

# Agenda Report

**DATE:** MARCH 16, 1998

**TO:** CITY COUNCIL/PASADENA COMMUNITY DEVELOPMENT COMMISSION

**FROM:** PHILIP A. HAWKEY, CITY MANAGER/CHIEF EXECUTIVE OFFICER

**SUBJECT:** **JOINT ACTION: PROPOSED EASEMENT ACQUISITION AGREEMENT FOR PROPERTY LOCATED EAST OF THE NORTHEAST CORNER OF COLORADO AND EL MOLINO; REIMBURSEMENT AND REPAYMENT AGREEMENT BETWEEN THE CITY OF PASADENA AND THE PASADENA COMMUNITY DEVELOPMENT COMMISSION FOR PARTIAL FUNDING OF EASEMENT; PARKING ENTITLEMENTS AGREEMENT FOR LAEMMLE THEATRES; AMENDMENT TO COUNTRYWIDE PARKING LEASE WITH THE CITY; RESOLUTION ESTABLISHING SUBFUND FOR PLAYHOUSE DISTRICT PARKING DEVELOPMENT FUND**

## **RECOMMENDATIONS:**

It is recommended that the City Council take the following actions:

1. Approve and authorize the City Manager to execute, and the City Clerk to attest, an Easement Acquisition Agreement (Exhibit No. 1) by and among the City of Pasadena (the "City"), Robert Laemmle, an individual (dba "Laemmle Theatres"), and Vroman's Real Estate Ventures ("Vroman's"), a California corporation, for the purchase of a public easement (the "Easement") on property generally located east of the northeast corner of Colorado Boulevard and El Molino Avenue as more particularly described in this Agenda Report.
2. Approve and authorize the City Manager to execute, and the City Clerk to attest, a Reimbursement and Repayment Agreement and Amendment of Loan Advance and Repayment Agreement No. 15,478-1 by and between the City and the Pasadena Community Development Commission (the "Commission") (Exhibit No. 2) for the purpose of jointly funding a portion of the purchase price of the Easement by the City and the reimbursement by the City to the Commission of prior Commission expenditures for certain improvements to the City-owned Playhouse Lot.

3. Approve a Journal Voucher appropriating \$200,000 from Kaiser Corporation land sale proceeds (deposited into the Capital Charter Fund) to the "Playhouse District Easement" Capital Improvement Program ("CIP") Project account.
4. Approve a Journal Voucher transferring \$75,000 from the "Playhouse District Streetscapes, Walkways and Alleys" CIP Project account to the "Playhouse District Easement" CIP Project account.
5. Adopt a resolution establishing the "Playhouse District Parking Development Subfund" in accordance with Pasadena Municipal Code Section 17.68.025 for the purposes of effectuating contracts in the Playhouse District for parking entitlement ("zoning credit") purposes to meet off-street parking requirements (Exhibit No. 3).
6. Approve and authorize the City Manager to execute, and the City Clerk to attest, a Parking Entitlements Agreement (Exhibit No. 4) by and between the City and Laemmle Theatres, for the purpose of designating parking entitlements at two City-owned parking lots (i.e. the Playhouse Lot and the El Molino/Union Lot as more particularly in this Agenda Report) for the purpose of meeting, in part, the City's off-street parking requirements for the issuance of a building permit and certificate of occupancy for the proposed Laemmle Theatre/Restaurant to be developed at the northeast corner of Colorado Boulevard and El Molino Avenue.
7. Approve and authorize the City Manager to execute, and the City Clerk to attest, an amendment to Lease Agreement No. 15,805 between the City and Countrywide Funding Corporation ("Countrywide") (Exhibit No. 5) to adjust parking hours from 7:00 p.m. to 6:00 p.m. for the use by Countrywide of parking spaces.

It is recommended that the Commission take the following actions:

1. Approve an amendment to the Commission adopted FY '98 Budget for the Downtown Redevelopment Project to recognize and reflect an additional funding source as contained in this Agenda Report.
2. Approve and authorize the Chief Executive Officer to execute, and the Secretary to attest, a Reimbursement and Repayment Agreement and Amendment of Loan Advance and Repayment Agreement No. 15,478-1 by and between the City and the Commission (Exhibit No. 2) for the purpose of jointly funding a portion of the purchase price of the Easement by the City and the reimbursement by the City to the Commission of prior Commission expenditures for certain improvements to the City-owned Playhouse Lot.

## **BACKGROUND:**

As the City Council and the Commission may recall, the City Council and the Commission on March 24, 1997, approved the funding and financing strategy for the purchase of a proposed public walkway easement to be developed for a site generally located near the northeast corner of Colorado Boulevard and El Molino Avenue adjacent on the west to the Vroman's Bookstore and Zeli's Cafe in Vroman's in the Pasadena Playhouse District (the "Playhouse District"). In furtherance of this approved strategy, the City and the Commission adopted Findings of Benefit to the Downtown Redevelopment Project ("Findings of Benefit") for the purpose of providing public improvements in the Playhouse District outside of the Project Area. The adoption of this Findings of Benefit permits redevelopment tax increments and other Commission funds to be utilized to acquire the proposed public easement between the existing Vroman's Bookstore and the proposed Laemmle Theatre/Restaurant. As part of that approval, the City and the Commission directed staff to prepare documents, agreements, and supporting analysis and information for future consideration of the City and the Commission. These include the following:

- (1) An easement acquisition agreement between the City and Vroman's Bookstore;
- (2) A fair market value appraisal of the proposed public walking easement;
- (3) An amendment to existing Lease Agreement No. 15,805 between the City and Countrywide to adjust parking hours from 7 p.m. to 6 p.m. at the El Molino/Union Parking Lot owned by the City for the use by Countrywide of monthly parking spaces;
- (4) A resolution establishing parking development subfund boundaries for the Playhouse District in order to effectuate the provision of off-street parking by means of a parking entitlements contract with the City;
- (5) A parking entitlements agreement;
- (6) A fair market value appraisal of parking entitlements on public parking lots in the Playhouse District; and
- (7) A Reimbursement and Repayment Agreement and Amendment of Loan Advance and Repayment Agreement No. 15,478-1 by and between the City and the Commission (Exhibit No. 2) for the purpose of jointly funding a portion of the purchase price of the Easement by the City and the reimbursement by the City to the Commission of prior Commission expenditures for certain improvements to the City-owned Playhouse Lot.

Also, as staff stated in the March 24, 1997 City/Commission Agenda Report, the amount of payment to Vroman's Bookstore for the proposed Easement would be based on the appraised fair market value of the land to be acquired and the improvements to be

dedicated. Finally, the sources of funds for the City's acquisition of the Easement are both Commission redevelopment funds and City capital improvement funds as approved by the City Council and Commission on March 24, 1997 and as further described herein. Vroman's and Laemmle are in escrow for the property to be developed by Laemmle as a fine arts independent theater and restaurant at the northeast corner of El Molino and Colorado Boulevard. The Laemmle project is proceeding through the City's entitlement process.

The Community Development Committee ("CDC") considered the recommendation contained in this Agenda Report at its regular meeting of March 12, 1998. Staff will transmit in writing the actions taken by the CDC.

#### **A. Proposed Easement for Public "Paseo" and Associated Development Projects**

The proposed Easement would provide for and implement a public pedestrian walkway or "paseo" of 8,000 sq. ft. which is proposed to be located in an area running north/south between the Laemmle Theatre/Restaurant project proposed for the northeast corner of Colorado Boulevard and El Molino Avenue and the recently expanded Vroman's Bookstore in the Playhouse District (please see Attachment No. 1). The proposed Laemmle Theater/Restaurant Project will include a 1200-seat theater of approximately 22,490 s.f. and a restaurant of approximately 2,500 s.f. along the Colorado Boulevard frontage of the development (please see Attachment No. 2 for concept drawing). The pedestrian walkway is proposed to be improved with concrete paving, landscaping, kiosks, public benches, accessibility ramps, trash receptacles, performance art space, and an arch sign mid-way in the proposed paseo (please see detailed concept drawing in Attachment No. 3). The public Easement to be purchased by the City would be part of the "paseo" walkway system for the Playhouse District as set forth in the "Pasadena Playhouse Districts, Walkways, and Alleys Concept Plan" approved by City Council on April 24, 1997, and the "Final Draft Concept Plan for the Playhouse District" dated June 23, 1993. The Easement as well as the Laemmle Theatre, subject to entitlements, is expected to open by December 1998 (please see Attachment No. 4).

#### **B. Proposed Easement Acquisition Agreement**

A MAI appraisal of the recommended public Easement for the paseo was obtained which determined a fair market value of \$455,000, representing \$20,000 more than the estimated value of \$435,000 contained in the March 24, 1997, Agenda Report. The difference between the estimated appraised value was due primarily to increased land value from the time the preliminary appraisal was completed in March 1997 and the more recent final appraisal dated January 19, 1998. The funding source for the \$20,000 increase in value from the previous estimate is from interest received as of December 31, 1997, from the Commission's portion of the Pasadena Playhouse Promissory Note Loan Repayments paid by the Pasadena Playhouse Associates. A summary of the sources of funding previously approved on March 24, 1997, as well as the additional amount of \$20,000 being recommended are as follows:

<b>Sources of Payment</b>	<b>Amounts Recommended to be Paid</b>
1. Pledge at 7½% interest only of Commission Portion of Pasadena Playhouse Promissory Note Loan Repayments due to Commission from Pasadena Playhouse Associates ("PPA"); Loan Principal Paid to Vroman's when received by Commission, subject to certain Conditions being met (Approved in Commission FY '98 Budget)	\$100,000
2. Portion of Pasadena Playhouse Promissory Note Loan Interest Payment Paid to Date to Commission (Recommended additional amount)	20,000
3. Downtown Redevelopment Project Fund (Approved in Commission's FY '98 Budget)	60,000
4. Portion of Kaiser Corporation Land Sale Proceeds to City (City Funds approved by City Council 3/24/97)	200,000
5. Value Engineering of Playhouse Streetscape Project (City Funds approved by City Council 3/24/97)	75,000
<b>TOTAL</b>	<b>\$455,000</b>

The key provisions of the recommended Easement Acquisition Agreement are as follows:

1. Parties: City of Pasadena, Vroman's Real Estate Ventures, Inc. and Laemmle Theatres
2. Easement: Non-exclusive (i.e. public) easement on an 8,000 s.f. easement area (or "paseo") which will run north/south between the existing Vroman's Bookstore and the proposed Laemmle Theater at the northeast corner of Colorado Boulevard and El Molino Avenue.
3. Purchase Price: \$455,000, with \$5,000 to be deposited in escrow, \$350,000 to be paid in cash at opening of escrow and \$100,000 to be paid on a monthly basis @ 7½% interest only payments (\$631.83) over five years, with the principal amount payable upon repayment of the Playhouse Promissory Note or/and the end of the five year period, whichever occurs first. Vroman's is to provide a "Letter of Credit" in favor of the City for \$350,000 plus an amount equal to interest only @ 7½% from opening of escrow until September 1, 1999.
4. Term of Easement: 99 years

5. Conditions of City Purchase:

- a. Completion of easement improvements in accordance with required scope of development; and
- b. Issuance of a Certificate of Occupancy for the proposed Laemmle Theatre/Restaurant Project.

6. Easement Improvements:

The Easement shall be improved as a public walkway and shall contain concrete paving, landscaping, directory kiosks, accessibility ramps, a minimum of two trash receptacles and two benches, paseo arch sign element, and performance arts space (please see Attachment No. 3).

7. Construction of Improvements:

Laemmle and Vroman's shall have the obligation to complete the required improvements to the public walkway on their respective property in accordance with plans approved by the City and as described in the Easement Acquisition Agreement.

8. Continuing Obligation to Maintain Easement:

Adjoining owners shall have a continuing obligation at their sole expense to maintain, repair and replace elements as necessary in order to achieve a high quality pedestrian environment (as set forth in a "Paseo Agreement" between Laemmle and Vroman's as attached to the Easement Acquisition Agreement).

The Easement Acquisition Agreement was prepared by the City Attorney's Office with review by the Housing and Development Department, Vroman's and Laemmle Theatres. It has been signed by both Vroman's and Laemmle.

**C. Proposed Parking Entitlements Agreement and Related Agreements and Actions**

The proposed Laemmle Theatre/Restaurant requires parking in order to meet its parking requirements in accordance with Pasadena's Zoning Code. As part of its entitlement process, Laemmle Theatres has requested a conditional use permit ("CUP") for "communal" or shared parking, and a parking entitlements ("Zoning Credits") agreement with the City for 50 daytime visitor ("in-and-out") parking spaces seven days a week in the City-owned 102-space "Playhouse Lot" located generally on the east side of South Madison Avenue between East Colorado Boulevard and East Green Street ("Playhouse Lot"); 91 weekend days, and 91 nighttime visitor parking spaces seven days a week at the 101-space City-owned parking lot at the northeast corner of East Union Street and North El Molino Avenue (El Molino/Union Parking Lot) (please see Attachment No. 5 for locations). Laemmle Theatres is in negotiation to secure parking arrangements with owners of private parking in order to further satisfy its Zoning requirements.

In order to secure a parking entitlements contract with the City, it is recommended that the City: (1) adopt a resolution establishing a "Playhouse District Development Subfund Boundaries Map" in accordance with Section 17.60.025 of the Pasadena Municipal Code ("PMC"); (2) amend the current parking agreement with Countrywide to adjust the parking hours for 7:00 p.m. to 6:00 p.m. for use by Countrywide of monthly parking spaces; and (3) approve a parking entitlements ("Zoning Credit") contract between the City and Laemmle Theatres.

1. Recommended Resolution: In order for developments in the City to be eligible for a parking entitlements contract (pursuant to PMC Section 17.68.025C), the City Council must adopt a resolution establishing a "subfund" of the "parking development fund." To date, such a subfund was established in Old Pasadena in 1985 and "Zoning Credit" contracts issued in that area for both rehabilitation and new development. A "parking entitlement" (or "zoning credit") is the right to claim parking spaces available for public parking to meet the City's Zoning ordinance requirements for parking and is deemed equivalent to ownership or lease of an actual parking space. These rights run with the property, do not confer on those entitled to parking entitlement rights any special priority for the parking space use, any special parking rates, any rights to income or obligation for expenses in the parking facility, and any rights to any particular space(s) in the facility. The boundaries being recommended for the "Playhouse District Parking Development Subfund" are generally Union Street on the north, El Dorado/Mira Monte on the south, Los Robles Avenue on the west and Hudson Avenue on the east as shown in Exhibit "A" to the recommended resolution. The recommended boundaries reflect the boundaries for the Playhouse District as set forth in the "Final Draft Concept Plan for the Playhouse District" and in the approved "Pasadena Playhouse District Streetscapes, Walkways and Alley Concept Plan", and excludes areas within the boundaries of the South Lake Business Improvement District.
2. Recommended Parking Entitlements Agreement: The Section of the PMC which established the parking entitlement method/procedure for meeting the City Zoning Codes' off-street parking facility requirement states that the parking entitlement contract shall specify the contribution to be made to the parking development fund as well as the method of payment. In order to establish the contribution to be made by Laemmle Theatres, staff engaged the services of Economic Research Associates ("ERA") to conduct a fair market valuation of parking entitlements. ERA completed its analysis in February 1998 and concluded that the value of a parking entitlement ("zoning credit") parking space in the Playhouse District is \$2,000 for the daytime and \$1,000 for the nighttime.

The staff further recommends that the method of payment for annual contributions be based upon the current City portfolio investment earnings rate which is approximately 6% (as reported by the City's Finance Department). Based upon this method, the total value of the zoning credit parking spaces in the Playhouse District of \$243,780 (91 nighttime @ \$1,000/space (+) 50 daytime @ \$2,000/space + 91

weekend days @ \$570/space) would yield an annual payment stream at 6% to the "Playhouse District Parking Development Subfund" of \$14,627. Also, on CPI escalation factor with an annual cap of 3% per annum is recommended with a cap of \$100 for a nighttime and \$200 for a daytime parking entitlement space. In addition to the annual payments of \$14,627 (+ CPI), net estimated operating annual revenues from the two City-owned parking lots are anticipated to be generated in the long-term as other developments in the area move forward; however, in the short-term, such revenues are expected to be insignificant. Also, in order to provide available parking spaces to accommodate theatre patrons, the City must operate or cause to be operated its two parking lots in a manner that makes available at least 50 daytime spaces (until 6:00 p.m.) at the Playhouse Lot and at least 91 spaces (6:00 p.m. until 2:00 a.m. during the week and all day on weekends) available at the El Molino/Union Parking Lot.

The fair market value of the parking entitlement rights may vary in future years, based on increased costs of providing parking facilities, particularly if public parking structures are built in this area. A fair market value appraisal will be conducted at that time to determine such future values.

The key provisions of the recommended Parking Entitlements Agreement as follows:

- a. Parties: City and Laemmle Theatres
- b. Parking Entitlement Spaces: 50 spaces at City-owned Playhouse Lot during the daytime (6:00 a.m. to 6:00 p.m.); 91 spaces at City-owned El Molino and Union Parking Lot during the nighttime (6:00 p.m. to 2:00 a.m.) and all day on weekends.
- c. Use of Entitlement Spaces: Rights limited solely to the right to satisfy City's off-street parking requirements; City reserves administrative rights to relocate the designated parking entitlements to other City-owned parking facilities so long as they meet the City's Zoning Code distance requirements.
- d. Promotion of Use with Entitlement Spaces: Laemmle Theatres is to use good faith efforts to promote use of the City's parking lots in accordance with a City-approved Promotional Plan which is to be put into effect 30 days after issuance of a Certificate of Occupancy.



- e. Payments: \$14,627 payable prior to issuance of a certificate of occupancy and annually thereafter with an annual CPI escalation factor not to exceed 3% per year to be applied with a cap of \$200 per Parking Entitlement Space in the daytime and \$100 per Parking Entitlement Space during the evenings.
- f. Term: Contract term termination, subject only to Project closing operation, non-payment, and non-issuance of Certificate of Occupancy.

The recommended Parking Entitlements Agreement was prepared by the City Attorney's Office and reviewed by the Housing and Development Department and the Public Works and Transportation Department. It has been signed by Laemmle Theatres.

**D. Recommended Amendment to Loan Agreement No. 15,805 between the City and Countrywide Funding Corporation**

On September 11, 1995, the City and Countrywide Funding Corporation ("Countrywide") entered into a lease agreement which gave Countrywide the right to lease up to 98 spaces on a monthly basis at the rate of \$30,000 per space for the first 25, and \$20,000 for each additional monthly spaces over the first 25 from 6:00 a.m. to 7:00 p.m. on weekdays only. The amendment would adjust the evening hour time limit from 7:00 p.m. to 6:00 p.m. The lease amendment was drafted by the City Attorney's Office, reviewed by the Housing and Development Department, and signed by Countrywide.

**E. Recommended Reimbursement and Repayment Agreement Amendment between the City and the Commission and Recommended Budget Amendment**

The recommended Reimbursement and Repayment Agreement Amendment between the City and the Commission is for the purpose of jointly funding the purchase of the Easement by the City and the reimbursement by the City to the Commission of prior Commission expenditures in September 1997 in the amount of \$14,000 for improvements and repairs to the City-owned Playhouse Parking Lot from Laemmle's payment for parking entitlements. Essentially, the agreement remits to the City \$20,000 (from payments made to date on the PPA's promissory note) and pledges to the City PPA promissory note repayments at \$631.87 monthly due to the Commission and the principal amount of \$100,000. In return, the City pays to the Commission an amount not to exceed \$14,000 from annual zoning credit payments made by Laemmle Theatres for improvements made to the Playhouse Lot by the City which was paid for by the Commission. This approval would result in the amendment of Loan and Repayment Agreement No. 15,478 dated August 1, 1994, between the City and the Commission for the Pasadena Playhouse loan of \$100,000 to the City from the Commission.

## **F. Recommended Commission FY '98 Budget Amendment**

It is recommended that the Commission increase the Downtown Project Area FY '98 Budget line item for purchase of the proposed Easement by \$20,000 from PPA promissory note payments made to date for a total of \$180,000.

## **G. Recommended CIP Journal Voucher**

In order to fund the City's portion of the Easement cost, a Journal Voucher is being recommended which would transfer \$200,000 in Kaiser land sale proceeds (currently deposited in the Charter Capital Fund) to the "Playhouse District Easement" account of the CIP.

## **RELATIONSHIP TO CITY OF PASADENA OBJECTIVES:**

### **General:**

The proposed Easement would implement the urban design guidelines and implementation strategy as outlined in the Pasadena Playhouse Mixed Use Arts-Inclusive Plan (as recommended by the Planning Commission in June 1993) as follows: (1) introduction of a fine arts cinema use in the heart of the Playhouse District; (2) the integration of a mid-block north/south pedestrian walkway into the Project; (3) the provision of public improvements to support private investments as they are made (i.e. public/private "co-development" or "co-investment"); and (4) the encouragement of projects that are reflective of current market realities both in terms of scale and required level of public participation. With respect to the specific public walkway (Easement) improvement being recommended in this Agenda Report, the City Council - approved "Pasadena Playhouse Streetscapes, Walkways, and Alleys Concept Plan" (approved April 24, 1997) emphasized this urban design feature as a key part of carrying out the Playhouse District pedestrian walkway system.

The specific purposes of the Central District Zoning Code regulations (17.33.020) include the encouragement and support of retail shopping and entertainment areas oriented to pedestrian activity. The public paseo will support this objective by the promotion of street activity and amenities oriented to the individual pedestrian and by the encouragement of public and semi-public uses needed to complement commercial development or development compatible with a commercial environment. Specifically, the paseo would enhance the long-term viability of one of Pasadena's oldest businesses — Vroman's Bookstore (104 years old) — by providing a significant public space amenity between Vroman's and the Planned Laemmle Theatre. This would enhance Colorado Boulevard as the "Main Street" of the City and further enhance the Central District's role of the downtown as the center of the City. On this basis, it may be concluded that the Easement provides a public improvement to support the development objectives of the Central Area.

**CITY'S RELOCATION OBLIGATIONS FOR EXISTING TENANTS ON SITE FOR PROPOSED LAEMMLE THEATRE:**

On April 1997, a claim for relocation benefits was filed by Nardi's, Beijing Café, Browsers Books and House of Fiction stating that because the proposed Easement would benefit the proposed Laemmle Theatre, they were due relocation benefit payments. The claim was rejected by the City by operation of law. Staff, in conjunction with the City Attorney's Office are evaluating the type and amount of benefits due to those tenants to be displaced by the pending Laemmle Theatre project for further consideration by City Council. Staff briefed the City Council in closed session at its regular meeting of March 9, 1998, regarding this issue. As the amounts of the relocation benefits are determined by staff and the City's relocation consultant, staff will keep the City Council informed.

**COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA"):**

Staff, upon the advice of the City Attorney's office, has determined that CEQA review is not required for these actions. Both the easement acquisition and effectiveness of the parking entitlements will occur only if the proposed Laemmle Theatre project is approved by the City (which approval the City has no obligation to grant) and completed in a timely manner. The potential impacts of the use of parking entitlements for the Laemmle Theatre project, as well as the potential impacts of acquisition of the paseo by the City, will be addressed in the environmental analysis completed for the Laemmle Theatre project.

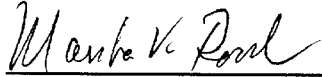
**FISCAL IMPACT:**

The fiscal impacts of these recommended actions on the City and to the Commission are as follows:

1. General Fund:
  - a. Allocating \$200,000 of the Kaiser land sale proceeds which were deposited in the City's Capital Charter Fund would result in not having these proceeds available for other public improvement eligible for financing from the Fund;
  - b. Transferring \$75,000 in funds from elements in the Playhouse District streetscapes project to the Easement purchase would implement the recommended portions of the streetscapes project (i.e. "paseos" for public walkway use) and does not, therefore, represent new funds expended in the Playhouse District;
  - c. The creation of a parking entitlement (or "zoning parking credit") boundary area and parking development subfund for the Playhouse district would generate an annual income to the City for parking and parking-related projects of \$14,627 based on the fair market value amount of \$243,780 @ 6% (CPI escalation up to 10%) created by Laemmle Theatre's parking requirements;

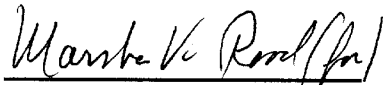


Prepared by:



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Director of Housing and Development

Concurrence:



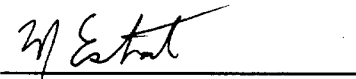
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