



CITY OF POMONA COUNCIL REPORT

February 6, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Kirk Pelser, Deputy City Manager

Subject: Adopt a Resolution Approving a Disposition & Development Agreement with Maya Cinemas North America, Inc. for Development of a 12- 14 Screen Maya Cinemas Project on City/VPD Lots 6 and 7, the Gist Building and the Adjacent Vacant Lot in Downtown Pomona and for Development of a 725+ Stall Parking Structure on Vehicle Parking District Lot 10 - Council Districts 1 & 2

EXECUTIVE SUMMARY

Recommendation – That the City Council adopt a Resolution to approve, in substantially the form as submitted, a Disposition & Development Agreement (DDA) with Maya Cinemas North America, Inc., for Development of a 12-14 screen movie theater (“the Maya Cinemas Project”) on City/VPD Lots 6 and 7, the existing “Gist Building” (to remain) and the Adjacent Vacant Lot in Downtown Pomona and for Development of a 725+ Stall Parking Structure on Vehicle Parking District Lot 10.

Fiscal Impact – The DDA contemplates the use of \$12+ million in former RDA bond proceeds to construct the parking structure. The sale of Lots 6 & 7, the Gist Building and the adjacent vacant lot, at the appraised fair market value, will generate approximately \$1.9 million in sale proceeds. One time payments for planning, building and engineering plan check fees will be collected. Eventually, annual property tax revenues will be realized after existing former RDA debt is paid from remaining former project area increment. The project is anticipated to generate \$20,000 - \$30,000 in annual taxable concession sales. Finally, the project will generate water sale revenues and Utility User Tax revenues.

Environmental Review - Pursuant to the provisions of the California Environmental Quality Act (CEQA-Public Resources Code, Section 21084, *et. seq.*), the guidelines include a list of classes of projects that have been determined not to have a significant effect on the environment and that shall, therefore, be exempt from the provisions of CEQA. In compliance with Article 19, section 15332 (Class 32 – In-Fill Development Projects), the proposed Maya Cinema project described above hereby meets the guidelines for this Categorical Exemption. Therefore, no further environmental review is required. The parking garage project contemplated in the DDA will be subject to independent environmental review at time of design approval and award of contract.

Previous Action – On January 23, 2017, January 9, 2017, and December 19, 2016, the City Council was provided with detailed closed session briefings regarding updates and refinements

to previously approved business terms and status of the DDA negotiations. An additional briefing will be provided in closed session this evening.

On July 18, 2016, the Council reviewed and approved the initial business terms and directed staff to proceed with negotiating a DDA based upon said terms.

BACKGROUND/DISCUSSION

Beginning in the fall of 2015, the Council received reports from staff regarding Maya's interest in building a multiplex theater in downtown Pomona. The Council was receptive to the idea of a multi-screen cinema in the Downtown, as a theater of this magnitude will bring synergy to the downtown business climate and allow the downtown to make a great step forward as a dynamic, family friendly destination to be enjoyed by the entire community

Over the past 18+ months, staff has been working closely with the Maya Cinema owners to refine a set of business terms regarding the sale and use of the VPD's Lots 6 & 7 land assets, and construction of a multi-level parking structure on VPD's Lot 10 site, which would provide parking for Maya and other downtown uses and new development opportunities. The City Council has previously allocated \$12 Million in RDA bond proceeds for construction of a parking structure on Lot 10. The primary business terms below will allow Maya to proceed with their project and, through a partnership with Maya, will assist the City/VPD in getting the Lot 10 parking structure constructed expeditiously, and at a lower cost than if the City acted alone. The attached DDA is in nearly final form. Minor non-material modifications and edits may be made prior to execution by the City Manager. These basic Council approved business terms on which the DDA is written are as follows:

Primary Business Terms

1. Maya Cinemas North America, Inc, (MCNA) will construct a state of the art 12-14 screen multiplex of 50,000-60,000 square feet to be operated by a MCNA subsidiary operating company under a lease agreement.
2. MCNA will purchase the fee simple interest, for appraised fair market value, of the City/VPD Lot 7 (+31,200 sf). MCNA will also directly acquire an approximately 12,670 square foot piece of land privately held on Second Street adjacent to the School of Arts and Enterprises. A recent MAI appraisal concludes the fair market value of the City/VPD land to be \$13.97 per square foot and the Gist Building to be \$730,000. This land sale transaction includes no City subsidy.
3. City will provide MCNA a five year option to purchase: a) the VPD owned vacant land on Second Street (+26,050 sf) between Park and Gordon, b) the VPD lot 6 (+31,200 sf) and c) the Gist Building . MCNA may exercise these options together or separately after the parking structure on Lot 10 is operational. MCNA's option to purchase Lot 6 and the vacant land on Second Street will be at the appraised fair market value of \$13.97 per square foot, and adjusted annually by the common Consumer Price Indicator (CPI) factor from the Bureau of Labor Statistics - Los Angeles region. The option for the Gist building will be based upon the appraised value of \$730,000 and will also be adjusted annually by the same CPI factor.

4. The grant deeds conveying property to MCNA will contain a power of termination reverting title to the City if MCNA fails to obtain all necessary financing within three years after close of escrow.
5. Following completion of the cinemas and Lot 10 parking structure, MCNA may exercise the options and develop and construct a retail/commercial/restaurant project on the vacant City/VPD land along Second Street & Main Street.
6. Utilizing former RDA proceeds (\$12+ million) the City will purchase a finished parking structure from MCNA a 725-825 parking structure on VPD Lot 10 for a guaranteed price of \$16,000 per parking stall (not including unforeseen subsoil issues or extra City requested amenities). MCNA will retain a design-build team selected in accordance with the City's procurement requirements pursuant to the Pomona City Code to construct the structure. The City has agreed to pledge the bond proceeds as collateral in favor of the design-build team while the parking structure is being built under terms outlined by the City's bond counsel. MCNA will have the ability to reject the City's selected design-build team and continue with building their theater project. The City would then act alone to build the parking structure. In such scenario, the City would need to retain a project/construction manager, and Maya has expressed interest in serving in such capacity.
7. City will provide 4 hours free validated parking in the Lot 10 parking structure for cinema patrons for the first seven years of operations. Thereafter, cinema patrons will receive 2 hours free parking with validation.
8. At no cost to MCNA, City will cooperate in the applications and processing needed to vacate existing alley ways in Lots 6 & 7 and that segment of Gordon Street between Second and Third Streets. The City will commence needed street & alley vacations ASAP and will deposit the adopted vacation resolutions (if approved by the City Council) into escrow. The vacation resolutions will only be recorded if Maya closes escrow on the land they buy from the City.
9. At their sole cost, MCNA will temporarily move the parking spaces currently on Lot 7 to Lot 6 and the vacant parcel on 2nd Street.
10. City will provide reasonable, non-monetary, assistance necessary for MCNA to apply for federal New Market Tax Credit financing for the project.
11. MCNA will provide a corporate guarantee for the obligation under the DDA.
12. MCNA guarantees that it will require the construction firm that builds the cinema to provide a performance bond sufficient to complete the construction.
13. Protections are included in the DDA for the City regarding any issues stemming from third party actions or activities, e.g., Public Utilities Commission (PUC) input regarding impacts at, or near, the rail road crossing adjacent to the Lot 10 Parking Structure.

Environmental Review

Pursuant to the provisions of the California Environmental Quality Act (CEQA-Public Resources Code, Section 21084 et. Seq.), the guidelines include a list of classes of projects that have been determined not to have a significant effect on the environment and that shall, therefore, be exempt from the provisions of CEQA. In compliance with Article 19, section 15332 (Class 32 – In-Fill Development Projects); the proposed Maya Cinema project described above hereby meets the guidelines for a Categorical Exemption. Therefore, no further environmental review is required. The parking garage project contemplated in the DDA will be subject to independent environmental review at time of contract award and bid selection, and is not part of the above exemption.

CONCLUSION

Structured parking and downtown cinemas are key common elements to the economic revitalization of many historic urban downtown environments in Southern California and across the Country. Research and analysis of the factors that help create dynamic downtowns consistently identify plentiful public parking, multiple entertainment options, entrepreneurial private property owners, organized districts (i.e., PBID's), etc. as part of what makes a downtown thrive. By embracing a cinema and parking structure, Downtown Pomona is on the cusp of taking its next healthy evolutionary step as a community wide resource.

Attachments:

- 1) Resolution
- 2) DDA
- 3) Conceptual Elevation & Site Plan
- 4) Lot 10 Arial Photo