

ATTACHMENT E

Analysis of Requested Entitlements

The proposed project requires several land use entitlements. Each entitlement has specific Findings of Fact that are required for approval by the City Council.

ADJUSTMENT PERMIT:

An Adjustment Permit (AP) is a land use entitlement (similar in concept to a Variance) that may adjust or modify development standards of the Zoning Code. The AP is intended to provide flexibility for a project in which unique site conditions exist that can create constraints to development of a new project. This project requests four adjustments.

1) Adjustment Permit to Exceed Height

The proposed building ranges from a maximum height of 75 feet at the northern end of the site, adjacent to E. Colorado Boulevard, to its lowest height of 22 feet at the southern, interior portion of the site. Overall, the building has a foot print of 175 feet wide by 335 feet in length. The building incorporates several step-backs on the upper floors, and gradually steps down in height from north to south.

The building would exceed the maximum allowable building height in two areas. First, the fourth and fifth floors would exceed the 50 foot height limit by 25 feet in the middle portion of the site. This portion of the building is at a proposed building height of 75 feet for a total of length of approximately 110'. Second, the third floor would exceed the 35 foot height limit by 9 feet in the rear portion of the site. This portion of the building is at a proposed building height of 44 feet, for a total length of approximately 20 feet.

The site is unique in that it is divided by three different height districts: northern portion—75 feet; middle portion—50 feet; and southern portion—35 feet. The various height districts create substantial challenges in developing an office building. The developer contends that a more uniform height to the building is desirable because it allows larger and more open floor plates which are suitable for an office use. The staff generally agrees that achieving a fairly uniform building height is helpful when designing the building interiors and meeting the operational objectives of a commercial project. It appears that that substantial variation in the modulation in the massing of the building can be incorporated to achieve a visually interesting building that can be compatible with other larger developments in the vicinity. Therefore, staff recommends approval of the Adjustment for Height with the Findings in Attachment C and the Conditions in Attachment D.

2) Adjustment Permit to Exceed Floor Area Ratio (FAR) in Zoning Districts

The project proposes to average the floor area of the buildings between the two different FAR districts (3.0 and 2.0, respectively) on the site instead of meeting the individual FAR requirement in each separate FAR district. For the subject

site, the total allowable floor area in the 3.0 FAR district is equivalent to the site area (29,881.25 square feet) x 3.0 FAR for a total of 89,644 square feet. The total allowable floor area in the 2.0 FAR district is equivalent to the site area (27,827.5 square feet) x 2.0 FAR for a total of 55,655 square feet. Therefore, the total floor area allowable on the site is 145,299 square feet. The total proposed building floor area is 145,299 square feet; however, the total amount of floor area in the 3.0 FAR district exceeds the maximum allowable FAR district by 586 square feet, and is 586 square feet below the maximum allowable floor area in the 2.0 FAR district. Therefore, the proposed FAR in the 3.0 district is actually 3.02, and the proposed FAR in the 2.0 district is actually 1.98.

Further, the project proposes a 10 percent FAR increase (equivalent to 14,530 square feet), which results in a total of 159,829 square feet of floor area for the entire project. This 10 percent increase in floor area would be evenly divided between the two Zoning districts, which is equivalent to an additional 7,265 square feet in each FAR district. The proposed 10 percent FAR increase requires an additional discretionary approval which is analyzed separately in the discussion below.

The Adjustment for FAR, especially when combined with Adjustment for height, allows for flexibility in the location of floor area on the site. This flexibility allows the project to provide a public-use pedestrian paseo that links the subject building to the Arcade building, an established pedestrian retail and dining destination with historic architectural features. It also provides a substantial 1,600 square foot plaza on S. El Molino Ave. The Adjustment also allows for flexibility in building masses that create greater variation among the modules with step backs on the upper floors, which subsequently help to achieve balance among vertical and horizontal architectural features of the building. Therefore staff recommends approval of the Adjustment Permit and Floor Area Ratio Increase of 10 percent.

3) Adjustment Permit to not Construct the Building to the Property Lines on E. Colorado Bl. and S. El Molino Ave.

The site is required to comply with the development standards for the Central District, Sub-area 5 as specified in the Zoning Code. The Zoning Code requires that new non-residential buildings on the subject site are built to the property lines (a zero-foot setback) on E. Colorado Bl. and S. El Molino Ave., respectively. The majority of the building would not be built to the property line. Specifically, the building would be set back in six locations: 1) the corner at E. Colorado Bl. and S. El Molino Ave; 2) the northernmost building module adjacent to S. El Molino Ave.; 3) a courtyard facing S. El Molino Ave.; 4) the middle building module facing S. El Molino Ave.; 5) a pedestrian paseo facing S. El Molino Ave.; and a planter area facing S. El Molino Ave., adjacent to the driveway leading to the loading spaces. These building setbacks range from five to 25 feet. The pedestrian paseo extends east-west through the width of the property.

The applicant is requesting these setbacks in order to provide publicly accessible outdoor spaces, and to provide a wider sidewalk area to accommodate pedestrians for special events (Playhouse events, arts events, etc.). The slightly clipped street corner and the angled building setback would provide a greater view from E. Colorado Bl. to the paseo and potentially draw pedestrians to the newly established retail strip that would connect to the Arcade Lane building. Also, the angled wall plane is an architectural feature that could enhance the visual interest of the elevation at the ground level. For these reasons, the staff recommends approval of the Adjustment for Setbacks.

4) Adjustment Permit for Reduction in Loading Spaces

The Zoning Code requires on-site loading spaces for new projects based on floor area and land use classification. The building would include a total 159,829 square feet of floor area; specifically 145,422 square feet of office and 14,407 square feet of retail. Based on this proposal a total of six loading spaces are required for the project.

The project proposes a total of two loading spaces on the ground floor that would have vehicular access from a driveway on S. El Molino Ave. Because the project proposes four fewer loading spaces than are required by the Zoning Code, an Adjustment to the loading requirement is requested.

The applicant asserts that the provision of six loading spaces on the site, especially if they were located the ground floor, would consume extensive floor area that would reduce the outdoor public. The applicant believes that the location of the ground floor loading spaces would more likely to be used by delivery trucks rather than subterranean loading spaces because of their easy access.

The applicant conducted a survey of commercial buildings in the vicinity to illustrate the number of loading spaces that are typically provided by office uses

in the vicinity and for other commercial developments in different jurisdictions (see Section IV-B of the applicant submittals booklet). The survey includes a total of nine predominantly office use projects ranging from 123,000 square feet to 287,000 square feet. Based on the surveyed properties, the average number of loading spaces is generally one loading space for every 100,000 square feet of office use. Based on this data, the applicant recommends that the proposed two loading spaces for the project of 159,829 square feet are adequate to serve the loading demands of the project.

The proposed office and retail uses receive the majority of deliveries in small trucks or vans with short delivery periods. The uses typically do not generate trips by large delivery trucks that will be parked in the loading bays for long periods of time, except when moving activities occur. It is anticipated that usually at least one loading space will be unoccupied. Also, the Central District Specific Plan discourages driveways with vehicular access from Colorado Bl. This results in the placement of all driveways for garage loading to be located on S. El Molino Ave., thereby limiting the site plan to accommodate loading in other locations. With these considerations, staff recommends approval of the Adjustment Permit for loading.

Conditional Use Permit for New Non-Residential Project over 25,000 Square Feet

A Conditional Use Permit (CUP) is required for new non-residential projects that exceed 25,000 square feet. The proposed project includes a total of 159,829 square feet of floor area and a six-level subterranean parking garage 532 parking spaces.

In order to approve the requested CUP, the City Council is required to make six specific Findings of Fact in accordance with the Zoning Code. These findings concern the project's compliance with the goals and policies of the General Plan and Central District Specific plan, its compatibility with the existing development in the vicinity, and its potential affect on the health, general welfare, and public safety of persons residing and working in the neighborhood.

The project is compatible with existing and future land uses, aesthetic values, character, scale, and view protection in the vicinity. The existing neighborhood is developed with a mix of commercial, residential, and institutional land uses. The existing neighborhood includes buildings of different heights, construction types, vintages, and architectural character. The general design, site plan, pedestrian orientation to the streets and sidewalks, and the public-use paseo are in character with other development in the vicinity. The design characteristics of the project will be reviewed in the Design Review process to ensure compliance with the applicable design guidelines. The mitigations proposed based on the conclusion in the EIR will reduced all potential environmental impacts to less than significant, except for two street segment impacts that would be created by a

substantial new commercial development at the subject location. Therefore, staff recommends approval of the Conditional Use Permit.

Minor Conditional Use Permit for Transit-Oriented Development

A Minor Conditional Use Permit (MCUP) is required for a new project that exceeds 15,000 square feet in the Central District Transit-Oriented area. Such developments are considered Transit-Oriented Developments (TODs). The development standards of the TOD provide for a mixture of commercial, high-density residential, mixed-use, public, and semi-public uses in close proximity to light rail stations, encouraging transit usage in conjunction with a safe and pleasant pedestrian-oriented environment. These standards emphasize intensification of development and reduced reliance on motor vehicles.

In order for the City Council to approve the MCUP for TOD, the Council is required to make three findings related to TOD use, and also the six standard findings for the CUP (as discussed above). The findings unique to the TOD use include that the project: 1) consists of a use, or mix of uses, that encourage transit use and is oriented toward the transit user; 2) is designed to enhance pedestrian access and/or other non-motor vehicle modes of transportation to public transit; and 3) encourages pedestrian activity and/or other non-motor vehicle modes of transportation and reduces dependency on motor vehicles.

The project includes ground floor retail uses that are oriented toward E. Colorado Boulevard and S. El Molino Avenue. The project has been designed to comply with the reduced number of on-site parking stalls in compliance with the Transit-Oriented Development standards of the Zoning Code. The project includes bicycle parking for employees and visitors. The project site is accessible by users of the Gold Line. In addition to the required TOD findings, the project complies with several transit and pedestrian-oriented policies, goals, and objectives of the General Plan and the Central District Specific Plan (see Attachment D). It will also meet the Trip Reduction requirements. Therefore, staff recommends approval of the Minor Conditional Use Permit.

Minor Conditional Use Permit for Commercial Parking

A Minor Conditional Use Permit (MCUP) is required to establish a Commercial Parking use in the CD-5/AD-2 zoning district. In order to approve the requested MCUP, the City Council is required to make six specific Findings of Fact (as referenced in the CUP discussion above) in accordance with the Zoning Code. These findings concern the project's compliance with the goals and policies of the General Plan and Central District Specific plan, its compatibility with the existing development in the vicinity, and its potential affect on the health, general welfare, and public safety of persons residing and working in the neighborhood.

The CD-5/AD-2 zoning district allows for a variety of land uses in the Central District. The off-street parking facility is a commercial use that is consistent with the variety of existing land uses in the vicinity. The provision of 155 commercial

parking spaces for public use is in response to the high demand for public parking in the Playhouse District and also for evening and weekend parking. As shown in the Meyer, Mohaddes Associates Playhouse Parking Study (adopted by the City Council in December 2005) concluded that the core of the District has a shortage of 300 public parking spaces. In the study, the subject site was identified as a potential location for additional public parking as part of private/public venture in the District. The general design, site plan, pedestrian orientation of the building to the streets and sidewalks, and the public-use paseo are in character with other development in the vicinity. The staff recommends conditions that limit the commercial parking for public use and requires the installation of signage identifying for easy identification and public access. Therefore, staff recommends approval of the Minor Conditional Use Permit.

Floor Area Ratio Increase of Ten Percent

Section 17.30.050 of the Zoning Code allows a new development in the Central District to exceed the maximum Floor Area Ratio (FAR) by up to 10 percent. This is allowed provided that the additional floor area is necessary to achieve an economically feasible development and meets the following circumstances. The intent is to allow sufficient flexibility and facilitate development where unique factors are involved. These unique factors these may include: unusual parcel size and configuration; project that facilitates the preservation of a historic structure, or sets aside publicly accessible outdoor space; and/or a project eligible for a density bonus as provided by State law.

Approval of a floor area increase in compliance with this Subsection shall require compliance with several findings. These findings require that the additional floor area: allows development that would otherwise be economically infeasible; is not be injurious to adjacent properties or uses, environmental quality, or health and public welfare; will promote superior design solutions and allow for public amenities that enhance the property and its surroundings; and it is consistent with the objectives and policies of the Central District Specific Plan and the General Plan.

The project site includes three different height districts and two different floor area districts. These factors are unique in that most properties in the subject zoning district have a single FAR district and a single height district. Allowing for flexibility in the development standards results in a more comprehensive development that provide greater building setbacks and step-backs to reduce the appearance of building mass; provide a public-use pedestrian paseo that links the subject building to the Arcade building, an established pedestrian retail and dining destination with historic architectural features; and provide commercial off-street parking for public use. The economic infeasibility of the project without the FAR increase of ten percent is documented by the Keyser Marston financial analysis dated September 23, 2009.

The design characteristics of the project will be reviewed in the Design Review process to ensure compliance with the applicable design guidelines. The mitigations proposed based on the conclusion in the EIR will reduce all potential environmental impacts to less than significant, except for two street segment impacts that would be created by a substantial commercial development at the subject location. Therefore, staff recommends approval of the Floor Area Ratio Increase of Ten Percent.

Private Tree Removal Permit

The project site includes a total of 17 trees on the private property. The project proposes to remove all of the trees on the site. One of these trees is a protected specimen *Ethrythrina caffra* (Coral tree) under the City's Tree Protection Ordinance (TPO, P.M.C. 8.52), and therefore it requires a Private Tree Removal Permit for removal. Photographs of the tree are shown in Section VI of the application booklet.

The TPO allows for removal of a protected tree if the proposal meets at least one of six required findings. A tree report was prepared by Charles Elliot, Landscape Architect (Registration No. CA4502). In review of the report, it appears that that the application complies with three findings:

1) There is an objective feature of the tree that makes the tree not suitable for protection. The tree is heavily scarred in several areas due to substantial pruning that has occurred due to structural failure of the tree. The large scars are not only detrimental to the health of the tree, but are unsightly and have diminished the ornamental quality of the tree.

2) The present condition of the tree is not likely to survive. The tree has naturally weak structure at its base, and that this condition is likely to worsen over the coming years as the overhanging lateral branches continue to grow and gain girth. Additionally, there are several girdling roots evident above ground. This could explain certain areas of die back already present in the tree, which will likely worsen over time as these roots continue to grow and choke off the root structure. The tree is heavily scarred in several areas. These weak spots on the tree are vulnerable areas for insects and disease to enter the tree, causing eventual deformation, or decline and failure of the tree. The tree is a likely candidate for wind storm damage as it continues to grow laterally. This tree will likely continue to be deformed by die back, limb breakage and an eventual split at the base.

3) There would be a substantial hardship to the private property owner in the enjoyment and use of real property if the injury or removal is not permitted. The tree is located in the interior of the subject property. The extensive excavation for the below grade public and private parking structure will require the removal of all trees. To not allow the project to construct the underground parking garage in order to retain the tree would be substantial hardship to the use of the real

property because it could not accommodate a reasonable development that is typical of other commercial and mixed-use developments in the vicinity.

The proposed preliminary landscape plan for the new project includes several trees and other landscaping in the proposed courtyard and pedestrian paseo that will have aesthetic benefits. The final landscape plan will be reviewed by the Design Commission to ensure that it will compliment the proposed building and enhance visual character of the property and streetscape. Therefore, staff recommends approval of the Private Tree Removal Permit.

ATTACHMENT F
**Compliance of the Project with the Central District Specific Plan and the
General Plan**

There are broad areas of compliance that are applicable to the project, which are summarized immediately below. The project complies with specific Policies, Objectives, and Guidelines of the Central District Specific Plan and the General Plan, respectively, which are listed after the summary.

Economic Development

The Central District (CD) has been targeted for growth with development of projects with substantial floor area and/or density that are compatible downtown character of the area. The subject project is a comprehensive commercial development with a combination of retail and office uses and a subterranean commercial parking garage with several economic development benefits. The substantial office development will create approximately 765 jobs. The employees in the development will use the services (retail, restaurant, etc.) in the vicinity and strengthen the business activity in the vicinity. The retail uses will draw additional customers to the Playhouse District and enhance and reinforce the pedestrian retail character of Colorado Bl. and El Molino Ave. The commercial parking garage will provide public parking spaces for retail customers and patrons of the Playhouse. The new building construction and associated uses will create commercial vitality on a prominent corner site that is currently underutilized. The new construction will provide a substantial tax increment to the City.

Transit-Oriented Development

The project is located in a Transit-Oriented Development (TOD) area in which employees and visitors to the new building can utilize mass transit modes (MTA Gold Line, ARTs bus service, MTA bus service) to access the site. City plans target the Central District for substantial new building floor area to take advantage of mass transit. In addition, the project provides on-site bicycle storage facilities for cyclists.

Site Planning, Pedestrian Orientation, Design

The project includes a public-use pedestrian paseo that links the subject building to the Arcade building, an established pedestrian retail and dining destination with historic architectural features. The building incorporates an increased ground floor setback on S. El Molino Avenue allows for a greater sidewalk width on the existing narrow street, additional open space for public use, and greater distance between the subject building and existing commercial development on the west side of the street. In addition, the setback allows for greater separation between the new development and the historic Pasadena Playhouse. The upper story step-backs create greater variation among the modules with step backs on the upper floors, which subsequently help to achieve balance among vertical and horizontal architectural features of the building. The ground floor retail uses and

storefronts strengthen the continuity of the retail character on Colorado Bl. and El Molino Ave.

Specific Policies, Goals, Objectives, Guidelines:

General Plan Policies:

1.1 and 10.1 – Targeted Development Areas: Geographical areas have been identified where the bulk of future economic development is to occur.

1.2 – Specific Plans: For identified target development areas, a principal implementation tool, utilize Specific Plans containing development standards, distribution of land uses, infrastructure requirements and implementation measures.

1.3 and 10.2 - Transit-Oriented and Pedestrian-Oriented Development: Within targeted development areas, cluster development near light rail stations and along major transportation corridors thereby creating transit-oriented development “nodes” and encouraging pedestrian access.

5.7 – Enhanced Environment: Development should be shaped to improve the environment for the public; it should support the distinctiveness of the locality and region as well as the special characteristics of the existing fabric of the site’s immediate surroundings.

5.10 – Spatial Attributes: Promote development that creates and enhances positive spatial attributes of major public streets, open spaces, cityscape and mountain sight lines and important “gateways” into the City.

10.3 - Business Expansion and Growth.

10.0 – Healthy Business Community.

10.10 - Regional Center.

11.2 - Employment Diversity.

11.7 – Increase jobs.

12.1 - Encourage Retail Tax.

Central District Specific Plan Objectives:

11 – Provide economic opportunity.

12 – Diversify downtown economy.

13 – Encourage business retention.

14 – Promote job growth.

15 – Maintain fiscal health.

24 – Manage parking facilities.

Central District Specific Plan Public Realm Design Guidelines:

CC 1.1: Reinforce the spatial definition and social vitality of streets and important public space through compact development patterns.

CC 1.2: Provide sufficient building height and mass to spatially define public streets and civic spaces; establish a strong relationship between buildings and streets.

CC 1.3: Encourage infill development and retention of buildings that define the street and contribute to an urban identity.

CC 2.2: Orient building entrances toward public space, and encourage adjacent ground floor uses that animate and enliven the space.

CC 2.5: Create strong physical connections between public space and neighboring development.

CC 3.1: Regard sidewalks and paths as unifying elements throughout Downtown; design and locate pathways and walks to promote physical continuity and connection.

CC 3.2: Promote new development that extends existing circulation patterns and connects important centers of activity.

CC 6.1: Emphasize infill development of vacant or underdeveloped land, specially projects that will promote a distinctive urban character.

CC 6.2: Support infill development that visually unifies the street; respect the street-oriented development patterns of existing buildings.

SP 1.1: Provide for the functional and visual integration of building, services, vehicular access and parking, and “outdoor rooms” such as plazas, fore-courts, interior courtyards, and passages.

SP. 2.1: Locate and orient buildings to positively define public streets and civic spaces, such as public plazas; maintain a continuous building street wall and in general limit spatial gaps to those necessary to accommodate vehicular and pedestrian access.

SP 3.7: Link adjoining outdoor spaces with comfortable paths and walks to create a network of spaces.

SP 6.1: Encourage subterranean and structured parking.

Central District Specific Plan - Pasadena Playhouse Sub-district Design Guidelines:

G1: Build intensity along Colorado Boulevard.

G2: Reduce parking's visual appearance.

G3: Introduce courtyards and passages.

Sub-district Concept: Pasadena Playhouse (Section 7 of Central District Specific Plan):

Mixed-use development: A mixture of land uses, including urban housing, vertical mixed-use development projects and non-traditional housing types (i.e., work-live and loft style housing) will encourage full-time vitality that is in keeping with the culture and arts orientation of the area. Dwelling, working, commerce and recreation are all activities that should take place within the Sub-district.

Pasadena's Main Street: The physical orientation, massing and form of buildings along Colorado Boulevard should also communicate the unique cultural and arts identity of this particular area. An important measure will be to improve retail continuity along the street, as well as introduce new upper story residential and office development in support of retail activity; residential uses are not permitted on the ground floor along Colorado Boulevard.

Improve sidewalk connections with Colorado Boulevard; connecting side streets that will draw pedestrians from residential areas located to the north and south, including El Molino Avenue. Streetscape enhancements and infill development that will make the Sub-district's streets more appealing and close gaps in the street wall are recommended.

ATTACHMENT G

Summary of Final Environmental Impact Report

The Final Environmental Impact Report (FEIR) has been prepared in accordance with the policies and procedures of the California Environmental Quality Act. The FEIR incorporates information from the Draft EIR (circulated from October 16, 2008, through December 10, 2008), the Revised Draft EIR (circulated from April 10, 2009 through May 25, 2009), clarifications that were made in response to both written and oral comments received during either of the public review periods (see Section 8.0 Addenda Errata/Comments and Responses), as well as some updates to setting information. To assist the reader in identifying changes, the FEIR includes all of the Draft EIR sections with new information is shown in underline format and deleted information is shown in ~~strikethrough format~~ throughout this document.

Areas of Public Concern

Two scoping meetings were held for this project, the first of which occurred on July 18, 2007 and the second of which occurred at a Planning Commission meeting on September 26, 2007. Issues of public concern included design considerations, historic preservation and traffic. Areas of concern with respect to public agencies included the following:

- 1) Solid waste generation and recycling pursuant to the County of Los Angeles Public Works Department.
- 2) Air Quality analysis and identification of impacts from both construction and operation pursuant to the concerns of the South Coast Air Quality Management District.
- 3) Impacts as a result of wastewater generation and flow to the Sewerage System pursuant to the concerns of the County Sanitation Districts of Los Angeles County.
- 4) Cultural resources impacts and mitigation measures pursuant to the concerns of the Native American Heritage Commission.
- 5) Traffic impacts and mitigation measures pursuant to the concerns of Caltrans.

Concerns with respect to solid waste, wastewater and cultural resources were addressed in the initial study that was prepared for the project. Concerns regarding air quality and traffic were addressed within the body of the EIR. In addition, general areas of public concern throughout California include the topics of water and global climate change, both of which have been added to the EIR.

Alternatives

Five alternatives to the proposed project were selected for consideration, as described below:

Alternative 1 - No Project. This alternative assumes that the proposed project would not be developed and that the two-story commercial retail building would not be demolished. Thus the existing building would be preserved along with the 36 surface parking spaces and 28 trees. In addition, the visual character of the Playhouse District would remain in its current state.

Alternative 2 –Off-Site Parking Alternative. This alternative explores providing a portion of the proposed parking at two alternative locations. The two distinct off-site locations are both within one block of the project site and would divert a portion of the project generated traffic off of El Molino Avenue between Colorado Boulevard and Playhouse Alley, where a significant street segment impacts occurs.

Alternative 3 – Dual Access. This alternative explores the provision of split access from both Green Street and El Molino Avenue as a method of diverting a portion of the project generated traffic off of El Molino Avenue between Colorado Boulevard and Playhouse Alley where a significant street segment impacts occurs.

Alternative 4 – 100 percent Floor Area Ratio (FAR). This alternative explores project impacts without the requested 10 percent FAR increase pursuant to Section 17.30.050(C) of the Zoning Code, which contains provisions that allow a request to exceed the FAR by 10 percent within the Central District Specific Plan area.

Alternative 5 – 80 percent Reduced Project. This alternative would involve reducing the overall square footage of the development from 159,971 to 31,471 square feet as an office use and is the only alternative that would eliminate the significant and unavoidable street impacts on the segments of El Molino Avenue between Colorado Boulevard and Playhouse Alley and between Union Street and Colorado Boulevard.

Alternative 6 – Height Averaging Alternative. This alternative maintains the same square footage and uses of the proposed project (145,564 square feet of office use plus 14,407 square of retail use) but changes the massing of the project to include six stories adjacent E. Colorado Bl. The height averaging alternative shifts the project massing such that the building steps down as it transitions from north to south. Under this alternative, 30 percent of the proposed fifth floor area would be relocated to create a sixth floor on the northern most portion of the property, adjacent Colorado Boulevard. The maximum building height would be 88 feet at the top of the sixth floor, 76 feet at the top of the fifth floor, 63 feet at the top of the fourth floor, 50 feet at the top of the third floor, 35 feet at top of the second floor, and about 25 feet at the top of the parking garage canopy. This alternative would require approval by the Design Commission, and it would have all of the same impacts as the proposed project.

Alternative 5 is environmentally superior overall since it would eliminate the Class I unavoidably significant impacts to El Molino Avenue between Colorado Boulevard and Playhouse Alley and between Union Street and Colorado Boulevard. None of the other alternatives, including the No-Project Alternative, would reduce the impact to these de-emphasized street segments for which physical mitigation measures are not allowed. However, this alternative would not provide an economically viable project for the applicant and would not meet the objective of providing a viable commercial project within the Playhouse District.

Summary of Impacts and Mitigation Measures

Table ES-1 lists the environmental impacts of the proposed project, proposed mitigation measures, and residual impacts. Impacts are categorized by classes. Class I impacts are defined as significant, unavoidable adverse impacts, which require a Statement of Overriding Considerations pursuant to Section 15093 of the CEQA Guidelines if the project is approved. Class II impacts are significant adverse impacts that can be feasibly mitigated to less than significant levels and which require findings to be made under Section 15091 of the CEQA Guidelines. Class III impacts are adverse, but less than adopted significance thresholds. Class IV impacts are beneficial.

Unavoidable Adverse Class I Impacts on Traffic/Transportation

The FEIR found that traffic impacts on eight of ten studied street segments were found to be less than significant. Two street segments were found to have unavoidably significant impacts because their respective Average Daily Traffic (ADT) volume increases: 1) N. El Molino Ave. between Union St. and Colorado Bl. would have a 6.5 percent ADT increase; and 2) S. El Molino Ave. between Colorado Bl. and Playhouse Alley, with an increase in ADT volume of 10.4 percent.

The table below shows the City’s ADT thresholds for new projects and the required review procedures and mitigations:

ADT* Growth on Street Segment	Required Traffic Mitigations
0.0 - 2.4% ADT Growth	-Staff Review and Conditions.
2.5% - 4.9% ADT Growth	-Initial Study is required if existing count is greater than 2,000 VPD. -Soft mitigation required.
5.0% - 7.4 % ADT Growth	-Initial Study Required. -Soft Mitigation Required. -Physical Mitigation May Be Required.
7.5% + ADT Growth	-Initial Study Required. -Soft Mitigation Required. -Extensive Physical Mitigation May Be Required. -Project Alternatives May Be Considered.

Although mitigation measures are proposed they will not reduce the ADT to a level that is less than significant. Further, El Molino Avenue is defined as a “de-emphasized” street by the City, and therefore it is not encouraged to be altered in order to increase its traffic capacity. Even if physical street improvements (e.g., street widening) could potentially reduce some traffic impacts, implementation of physical improvements would be contrary to City transportation policy. In order for a proposed new development at the subject site to not result in any significant traffic impacts, it could not exceed approximately 31,000 square feet of office uses, which is 80 percent smaller than the proposed project. Therefore, in order for the proposed project to be approved, the City Council would be required to adopt a Statement of Overriding Considerations for the project.

Other transportation and traffic impacts would be mitigated by many measures and conditions, including compliance with the Trip Reduction requirements and fee contributions to important programs and improvements managed by the Department of Transportation

Other Impacts that Can be Mitigated to Less than Significant Levels

Aesthetics – The project would result in a substantial change from the existing two-story commercial building and surface parking lot on the subject site. The project was evaluated for its impacts on Aesthetics and Cultural Resources. The project site is adjacent to the Playhouse National Register District which includes the Pasadena Playhouse and smaller historic buildings located across the street on E. El Molino Ave. It is also adjacent to the Arcade Land building, which is not a designated landmark but it has character-defining historic features. Further, the project as proposed includes a five story building at a prominent street corner on the City’s primary commercial street in the Central District.

The FEIR concludes that the impacts on aesthetics and the surrounding historic structures is less than significant because the project is required to be reviewed by the Design Commission (which also assumes the role of the Historic Preservation Commission in the Central District) in the City’s design review process. This is consistent with the policies and procedures of the Municipal Code, specifically the Zoning Code. Also, this procedure is consistent with other review of other major residential, mixed-use, and commercial projects that have been developed in the Central District.

Air Quality – Air pollutants would be generated during construction and from the operation (vehicle trips, building operations) of the project. Mitigation measures include the use of lower-pollutant construction materials, requirements to reduce dust, and compliance with Southern California Air Quality Management District (SCAQMD) standards.

Noise & Vibration – Project construction would increase noise levels and operations would create noise in the vicinity. Construction methods shall not exceed acceptable noise levels and construction materials (windows, ventilation equipment, etc.) shall be used to minimize noise exposure to persons working in the building and noise created by the building to persons in the vicinity.

Geology and Soils – All new projects are required to show that a subject site is safe for construction. Also, particulate emissions resulting from soil excavation and transportation will occur on the site. The project is required to meet local and State construction standards and geological evaluation requirements prior to construction. Particulate emission will be reduced during soil excavation with coverings, water spray, and specific transport methods.

Water Service - All new projects are required to employ strategies that in the aggregate use 20 percent less water than the water baseline calculated for the building with the use of water efficient appliances and sanitary equipment. The proposed project is estimated to require a net increase of 14,680 gallons of water per day on the site. Prior to issuance of a Certificate of Occupancy for the project, the project shall show methods to reduce the water usage by a minimum of 20 percent to not 11,744 gallons of water use per day.

Also, as a condition of approval, the project shall comply with all regulations associated with the Level 1 Water Shortage declared by the City Council on July 15, 2009.

Cultural Resources – If archaeological or paleontological resources are encountered during construction, all construction activities in the vicinity of the find shall cease until a certified archeological professional evaluates the find and recommends a course of action.



KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Richard Bruckner
Director of Planning and Development
City of Pasadena

From: James Rabe

cc: John Steinmeyer
City of Pasadena

Date: September 30, 2009

Subject: Update - Proposed F.A.R. Bonus,
El Molino and Colorado Office Building

In August 2008, Keyser Marston Associates, Inc. (KMA) reviewed the request by the applicants for a density bonus for a 5-story office building to be developed at the southeast corner of El Molino and Colorado. Specifically, the applicants requested the bonus in part due to their conclusion that the additional building area is necessary for the project to be economically viable. At that time, KMA reviewed a summary development pro forma for two alternatives as described below. Additionally, KMA created a third alternative that examined the baseline density without the requirement to provide 155 public parking spaces.

The City of Pasadena (City) has requested that KMA update its analysis to take into account changed conditions. First, the projects that KMA analyzed were approximately 5,000 to 6,000 square feet smaller than the proposed project. More importantly, the economic recession has led to changes in a number of the underlying assumptions of the KMA analysis. As part of this update, KMA has reviewed construction costs, rents and return requirements for projects of this type. The analysis represents our best estimate of a stabilized market at the time the proposed project might be developed.

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SUMMARY OF CONCLUSIONS

Based upon KMA's review of the alternative projects, the following are our conclusions with respect to project feasibility:

Both the FAR Bonus project and the Baseline FAR project result in returns that are below that typically required in the market today. An aggressive developer acquiring the site is expected to require a 9.25% return on cost to move forward with the project. Both alternatives generate returns that are below 8.0%.

The FAR Bonus project results in returns that are somewhat superior to those of the Baseline FAR project. The investment shortfall associated with the FAR Bonus project is approximately \$200,000 less than for the Baseline FAR project. It should be noted, however, that in both cases the cost reduction required to achieve a 9.25% return (the "feasibility gap") is less than the land cost. As shown below, the surplus for the FAR Bonus project is \$755,000, and the surplus for the Baseline FAR project is \$581,000. This means that both of these projects generate returns that are sufficient to cover the incremental development costs and provide some return to the land investment.

	Proposed Project with FAR Bonus	Baseline FAR Project with Public Parking	Baseline FAR Project without Public Parking
Development Costs	\$72,959,000	\$67,392,000	\$60,259,000
Net Operating Income	\$5,640,000	\$5,158,900	\$5,048,800
Stabilized Return on Cost	7.7%	7.6%	8.4%
Cost Reduction Required to Achieve 9.25% Return on Cost	\$11,986,000	\$12,160,000	\$5,677,000
Land Cost	\$12,741,000	\$12,741,000	\$12,741,000
Project Surplus Excluding Land	\$755,000	\$581,000	\$7,064,000

If the additional 155 "public" transient parking spaces are operated as spaces for the Playhouse District and not merely for the benefit of the project, the inclusion of the "public" spaces represents a burden to the project that is not offset by the increased FAR. As shown above, if the public spaces are eliminated, then the feasibility gap decreases to \$5,677,000. This analysis suggests that the reduction in the project's economics, due to the addition of the 155 spaces is not offset by the FAR increase requested. Put another way, relative to the other two projects, this alternative is the most feasible.

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ANALYSIS

The key attributes of the projects analyzed can be described as follows:

	Base Case No FAR Bonus	Proposed Project with FAR Bonus
Gross Building Area (SF)	145,299	159,829
Office Space (SF)	130,892	145,422
Retail Space (SF)	14,407	14,407
Building Height	75 feet – five stories	75 feet – five stories
Parking Spaces	489	522
Required	334	367
Public	155	155
Subterranean Levels	5.5	6.0
FAR	2.52	2.77

The KMA analyses for the alternatives are provided in Attachments 1, 2 and 3:

Attachment 1 – FAR Bonus Project

Attachment 2 – Baseline FAR Project

Attachment 3 – Baseline FAR – Eliminate Public Parking

The analysis for each project is shown in three tables. The Table 1's present the project's development costs. The Table 2's present the project's net operating income (NOI) and the Table 3's present each project's feasibility.

FAR Bonus Project

The pro forma for the FAR Bonus project is provided in Attachment 1. Table 1A presents a summary cost pro forma for the project as proposed. The pro forma presents the major cost categories for the project. KMA reviewed the unit assumptions utilized by the developer in 2008 and found them to be within the range expected for such a project. As discussed below, KMA has updated costs to reflect changes in the marketplace due to the recession. As noted above, the KMA assumptions assume a new stabilized market.

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Development Costs

Land Acquisition Costs

For this updated analysis, KMA reviewed some recent changes in costs for other proposed projects. The pro forma identifies land acquisition and related costs of \$12,741,000 for the approximately 58,000 square foot parcel. This is approximately \$221.00 per square foot of land or \$193.00 per square foot of existing building area. KMA's previous review concluded that this represented a reasonable estimate of the value of the site with the existing building. For purposes of this analysis, that is still a reasonable assumption.

Direct Costs

In the previous analysis, the direct building costs were estimated at \$266 per square foot of gross building area (GBA). This cost included site work, building shell and parking costs. There has been a general reduction in construction costs since 2008. Based on a few projects that KMA is reviewing, KMA estimates that in a stabilized market, the project might cost \$240 per square foot of GBA. We still expect that tenant improvement costs to be \$40 per square foot of gross leasable area. Total direct costs are estimated at \$44,241,000.

Indirect Costs

For purposes of estimating architecture, engineering and professional fees and taxes, insurance, legal and accounting fees, KMA assumed percentages of direct costs that are typical of projects of this magnitude. The A&E costs are estimated at \$2,323,000 and taxes, insurance, legal, and accounting at \$1,770,000. Based on data provided by the developer, KMA estimated permits and fees at \$18.00 per square foot of building area or \$2,877,000. Marketing and leasing costs are estimated at \$3,096,000. Total indirect costs are estimated at \$10,066,000.

Financing Costs

For purposes of this updated analysis, KMA has continued to use the developer's format for computing financing costs. Financing costs cover the construction and project lease up period. Financing costs during the lease up period are offset by estimated rental and parking income during the lease up period. KMA has continued to assume an interim acquisition and predevelopment note with interest based upon LIBOR and a conventional construction loan drawn down upon commencement of construction. The

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LIBOR loan is still estimated at a 3.5% interest rate, but the construction interest rate has been increased to 8.0%. Total financing costs are estimated at \$5,911,000 after the offset for lease up period income.

Total Development Costs

KMA's estimate of total development costs in this analysis is \$72,959,000, which is \$2,562,000 less than the August 2008 analysis. The difference is primarily due to an expected reduction in direct construction costs.

Net Operating Income

The NOI is projected on Table 2A.

Rental Income

The developer assumed net income per square foot of \$3.11, expressed on a leasable square footage basis for the office and \$3.82 for the retail space, which KMA utilized in the August 2008 analysis. These estimates were reasonable, although they represented rents at the upper end of the current Pasadena market. The developer did not allow for any unreimbursed expenses typically found in such office pro formas, including management and capital reserves. KMA has continued that approach for this analysis.

KMA has reviewed current asking rents for the Lake Avenue corridor and the Colorado Boulevard corridor. KMA estimates that upper end market rents at this location would be \$3.00 per square foot per month for the office space and \$3.50 per square foot per month for the retail space. These rents represent net rents or the rent just for the space. Operating expenses are expected to be an additional \$0.75 to \$1.00 per square foot per month.

Parking Income

The developer has assumed averaged monthly rates of \$90 per space and approximately \$3.00 per day from the transient "public" parking. We have used these estimates and assumed they are net of any operating costs.

Total Net Operating Income

The NOI is estimated to be \$5.6 million.

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Project Feasibility

Table 3A presents the project feasibility. Given the assumption shown on Tables 1A and 2A, the stabilized unleveraged return is estimated at 7.7% for the FAR Increase project. For the 2008 analysis, KMA assumed that an 8.5% return on cost represented a typical minimum feasibility hurdle to attract capital in that market. The 8.5% hurdle rate assumed that the market capitalization rate was approximately 6.5%.

Data from Real Estate Research Corporation (RERC) and Korpacz Company indicate that the capitalization rates for office projects in Los Angeles central business districts and suburban areas are 7.5% and 7.8%, respectively. The Pasadena marketplace is more likely to be considered a central business district rather than a suburban marketplace. Assuming an overall market capitalization rate of 7.5%, the target return on cost hurdle rate for most developer's would likely be 9.5% or 2.0% above the capitalization rate. A more aggressive developer might require only a 1.75% increase over the capitalization rate and therefore might only require a 9.25% return on cost. KMA has utilized this lower rate in this analysis.

Based upon a 9.25% return on cost measure, the project would require nearly \$12 million in cost reductions or an increase in projected income of over \$1.1 million annually to fully cover all development costs. It is important to note that the gap is less than the \$12.7 million land cost or value. An existing land owner might go forward with a project in this case because they can fully cover their incremental costs and earn some return on the existing land investment.

Baseline FAR Alternative

The Baseline FAR Alternative pro formas are provided in Attachment 2. Tables 1B, 2B and 3B present a similar analysis for a project that meets the FAR maximums without a bonus. Total GBA is 145,299 square feet. Information provided by City staff indicates that the parking will be reduced to 489 spaces, and will continue to include 155 "public" spaces.

Total development costs for the smaller building are \$67.9 million and the annual NOI is \$5.16 million. The analysis is similar to that of the larger building, and the conclusion is that a smaller project results in a return of 7.6% on a stabilized basis and the need for cost reduction of \$12.2 million to meet a 9.25% minimum return.

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Eliminate Public Parking

To gauge the impact of the additional 155 parking spaces proposed to serve the Playhouse District, we have prepared an additional pro forma of the project assuming the Baseline FAR that is allowed under the Plan and the 155 additional spaces are not included. The pro formas for this alternative are provided in Attachment 3. Tables 1C, 2C, and 3C present this analysis. We have assumed the average direct costs of \$40,000 per space (being the last spaces, they will be the most costly), and that the resulting smaller garage would not require a 6th level. Income from these spaces is eliminated.

By eliminating the spaces, development costs are reduced to \$60.3 million. Annual NOI reduced to \$5.05 million. The result is a project that achieves an 8.4% return, which requires a cost reduction of \$5.7 million to achieve a target 9.25% return.

Attachments