

Agenda Report

DATE: OCTOBER 12, 1998

TO: CITY COUNCIL

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: OPTION AGREEMENT BETWEEN EAST PASADENA COMMERCIAL CENTER, LLC, MHi, AND THE CITY OF PASADENA, FOR PROPERTY LOCATED AT 3570-3572 EAST FOOTHILL BLVD. AND 3544 EAST FOOTHILL BLVD.

RECOMMENDATION

It is recommended that the City Council approve an Option Agreement ("Agreement") between East Pasadena Commercial Center, LLC ("EPCC"), MHi, a California corporation ("MHi") and the City of Pasadena ("City"), in connection with the purchase of property located at 3570-3572 and 3544 East Foothill Boulevard ("Properties").

BACKGROUND

City staff has been working with representatives of Rusnak/Pasadena ("Rusnak") to address both short term and long term issues for the dealership. In Pasadena, the Rusnak dealerships include Rusnak Mercedes-Benz, Porsche, Audi, Jaguar, and Rolls Royce/Bentley, located at 337 West Colorado Boulevard, Pasadena Volvo located at 2025 E. Colorado Boulevard, and Pasadena Chrysler-Plymouth located at 2965 E. Colorado Boulevard.

Of specific importance at this time is the study of a potential long-term site to accommodate the retention and long term expansion of selected Rusnak dealerships in Pasadena. At the current 337 E. Colorado Boulevard location, there exists a significant absence of adequate vehicle storage, display, and service facilities. These requirements are dictated to a large degree by automotive manufacturers site requirements whose primary objective is to retain retailer designation and market area. Following the review and identification of several alternatives, Mr. Rusnak has identified a site in East Pasadena as a preferred location, along the Foothill Boulevard corridor and adjacent to the 210 Foothill Freeway.

Report to City Council

October 12 ,1998

Page 2

The site is a total of 12.76 acres in size and is comprised of five parcels (refer to Exhibit A.). Critical to the possible future assembly of the site is the purchase of properties located at 3570-3572 East Foothill Boulevard, which comprise approximately 2.48 acres of the site and property located at 3544 E. Foothill Boulevard, which is approximately .95 acres in size. City staff is aware that EPCC and MHi is in escrow on these Properties; at such time as the level of interest from Rusnak and the timeline for completing the purchase of the Properties became more evident, staff began focusing on attempting to pair the EPCC and Rusnak to work toward a possible agreement.

Subject Agreement

At a meeting with City staff on September 14, 1998, EPCC and MHi requested City consideration of financial participation in the amount of \$400,000 to maintain the terms of the escrow and the options for the Properties. In closed session on September 14, 1998, the City Council instructed staff to prepare an agreement for City participation in the amount of \$400,000 subject to the preparation, consideration and approval of an agreement by the City Council. The terms and conditions of the Agreement are identified in a Summary of Terms and Conditions, attached to this staff report as Exhibit B.

Summary

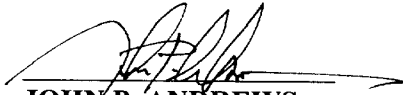
Approval of this Agreement is considered essential to maintaining the escrow on the Properties and to effectuating the possible assembly of the site for future use as a automobile dealership. Staff is in regular and on-going communication with the owners of the property which make up the balance of the site under discussion; the objective is to facilitate the assembly of all parcels either through long term leases or purchases. Without the subject Properties, the opportunities for assembly are significantly diminished, thereby making a relocation and expansion opportunity for Rusnak on the site highly improbable.

FISCAL IMPACT

Funds for the payment of the option consideration in the amount of \$400,000 are to be drawn from the Emergency Reserve Capital Improvement Program. The option is considered an investment in connection with a long term strategy to maintain the sales tax

Report to City Council
October 12, 1998
Page 4

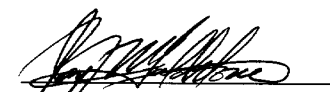
Prepared by:


JOHN P. ANDREWS
Project Manager

Approved by:


STEPHEN G. HARDING
Interim Director of Housing & Development


MICHAEL ESTRADA
Assistant Commission Counsel


JAY GOLDSTONE
Director of Finance