

DATE: OCTOBER 19, 1998

TO: COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: STATUS REPORT - PROPOSED RITE AID PROJECT

RECOMMENDATION:

This item is for information only.

BACKGROUND:

On September 14, 1998 staff apprised the Community Development Commission that staff had received correspondence from both Lake Development Company and AVH Associates that the proposed Rite Aid Drug Store will not move forward under the conditions approved by the Commission on August 24, 1998 limiting its participation. At the September meeting the Commission requested that staff outline all the issues discussed at previous meetings and return to the Commission with specific responses to these concerns to determine whether the responses warrant the Commission reconsidering its earlier action.

Staff has reviewed the tape of the August 24th meeting and the following concerns were raised:

1. The Kotin Mouchly economic analysis indicates that no Commission subsidy should be required for this project. Why is staff recommending Commission participation that is contrary to the consultant's report and in excess of the Community Development Committee recommendation?
2. On what basis did the consultant arrive at their position that no subsidy is required for this project?
3. What did AVH Associates pay for the proposed development site?
4. Where are the funds coming from should the Commission participate in this project?
5. Should the Commission approve staff recommendation, will AVH Associates return at a later date for additional Commission assistance beyond that which staff is currently recommending?
6. Should the Commission approve staff recommendation, will the City receive the fair market value for that portion of the Santa Anita Substation property needed for the relocation of the businesses on the proposed development site?

Responses to these concerns are summarized below :

1. The Kotin Mouchly analysis indicates that the Commission should not have to participate in the Rite Aid project because Lake Development is proposing to pay approximately 40%

above the market value for the development site. Staff acknowledges that the Commission is not required to participate in the project. However, as an inducement to bring forth a second major project at the Fair Oaks Avenue and Orange Grove Boulevard intersection that is consistent with the Fair Oaks Master Development Plan approved by the Commission in November, 1991, staff is recommending that the Commission provide more assistance to the project than that which the Community Development Committee has recommended.

2. The Kotin Mouchly consultant group reached its decision that a subsidy for this project is not needed by analyzing comparable land sales data in the area and assessing the cost of moving the type businesses that currently occupy the site. Recent land sales in the area are between \$20 to \$25 per square foot and relocation cost is approximately \$300,000.
3. The Kouladjians acquired the proposed development site for approximately \$1.2 million which is approximately \$40 per square foot. Subsequently, the site was sold to AVH Associates for approximately \$1.8 million.
4. Funds for the Commission to participate in this project will come from two (2) sources : 1) Villa Parke tax increment funds (\$300,000) and 2) HUD Section 108 Guarantee Loan funds (\$100,000).
5. AVH Associates has indicated that should the Commission approve staff recommendation that it will not come forward in the future for any additional relocation assistance. Any restrictions related to relocation assistance can be made as a condition in an Owner Participation Agreement between the Commission and Lake Development Company.
6. That portion of the Santa Anita Substation property needed for the relocation of the existing businesses on the proposed development has been valued at \$756,000. The fair market value under a ground lease is approximately \$75,600. AVH Associates has indicated that it will pay the fair market value under a ground lease.

The issues above represent a summary of the concerns raised by the Commission. A copy of the staff report from that meeting is attached to this report:

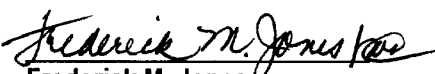
Fair Oaks Project Area Committee Action

The Fair Oaks Project Area Committee ("PAC") discussed the proposed Rite Aid Drug Store project at their September 23, 1998 meeting. At the meeting the Fair Oaks PAC unanimously approved recommending that the Commission approve staff recommendation. Attached to this report is a letter from the PAC that reflects their action.



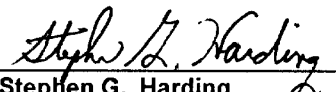
Cynthia J. Kutz
Chief Executive Officer

Prepared by:



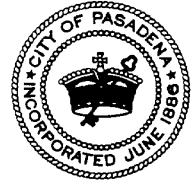
Frederick M. Jones
Senior Project Manager

Approved by:



Stephen G. Harding
Interim Director of Housing & Development

FAIR OAKS AVENUE PROJECT AREA COMMITTEE
1020 NORTH FAIR OAKS, SUITE 302
PASADENA, CALIFORNIA 91103
(818) 794-0926



September 28, 1998

R E C E I V E D

SEP 29 1998

Fair Oaks Project Area Committee
1020 North Fair Oaks Avenue, #302
Pasadena, California 91103

HSG. AND DEV. DEPT.

Ladies and Gentlemen,

The Fair Oaks Board of Directors at its meeting of Wednesday, September 26, 1998, after careful consideration and inquiry of City staff, came to the following conclusions regarding the proposed Rite Aid project at the SE corner of Fair Oaks Avenue and Orange Grove Boulevard.

The above mentioned project was voted on and approved as a use of appropriate and determined the use fit the Intent of the General Plan, Specific Plan, and embodies those uses set forth in the Fair Oaks Redevelopment Plan.

The above parameters having been met and approved, the remaining questions involved the necessary financial input, sought from the Pasadena Development Committee, there appears to be a gap of \$547,000, it is this body's belief this is not an unreasonable request by those involved. Taking into account, this sum in its entirety is not a gift of public monies, \$547,000 will be retired as a debt in 3½ to 4 years.

With all things mentioned above the PAC Board of Directors took a vote and decided unanimously to request of the Commission to find a way to approve this needed financial assistance and move with all deliberate speed the Rite Aid project forward.

Sincerely,

FRED CAPLE
Acting President

THOMAS D. SCOTT
Coordinator