

# Agenda Report

**DATE:** APRIL 26, 1999

**TO:** CITY COUNCIL

**FROM:** CYNTHIA J. KURTZ, CITY MANAGER

**SUBJECT:** JOURNAL VOUCHER APPROPRIATION OF \$70,304.52 FROM THE CITY'S SECTION 108 GUARANTEED LOAN INTEREST RESERVES FOR CITY OF PASADENA DEPARTMENT OF WATER AND POWER (DWP) HOOKUP CHARGES

**RECOMMENDATION:**

It is recommended that the City Council approve a journal voucher appropriating funds in the amount of \$70,304.52 from the City's Section 108 Guaranteed Loan Interest Reserves for payment of the City's Department of Water and Power (DWP) hookup charges associated with the Renaissance Plaza Shopping Center.

**BACKGROUND:**

On April 18, 1994, the City of Pasadena approved Ordinance 6588 which extended Ordinance 6131 (local development incentives to encourage development in specified areas by waiving and reducing certain fees and taxes) to coincide with the expiration of the Pasadena/Altadena Enterprise Zone ("Enterprise Zone"). This action was to ensure that necessary development incentives would continue to be made available to assist all new construction of, and new additions and modifications to, commercial and industrial structures and buildings, and/or proposed commercial and industrial development projects within Altadena/Pasadena Enterprise Zone.

These incentives were also to provide City financial support for the five redevelopment project areas (Downtown, Fair Oaks, Lincoln, Villa Parke, and Lake/Washington) which are located within the Enterprise Zone. The primary intent being to supplement the proposed actions of the Pasadena Community Development Commission ("Commission") to eliminate blighting conditions and encourage economic development within these project areas as cited in the Commission's adopted Implementation Plan 1995-2000.

More specifically, with respect to the Fair Oaks Avenue Redevelopment Project Area, the City Council in 1990 had approved the Fair Oaks/Orange Grove Master Plan which called for the redevelopment of the existing neighborhood commercial shopping center at the corner of Fair Oaks Avenue and Orange Grove Boulevard. This project, along with

the implementation of the Raymond Grove mixed-use development, comprised the principal focus of the immediate Fair Oaks Avenue redevelopment efforts.

Subsequently, on September 26, 1994, the Commission entered into that certain Disposition, Development and Loan Agreement ("Agreement No. CDC-181) with Pasadena Commercial Development Company for construction of the Renaissance Plaza Shopping Center at the corner of Fair Oaks Avenue and Orange Grove Boulevard.

In the Spring of 1998, with the opening of the Vons Market, construction of the Renaissance Plaza was essentially completed. The Developer and staff are finalizing outstanding matters which consist of common area improvements, lease negotiations, tenant improvements and permanent (take-out) financing. An additional matter of concern is the payment of certain City Department of Water and Power (DWP) hookup charges in the amount of \$70,304.52 for the connections of utilities to the Renaissance Plaza (665 N. Fair Oaks Avenue).

It was the Developer's understanding, based on prior negotiations and discussions with the City/Commission, that pursuant to Ordinance No. 6588 these charges were to be waived. However, upon legal review of this matter it was determined by the City Attorney that Ordinance No. 6588 does not authorize waiver of the DWP hookup charges. These charges, although not included in the original project budget as a payable project cost, must be paid.

Based on the intent of the Disposition, Development and Loan Agreement and Ordinance No. 6588, staff is therefore requesting approval of a journal voucher appropriating \$70,304.52 for payment of the DWP hookup charges from the Section 108 Guaranteed Loan Interest Reserves. More specifically, on March 2, 1994, pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, the City of Pasadena entered into a Contract for Loan Guarantee Assistance in the amount of \$3,725,000 with the U.S. Department of Housing and Urban Development for the acquisition and construction of the Renaissance Plaza (formerly, Fair Grove Shopping Center). Paragraph 15 Special Conditions and Modifications of that Contract required the City to retain an Interest Reserve of approximately \$400,000 for a period of 210 days after the funds were drawdown to ensure the City's ability to amortize the outstanding Section 108 Guaranteed Loan. This period has now elapsed. Additionally, Paragraph 16 Use of Guaranteed Funds for Interest Payment provided that any of the funds not previously drawdown or used for payment of interest may be used to pay costs related to activities approved for assistance with the Section 108 Guaranteed Loan. The DWP hookup charges represent such an eligible cost.

Furthermore, in order to prevent future confusion, the fee resolution will be amended to distinguish between fees and charges. The former being waived under Ordinance No. 6588 and 6131 but the latter not eligible for waiver because "charges" cover direct costs associated with the provision of public services.

**FISCAL IMPACT:**

Payment of the \$70,304.52 from the City's Section 108 Guaranteed Loan Interest Reserves would be a one-time expenditure consistent with the purpose of the loan to assist the economic development of the Fair Oaks Redevelopment Project Area. The Section 108 Loan Interest Reserves will be reduced from \$445,295 to \$374,990.48.

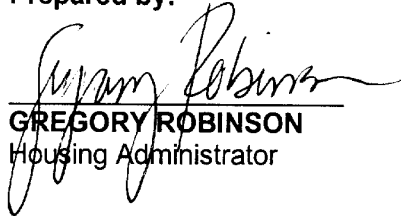
The \$70,304.52 will be credited to the appropriate Department of Water and Power account.

Respectfully submitted,



CYNTHIA J. KURTZ,  
Chief Executive Officer

Prepared by:



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Approved by:



STEPHEN G. HARDING  
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