0% | Cost of Goods |
| League Officials | 77,400 | Using | 20% | Cost Of Service |
| (Open) | 0 | Using | 0% | |
| Board Advertising | 7,200 | Using | 20% | Cost of Display |
| ===== | ===== | | | |
| Total - COG & S | \$84,600 | | | |

GROSS PROFIT \$ 2,034,922

| | |
|-------------------------------------------------------|------|
| Approximate Weekly People Traffic Count Average | 2744 |
|-------------------------------------------------------|------|

Revision 09/07/04

Pasadena Ice Skating Center
Pasadena, CAPage
Section

| OPERATING EXPENSES | | Percent of Gross Profit |
|-----------------------------------|--------------------|----------------------------|
| General Payroll | 450,000 | 22.11% |
| Skating School and Hockey Payroll | 115,719 | 5.69% |
| PR Taxes & Wk Comp | 101,829 | Insurance, Etc. 5.00% |
| Resurfacers R/M | 6,000 | 0.29% |
| Resurfacers Fuel | 6,500 | 0.32% |
| Auto Expenses | 1,200 | 0.06% |
| Bank Charges | 9,500 | 0.47% |
| Travel, Seminars | 7,500 | 0.37% |
| Uniforms | 4,000 | 0.20% |
| Printing | 21,195 | 1.00% of Gross 1.04% |
| Dues / Subscriptions | 1,500 | 0.07% |
| Insurance Benefits | 71,719 | 3.52% |
| Insurance | 65,000 | 3.19% |
| Sanitation | 6,500 | 0.32% |
| Legal / Accounting | 20,000 | 0.98% |
| Licenses / Fees | 5,000 | 0.25% |
| Office Supplies | 18,000 | 0.88% |
| Building / Grounds | 24,000 | 1.18% |
| Equipment R/M | 18,000 | 0.88% |
| Advertising / Promotions | 42,390 | 2.00% of Gross 2.08% |
| Misc. | 5,000 | 0.25% |
| Outside Services | 6,000 | 0.29% |
| Operating Supply | 19,000 | 0.93% |
| Telephone | 7,400 | 0.36% |
| Utilities (All) | 215,475 | 10.59% |
| Capital Account | 21,195 | 1.00% of Gross 1.04% |
| Expense Contingency | 21,195 | 1.00% of Gross 1.04% |
| Real Estate Tax | 0 | 0.00% |
| Personal Property Tax | 0 | 0.00% |
| | 0 | 0.00% |
| Management Fee (If Applicable) | 105,976 | 5.00% of Gross 5.21% |
| TOTAL EXPENSES | \$1,396,794 | 68.64% |

*Some of the information in this report was supplied by the developer.

Net Cash **\$638,127**
Before Depreciation, Other Taxes, R.O.I., etc.

Attachment 2
City Cash Flow Pro Forma
With Capital Reserves

4.5% NON-TAXABLE "COP" ISSUE OF \$11,945,000 TO NET \$10,000,000
 30 Year Amortization WITH 18 MONTHS OF Capitalized Interest
 3% Management Fee & \$15,000 Land Lease Payment
 No City Cash Contribution To Development/Construction Costs

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 5 | Year 7 | Year 8 | Year 9 | Year 10 |
|-----------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Revenues (3.5%) | 2,000,000 | 2,070,000 | 2,142,450 | 2,217,436 | 2,295,046 | 2,375,373 | 2,458,511 | 2,544,559 | 2,633,618 | 2,725,795 |
| Less Direct Expenses (4.0%) | -76,200 | -81,225 | -82,918 | -84,306 | -89,617 | -93,202 | -96,930 | -100,807 | -104,839 | -109,033 |
| Gross Income | 1,923,800 | 1,988,775 | 2,059,532 | 2,133,130 | 2,205,429 | 2,282,171 | 2,361,581 | 2,443,752 | 2,528,779 | 2,616,762 |
| Less Operating Expenses*(4%) | -1,274,456 | -1,276,556 | -1,278,730 | -1,280,979 | -1,283,307 | -1,334,640 | -1,388,025 | -1,443,546 | -1,501,288 | -1,561,340 |
| Net Operating Income | 649,344 | 712,219 | 780,803 | 852,151 | 922,122 | 947,531 | 973,556 | 1,000,205 | 1,027,491 | 1,055,422 |
| Less NET COP Debt Service (assumes 3% arbitrage on funds) | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 | -711,317 |
| Less Ground Lease(Included in Oper Exp) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash Flow/Including Management Fee | -61,973 | 902 | 69,485 | 140,834 | 210,805 | 236,214 | 262,239 | 288,888 | 316,174 | 344,105 |
| Capital Reserve Account | 0 | 0 | -64,274 | -66,523 | -68,851 | -71,261 | -73,755 | -76,337 | -79,009 | -81,774 |
| Net Profit | -61,973 | 902 | 5,212 | 74,311 | 141,953 | 164,953 | 188,483 | 212,552 | 237,165 | 262,331 |
| Annualized Profit Margin*** | -3.10% | 0.04% | 0.24% | 3.35% | 6.19% | 6.94% | 7.67% | 8.35% | 9.01% | 9.62% |
| Debt Coverage Ratio | 0.91 | 1.00 | 1.10 | 1.20 | 1.30 | 1.33 | 1.37 | 1.41 | 1.44 | 1.48 |
| Management Fee Percentage | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Management Fee Paid | 60,000 | 62,100 | 64,274 | 66,523 | 68,851 | 71,261 | 73,755 | 76,337 | 79,009 | 81,774 |

10 Year Gross Income 1,807,673

10 Year Capital Reserve Amount 581,784

10 Year Net Income After Reserve 1,225,889

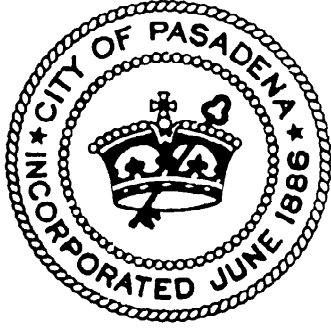
10 Year Management Fee Paid 703,884

CITY OF PASADENA

Sources and Uses of Funds Pasadena Ice Skating Center Expansion and Relocation 4/20/2005

SOURCE AND USE ANALYSIS

| <u>SOURCE</u> | | <u>USE</u> | |
|-----------------|----------------------------|----------------------------|----------------------------|
| BOND ISSUANCE | \$11,945,000 | BUILDING HARD COSTS | 9,211,000 |
| CITY/PCOC FUNDS | 2,000,000 | SOFT COSTS | 789,000 |
| | | ON-SITE COSTS - CITY/PCOC | 784,000 |
| | | OFF-SITE COSTS - CITY/PCOC | 150,000 |
| | | FF&E and SET UP COSTS | 326,000 |
| | | MOVING COSTS | 100,000 |
| | | PROJECT RESERVE | 640,000 |
| | | BOND COSTS | 1,945,000 |
| TOTALS | <u>\$13,945,000</u> | TOTALS | <u>\$13,945,000</u> |



Agenda Report

DATE: MAY 2, 2005

TO: CITY COUNCIL

~~== THROUGH FINANCE COMMITTEE ==~~

FROM: CITY MANAGER

SUBJECT: MANAGEMENT AGREEMENT BETWEEN THE CITY OF PASADENA AND THE PASADENA ICE SKATING CENTER AND AGREEMENT FOR ARCHITECTURAL AND ENGINEERING DESIGN FOR A PROPOSED NEW ICE SKATING FACILITY LOCATED BETWEEN FOOTHILL AND ORANGE GROVE BOULEVARDS

RECOMMENDATION

It is recommended that the City Council:

1. Approve the Initial Study and Adopt the Mitigated Negative Declaration prepared for the proposed ice rink project.
2. Adopt the De Minimis Finding of No Impact on Fish and Wildlife.
3. Direct the City Clerk to file the Notice of Determination, Mitigated Negative Declaration, and Certificate of Exemption from Fish and Game fees with the Los Angeles County Registrar-Recorder/County Clerk.
4. Approve the proposed business terms negotiated between the City and the Pasadena Ice Skating Center for the management of a new ice rink facility.
5. Authorize the City Manager to execute a Management Agreement between the City and the Pasadena Ice Skating Center that incorporates the approved business terms.
6. Amend the FY 2005 Adopted Capital Improvement Program (CIP) Budget to include a new project in the "Municipal Buildings and Facilities" section titled, "Pasadena Ice Rink Facility" Project Number 71144 and recognize

\$2,000,000 from the Pasadena Center Operating Company and approve a Journal Voucher appropriating the \$2,000,000 to this project; and authorize transfer of \$70,000 to Project 78289 for park expenditures related to the Ice Rink.

7. Authorize the City Manager to enter into a contract with The Albert Group for architectural/engineering services in an amount not to exceed \$690,250 without competitive bidders pursuant to City Charter Section 1002 (F), contracts for professional or unique services.

PLANNING COMMISSION RECOMMENDATION

On February 9, 2005, the Planning Commission reviewed the proposed project and found it is consistent with the City of Pasadena's General Plan.

BACKGROUND

Staff has been working with the Pasadena Ice Skating Center (PISC) to find a new location for the ice skating facility that is currently located in the Civic Center. It has been the desire of the Pasadena Center Operating Committee (PCOC) to relocate the ice rink and restore the old ballroom as part of the civic center expansion plans. During discussions with PCOC on this issue, representatives from PISC indicated that it is willing to move and agree to terminate its lease if the City and PCOC would assist with the construction of a new ice rink facility.

SITE

The Site is located in the Eaton Wash Park Master Plan area, on land that is designated parkland. The Site is located between Orange Grove Boulevard and Foothill Boulevard and is approximately 4 acres in size. Adjacent land uses are as follows: to the east is land owned by Southern California Edison, to the west is property owned by the Los Angeles Flood Control District, to the north the proposed Eaton Wash Park and to the south City-owned property (Goodrich substation). It should be noted that the City Council in June, 2004, approved a redesign of the Eaton Wash Park in order to create sufficient land to accommodate the requirements for an ice rink. Access to the development site is from Foothill Boulevard across property owned by Pasadena City College. The City will need to obtain an access easement from PCC for the project to proceed. The Site is zoned Open Space District and is designated Open Space in the City's General Land Use Plan. An ice rink is permitted in the OS District with a conditional use permit.

ENVIRONMENTAL IMPACT

In compliance with California Environmental Quality Act requirements (CEQA), an Initial Study and Mitigated Negative Declaration have been completed for the

proposed ice rink project. The Initial Study was circulated on April 4, 2005, and the public review period closed on April 25, 2005.

PROJECT DESCRIPTION

The project involves the construction of an approximately 65,000 square foot, one-story commercial recreational ice rink facility (containing two ice rinks) and surface parking of approximately 143 parking spaces. Access to the ice rink facility and on-site parking is via an existing driveway off Foothill Boulevard (which currently serves the Pasadena City College Community Education Center located southeast of the Project site) and through the existing PCC parking area. The facility would contain two National Hockey League-sized ice rinks. Other desired amenities include spectator seating, a food preparation area, offices, skate rental, locker rooms, restrooms with showers, lobby/waiting area, a small retail shop and small eating area. To the extent possible these improvements will be included at the time of construction, although the cost of improvements may require some be added at a later date. Currently, there are still issues to be resolved regarding access and if for any reason these issues cannot be resolved, the City will not execute a management agreement with PISC.

PROJECT FINANCING

Initially, it was the desire of PISC to design and construct a new ice skating facility with public funds. However after assessing PISC's proposed financing plan and consulting with legal counsel staff determined that the City should construct the ice rink project in order to provide tax-exempt financing. The total estimated cost of the proposed project is \$12 million. To finance the construction it is proposed that the City issue Certificates of Participation (COPs). The COPs will be paid from the revenues generated from the ice rink project. The revenues from the project are estimated to be approximately \$2 million in the first year of operation and are projected to steadily grow over time. The COPs will be tax-exempt with an average interest rate of 4% to 5% for a 30 year term. The debt service on the COPs is approximately \$711,000 annually. Staff is also proposing that the City enter into a management agreement to allow PISC to manage the ice rink facility on behalf of the City. Attached as Exhibit A is a detailed summary of the business terms to be included in the management agreement and the pre-development cost to be paid with PCOC assistance. As an attachment to the management agreement, staff is proposing a list of performance standards that PISC shall be required to meet over the term of the agreement. The Performance Standards are described in Exhibit B.

In addition to the COPs, PCOC has also agreed to provide \$2 million in financial assistance for the project (Exhibit C). These costs include improvements needed to adjacent sites in order to allow the ice rink to be located on this property, undergrounding of utilities as part of the redesign of the proposed Eaton Wash Park, island median removal and the installation of a traffic signal on Foothill

Boulevard, professional consultant services, traffic, environmental mitigation, and a contingency reserve account.

PISC will contribute the sum of \$350,000 towards the project. This includes \$160,000 in costs associated with the termination of its current lease and the restoration of the Ballroom to its pre-existing condition. The obligation to pay the \$350,000 to the City will be evidenced by a promissory note and loan agreement. PISC will be responsible for this note including interest assessed at 5.5% per annum.

ARCHITECT SELECTION PROCESS

In December 2004, the City circulated a Request for Proposal (RFP) to select an architect for the design and construction of this project. Given the budget and schedule constraints, the RFP required the proposers to demonstrate experience in the design and construction of a minimum of one Ice Rink Facility with comparable amenities, completed on time and budget within the last ten years. In addition, the City had other selection criteria as noted in attachment "A." Thirty-two firms obtained the RFP with the City receiving seven proposals. The seven proposals were reviewed by representatives of the Pasadena Ice Skating Center, Public Works, and Planning and Development. This group determined that three firms met all the qualification criteria set out in the RFP and the firms were scheduled for interviews.

The three firms were interviewed by a panel composed of Department of Public Works staff, Department of Planning and Development staff, and a representative from an outside project management firm. Based upon the interviews and evaluation criteria set forth in the RFP and summarized in attachment "A," The Albert Group was awarded the highest score and recommended for selection on the Ice Rink project.

While The Albert Group was the only proposal which was not from a local company, staff reviewed all the design contractors included in the three teams. The Albert Group has two local firms that will perform all the engineering design service for the facility, and it is expected that 60% of the dollar value of the work will be completed by locally based contractors.

PBWS, a local firm, has one local subcontractor and it is expected that 52% of the dollar value of the work will be completed by locally based contractors.

Tolkin Associates, a local firm, does not have any additional local subcontractor and it is expected that 46% of the dollar value of the work will be completed by locally based contractors.

A list of all contractors from each team and their address is shown in Attachment "B."

The Albert Group's quality of Ice Rink design experience as a single-source lead consultant (architect) in the Southern California market is the most relevant to the Pasadena Ice Rink Facility project from a complexity, comparable project scope, innovative design, energy efficiency, budget, schedule constraint, and accountability standpoint. The Valencia Ice Station project, which was designed by The Albert Group, was awarded an AIA design award and an award for energy efficiency in 2001. The Valencia facility is similar to the proposed Pasadena Ice Rink Facility in that its primary function is for recreational use; it has an NHL-size rink, Pro Shop, eating area, as well as complete lockers and showers in an innovatively designed, energy efficient building. The Albert Group and TMAD Engineers have demonstrated knowledge of a quantifiable, sustainable building practices approach, which may be applied to the Pasadena Ice Rink facility project. Additionally, they have proposed an Ice System specialist as part of the team to address unique technical issues associated with ice surfaces and related equipment which includes, but is not limited to, energy-efficient "best practices" and its impact on operational cost of public Ice Rinks. In reviewing references for these firms, the owners of the Valencia Ice Station have advised City staff that their project was completed within the established schedule and budget and enjoys a profitable status.

The breakdown of the contract amount is as follows:

| | |
|----------------------------------|------------------|
| Architectural – Engineering Fees | \$627,500 |
| Contingency | \$ 62,750 |
| Total | \$690,250 |


Based on a work commencement date of June 2005, it is anticipated that the design, plan check and bidding work will be completed by June 2006. Estimated construction completion date is August 2007.

FISCAL IMPACT

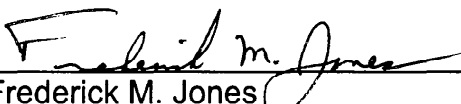
It is expected that the City will fund the construction and related costs associated with the ice rink, estimated at \$12,000,000. The attached cash flow pro forma (Exhibit D) suggests that except for the first year of operation the net operating income from the facility will be adequate to pay the debt service on this obligation. It is estimated that the project will have an approximate \$62,000 deficit in the first year. This deficit can be covered from a portion of the PCOC commitment to the project not spent on predevelopment and relocation costs.

PISC will manage the ice rink on behalf of the City for a fee of \$100,000 per year (with annual CPI increases). Of this amount, PISC will return \$40,000 per year to satisfy its promissory note. In addition PISC will be eligible to receive a bonus up to 20% if revenues exceed projections by more than 10% of the project revenue. The City will have the ability to terminate the agreement should PISC not manage the structure per the performance standards or not meet the financial projections. All net income will be revenue to the City.

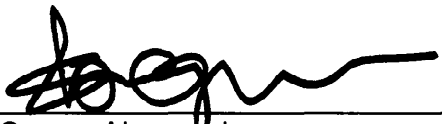
Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

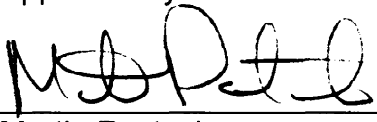
Prepared by:


Frederick M. Jones
Senior Project Manager

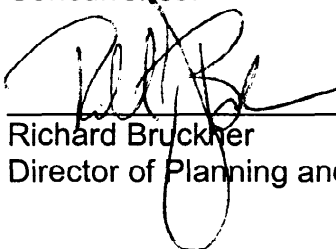
and


Segun Abegunrin
Acting Capital Projects Administrator

Approved by:


Martin Pastucha
Director of Public Works

Concurrence:


Richard Bruckner
Director of Planning and Development