

BURBANK REDEVELOPMENT AGENCY
SEPTEMBER 16, 2003

A regular meeting of the Burbank Redevelopment Agency was held in the City of Burbank Council Chamber, 275 East Olive Avenue, on the above date. The meeting was called to order at 6:39 p.m. by Ms. Murphy, Chairman.

Invocation The invocation was given by Pastor Paul Clairville, Westminster Presbyterian Church

Flag The pledge of allegiance to the flag was led by Cele Burke.
Salute

ROLL CALL

Present- - - - - Members Campbell, Golonski, Ramos, Vander Borcht and Murphy.

Absent - - - - - Members None.

Also Present - - Ms. Alvord, Executive Director; Mr. Barlow, City Attorney; Mrs. Georgino, Assistant Executive Director; and, Mrs. Campos, Secretary.

8:04 P.M.
Meeting Following a report and the combined oral communications, the
Continued Council meeting was recessed to allow the Agency and Council to
 hold a joint meeting.

Jt. Mtg. with
Council Mr. Young, Administrative Analyst, Community Development
RA 43 Department, presented a report requesting Council direction on
RA 42-1 proceeding with a nexus study to update the City's development
Nexus Study impact fees, and authorization to enter into a Professional Services
 Agreement (PSA) with a qualified consultant for the purpose of
 conducting the study. He recounted that in December 2002,
 during the annual review of the City's Development Impact Fee
 Schedule, staff reported that a nexus study would be conducted to
 review and update the existing fees. He informed the Council an
 in-house committee was established with representatives from the
 various affected City departments, including: Community
 Development, Police, Fire, Library Services, Park, Recreation and
 Community Services, the City Attorney's office, Information
 Technology, and Public Works, to review the existing fees,
 evaluate the methodology used to develop fees during the first
 nexus study, conduct a preliminary assessment of the future needs
 of the City, and discuss options for proceeding with the study. He
 added over \$3.6 million has been accumulated since the inception
 of the fees in 1993 and proceeds have been used to fund projects
 such as the Police/Fire Headquarters, the Emergency Operation
 Center (EOC) relocation, and McCambridge Park improvements
 among others.

Mr. Young explained Development Impact Fees allow cities to collect funds from new development projects for infrastructure and

facilities relating to the impact of new development on those facilities. He added that in order to impose Development Impact Fees, a reasonable connection or nexus must exist between the new development and the improvement of a facility for which the fees are to be assessed. In addition, he stated a determination must be made that the projected improvements to be financed by the impact fees will benefit those required to pay them, and this fee must be proportionate to the amount of benefit received. He further stated, considering the very specialized nature of nexus studies, staff concurred that the best method for facilitating the development of new fees would be to retain the services of a qualified consultant, one that is familiar with the intricacies of impact fees, the methodologies for calculating them, the applicable State law that affects impact fees, and the implementation procedures.

Mr. Young informed the Council that, in June 2003, a Request for Proposals (RFP) was sent to ten consulting firms and proposals were received from Maximus; Gruen Gruen & Associates (GG&A); and Economic & Planning Systems, Inc. (EPS). He reported the three proposals demonstrated a great deal of expertise with, and interest in, this type of project and met the intent of staff's request, however, after considerable review by the Nexus Study Committee and further interviews with EPS and Maximus, staff concurred that EPS was the strongest candidate for the study. He noted EPS' proposal includes analyzing all types of community facility, utility, and public services fees common to other cities; involving the public and key stakeholders in the process with flexibility and interest in pursuing fees such as technology development, or Geographic Information Systems (GIS) fees relatively uncommon to this process; determining the appropriate level of each fee by conducting an analysis of the future needs of public facilities based on growth projections; testing these fees to ensure that the market will support them; and, ensuring that Burbank will remain competitive in attracting desired development.

Mr. Young further reported that based on the proposals received from the RFP process, the cost per study ranged from \$50,000 to \$112,955. He added that should the Council support staff's recommendation, the proposed resolution would authorize the City Manager to enter into a PSA with EPS for an amount of up to \$50,000, recommended to be funded from the Golden State Redevelopment Project Area, Unappropriated Fund Balance. He explained any appropriation from the General Fund Unappropriated Fund Balance would have a negative impact on the Public Employees Retirement System and budget stabilization funds, and

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added by utilizing Redevelopment Agency (Agency) funds, the General Fund would not be impacted. In addition, he stated the Agency would benefit from the study as it will provide additional funding sources for costs related to infrastructure improvements that are part of future redevelopment projects.

Motion It was moved by Mr. Campbell and seconded by Mr. Vander Borcht that "the following resolutions be passed and adopted:"

RA 43
RA 42-1
Coop. Agmt. w/
Council for Nexus
Fee Study

RESOLUTION NO. R-2082:
A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK APPROVING A COOPERATION AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY AND THE CITY OF BURBANK AND AMENDING THE FISCAL YEAR 2003-2004 ANNUAL BUDGET IN THE AMOUNT OF \$50,000 FOR THE PURPOSE OF FUNDING A NEXUS FEE STUDY.

Council Reso.
Adopted

City Council Resolution No. 26,549 Approving a Cooperation Agreement Between the City of Burbank and the Redevelopment Agency of the City of Burbank, and a Professional Services Agreement Between the City of Burbank and Economic & Planning Systems, Inc.

Adopted

The resolutions were adopted by the following vote:

Ayes: Members Campbell, Golonski, Ramos, Vander Borcht and Murphy.
Noes: Members None.
Absent: Members None.

Jt. Mtg. with
Council
RA 92-1
2nd Amend. to
DDA with United
Cerebral Palsy

Mr. Solomon, Housing Development Manager, Community Development Department, presented a report requesting that the Redevelopment Agency Board (Agency) and Council consider approval of the Second Amendment to the Disposition and Development Agreement (DDA) with the United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties (UCP) for the purpose of granting additional HOME Investment Partnership (HOME) funds for the construction of an 18-unit accessible apartment project for very low-income disabled persons. He explained the project responds to a housing need in the community, one that is most pressing to a specific segment of the population. He referenced the recommendations of the Blue Ribbon

Task Force on Affordable Housing, including that the City encourage construction of special needs housing through agency financial assistance and site assembly which would integrate community-serving uses with housing, while also providing needed support services to allow those with special needs to live independently.

Mr. Solomon reported under the terms of the DDA, the Agency would provide the site located at 600 South San Fernando Boulevard, and up to \$750,000 in HOME funds towards the construction of the project. In return, he reported UCP was to secure a highly competitive Federal Section 811 allocation needed to make the project financially feasible given the affordability restriction required by the United States Department of Housing and Urban Development (HUD) program. He explained under the Section 811 program, a nonprofit sponsor is advanced funds to finance construction of rental housing and is provided with annual operating subsidies to bridge the gap between the project's rental income and the project's operating expenses. He stated that in May 2001, the DDA was amended to allow UCP to apply for another round of Section 811 funding following notification from HUD that the developer's Burbank project had not been selected. He added UCP was subsequently awarded a Section 811 funding allocation of approximately \$2.5 million, however, the developer recently notified staff that in light of rising construction costs, additional funding would be necessary for the project to move forward. He further stated UCP and City staff have taken steps to reduce the funding gap and UCP has applied for \$190,000 in additional funding sources in addition to increasing its own equity participation from \$10,000 to \$250,000. He added value engineering was also undertaken to reduce development costs but noted there were no significant changes made to the originally approved plans that would affect the project's design or the quality of materials used.

Mr. Solomon concluded that while the Agency could terminate the DDA because the Developer is in default for not closing escrow by the outside date of October 2002, the need for special housing warrants providing UCP with another time extension until November 14, 2003.

Motion

It was moved by Mrs. Ramos and seconded by Mr. Vander Borgh that "the following resolutions be passed and adopted:"

RA 92-1

RESOLUTION NO. R-2083:

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2nd Amend. to DDA with United Cerebral Palsy A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK APPROVING THE SECOND AMENDMENT TO DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE AGENCY, THE CITY OF BURBANK AND UNITED CEREBRAL PALSY/SPASTIC CHILDREN'S FOUNDATION OF LOS ANGELES AND VENTURA COUNTIES.

Council Reso. Adopted City Council Resolution No. 26,550 Approving the Second Amendment to Disposition and Development Agreement Between the Redevelopment Agency of the City of Burbank, the City of Burbank and United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties was adopted.

Adopted The resolutions were adopted by the following vote:

Ayes: Members Campbell, Golonski, Ramos, Vander Borcht and Murphy.

Noes: Members None.

Absent: Members None.

8:22 P.M. Mrs. Ramos Left the Meeting Mrs. Ramos left the meeting at this time

Motion It was moved by Mr. Vander Borcht and seconded by Mr. Campbell that "the following items on the consent calendar be approved as recommended:"

Minutes Approved The minutes for the regular meetings of May 27, June 3, June 10, June 17, June 24, July 15, July 22, July 29 and August 19, 2003 were approved as submitted.

RA 50 RESOLUTION NO. R-2084:
RA 60 A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY
2nd Amend to OF BURBANK APPROVING, AND AUTHORIZING AND DIRECTING
Revenue Bonds EXECUTION OF A SECOND SUPPLEMENTAL INDENTURE OF TRUST
2003 Series C RELATING TO THE REFINANCING OF REDEVELOPMENT ACTIVITIES
(City Centre Proj.) WITHIN THE CITY CENTRE REDEVELOPMENT AREA AND
AUTHORIZING AND DIRECTING ACTIONS WITH RESPECT
THERETO.

Adopted

The consent calendar was adopted by the following vote:

Ayes: Members Campbell, Golonski, Vander Borcht and Murphy.
 Noes: Members None.
 Absent: Member Ramos.

8:27 P.M.
 Mrs. Ramos
 Returned to the
 Meeting

Mrs. Ramos returned to the meeting at this time.

RA 42
 Repayment Note
 With Strategic
 Hotel Capital, Inc.
 (Hilton Hotel)

Mrs. Frausto, Senior Redevelopment Project Manager, Community Development Department, presented a report requesting Council approval of an offer of prepayment on a note between the Redevelopment Agency (Agency) and Strategic Hotel Capital. She reported in 1980, a 250-room Hilton Hotel and a 50,000 square foot office building were completed at the southeast corner of Hollywood Way and Thornton Avenue in the Golden State Redevelopment Project area, meeting the terms of a Disposition and Development Agreement (DDA) between the Agency and the Center at Burbank Airport. She added that in 1988, an Implementation Agreement (Agreement) between the Agency and Burbank Partners was approved to allow the development of a second hotel tower with 220 rooms and a 40,000 square foot conference center. She stated the Agency provided loans to Burbank Partners for the purchase of parcels making up the expansion site and the project was completed in January 1991.

Mrs. Frausto reported the Agreement also called for assistance to secure the success of the hotel expansion and conference center. She noted that although the existing Hilton Hotel was very successful with an occupancy rate of approximately 80 percent prior to the expansion, because the hotel was to almost double in size to over 500 rooms, the developer was concerned that the expanded project may exceed market demand in the near-term. To mitigate that concern, the Agreement provided that the Agency loan funds to the developer in an amount equal to the Property Tax Increment (TI) and Transient Occupancy Tax (TOT) generated by the project to cover any deficit experienced by the combined operations of the existing and new hotel towers, not including the conference center, until the expanded hotel became profitable. She added based on the hotel's actual operating performance after the Agreement was executed, the developer was entitled to receive \$6 million in assistance (Agency Note) and the Agency made continued payments on the Agency Note based on TI and TOT

generated until the outstanding balance plus eight percent interest was fully paid in January 2002. She explained the Agreement required the Agency assistance to be treated as a loan (Participant Repayment Note), which would accrue at eight percent interest, and the Participant was not required to begin repaying the Note until the hotel began operating at a profit. She also stated repayment would also be triggered by a sale or refinancing of the hotel, but only if the sale or refinancing occurred after the hotel achieved profitability. She added the Agreement also stated that the Participant may elect to prepay all or any of the Participant Repayment Note without penalty.

Mrs. Frausto also reported that in 1998, the hotel and conference center were sold to Strategic Hotel Capital, which assumed the obligation of the Participant Repayment Note, and agreed to be bound by the terms and conditions of the Fourth Implementation Agreement. She stated since the Agency Note was paid in full in January 2002, staff has been monitoring the payment of the Participant Repayment Note, and an analysis completed in May 2003 by Keyser Marston and Associates (KMA), the Agency's financial analyst, estimated the balance of the Note to be approximately \$8.8 million, including accrued simple interest at eight percent per year, and the deduction of a payment in the amount of \$291,000 for 2002, the year in which the hotel achieved "Ascribed Operating Excess" since the Agreement was executed.

Mrs. Frausto informed the Council a proposal was received for a lump sum payment of \$3.6 million in return for complete and final release of all liabilities under the Participant Repayment Note and the Fourth Implementation Agreement. She added KMA prepared an analysis of the estimated net present value of the Note using estimated Agency Share payments assuming best case assumptions and the Participant's more conservative assumptions as the worst case scenario at various discount rates, and concluded that the net present value of the Note is estimated to range from \$803,000 to \$7.79 million. She stated the prepayment offer from Strategic Capital Hotel falls in the mid-point of the range, and noted unlike a note that has defined variables and terms, it was impossible to determine the exact net present value of the Participant Repayment Note and added the ultimate value would depend on actual interest rates and revenue increases experienced in the future. In addition, she stated KMA estimated the Note would be repaid by 2034, as compared to the Participant's estimate of 2046.

Mrs. Frausto discussed the advantages and disadvantages to accepting the prepayment offer, and stated under the most optimistic assumptions, the Note will not be repaid for at least 31 years during which time the hotel may experience up and down revenue cycles which would result in several years during which the Agency does not receive a payment. She added if the Agency accepted the prepayment of \$3.6 million, certainty regarding the repayment schedule would be achieved and the funds would be used in the near term. On the other hand, she cautioned if the Agency did not accept the prepayment offer, the Agency may receive an amount estimated to be between \$7.9 and \$8.8 million over the next 30 or more years, or may receive less than \$3.6 million, depending on the success of the hotel.

Mrs. Frausto concluded by stating Community Development and Financial Services staff recommend that the Agency accept the prepayment offer from Strategic Hotel Capital in the amount of \$3.6 million based on the cyclical nature of the hotel industry, possible future competition that may affect the success of the Hilton Hotel and thus future payments to the Redevelopment Agency, and State budget uncertainties.

Following Council deliberation, staff was directed to renegotiate with Strategic Hotel Capital and consider a more appropriate discount rate.

8:52 P.M.
Recess The Agency recessed at this time to permit the City Council to continue its meeting. The Agency reconvened at 10:24 p.m. for public comment with all members present.

10:28 P.M.
Adjournment There being no further business to come before the Agency, the meeting was adjourned at 10:28 p.m. in memory of Mary Louise Paziak and Harry Bauch.

Secretary

APPROVED SEPTEMBER 30, 2003

Chairperson