



OFFICE OF THE CITY MANAGER

September 14, 1998

TO: Community Development Commission
FROM: Cynthia Kurtz, Acting Chief Executive Officer
RE: Proposed Rite Aid Development Project – Status of Negotiations

On August 24, 1998 the Community Development Commission directed staff to proceed to negotiate the terms of a ground lease with AVH Associates to occupy City-owned land located at 120-160 Altadena Drive for an auto repair facility.

The Commission also directed staff to continue to negotiate the terms and conditions of an Owner Participation Agreement (“OPA”) with Lake Development Company for the proposed construction of a Rite Aid Drug Store at the southeast corner of Fair Oaks Avenue and Orange Grove Boulevard. Staff was to specify in the OPA that relocation assistance to be provided shall be in the amount limited to no more than the \$147,000 owed to the Commission for the previous purchase as part of the proposed development site.

On September 3, 1998 staff met with the Lake Development Company and AVH Associates representatives to discuss the Commission's action. Staff presented to them the conditions set by the Commission. After considerable discussion, AVH Associates determined they could not proceed without an additional relocation assistance of \$400,000 in cash from the City of Pasadena. AVH Associates cited existing indebtedness, the high cost (\$1,017,000) to construct a new facility, the additional operational cost that will occur by not having all components of the business at the same location and the interruption of business as the key factors in shaping their decision. Lake Development Company indicated that it could not increase the purchase price of the proposed development site. Although Fair Oaks Avenue and Orange Grove Boulevard generate significant traffic, it is not sufficient to generate the amount of revenue necessary to increase the purchase offer. Neither AVH Associates nor the Lake Development Company expressed any interest in proceeding with the negotiations either under the terms of the Commission's limits nor any other cash assistance less than the \$400,000.

It is staff's position that without subsequent negotiating instructions allowing reconsideration of the August 24 staff recommendation (attached), no further consideration of the development at this time would be prudent.


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Acting Chief Executive Officer

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Attachment

9/14/98
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