



THE CITY OF SAN DIEGO

DATE ISSUED: November 18, 2009

REPORT NO.: RA-09-28

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of November 23, 2009

SUBJECT: Rehabilitation Loan Agreement and Associated Actions for the North Park
Theatre Rehabilitation Project in the North Park Redevelopment Project Area

REQUESTED ACTIONS:

That the Redevelopment Agency:

1. Approve the Rehabilitation Loan Agreement and authorize the Executive Director or designee to execute the Rehabilitation Loan Agreement between the Redevelopment Agency of the City of San Diego and Lyric Opera San Diego for the North Park Theatre Rehabilitation Project and to execute such further instruments and enter into such additional agreements as may be necessary to effectuate the Rehabilitation Loan Agreement.
2. Authorize the Chief Financial Officer as delegated to expend funds of up to \$162,918 pursuant to the Rehabilitation Loan Agreement as a forgivable loan to Lyric Opera San Diego for the North Park Theatre Rehabilitation Project.

SUMMARY

Staff Recommendation - That the Redevelopment Agency approve the requested actions.

Other Recommendations - None

Fiscal Impact - The \$162,918 for this action is available from North Park Redevelopment Project Area 2003 Series A Taxable bond proceeds and from existing non-housing tax increment generated in the North Park Redevelopment Project Area. These project expenditures were included in the Fiscal Year 2010 budget, were taken into account when determining this project area's ability to fund its estimated portion of the State's ERAF Take, and will not impact the Agency's ability to make the FY 2010 ERAF Payment at such time it becomes legally obligated to do so.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

April 28, 2008: City Council action to accept a loan repayment for \$352,500 from the Redevelopment Agency and provide a \$352,500 forgivable loan to Lyric Opera San Diego.



Redevelopment Agency

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City Planning & Community Investment



KEY STAKEHOLDERS:

ROLE	ONWERSHIP	FIRM/CONTACT
Owner	Lyric Opera San Diego 2891 University Avenue, Suite 1 San Diego, CA 92104	Leon Natker, General Director lnatker@lyricoperasandiego.org

PROJECT BACKGROUND

The North Park Redevelopment Plan (the “Plan”) was adopted on March 4, 1997. The Plan identifies various redevelopment priorities including the rehabilitation of any building or structure in the Project Area. North Park’s Third Five-Year Implementation Plan, adopted on July 17, 2007, identifies one of its specific goals and objectives as the following: “Encourage conservation, rehabilitation and redevelopment in order to eliminate and prevent the spread of deterioration and blight in the Project Area.”

Lyric Opera San Diego (Lyric Opera), a 501(c)3 not for profit organization, is the owner and manager of the Birch North Park Theatre located at 2891 University Avenue (see Attachment 1-Site Map). Prior to Lyric Opera taking ownership of the theatre in 2006 it underwent extensive rehabilitation with assistance from the Redevelopment Agency (Agency). The total cost for the theatre project was approximately \$12 million.

PROJECT DESCRIPTION

The requested actions are for a \$162,918 forgivable loan to Lyric Opera for additional rehabilitation and improvements to the North Park Theatre which are anticipated to help preserve and maintain the theatre by reducing operating costs and improving the aesthetic appeal of the theatre for the patrons and the community (see Attachment 2 – Rehabilitation Budget and Attachment 3 – Rehabilitation Loan Agreement).

The proposed rehabilitation of the interior of the theatre includes remediation of the existing HVAC including commissioning, remediation of the box office fire alarm, electric meter room plumbing remediation, installation of a sump pump alarm, improvements to bathroom sinks, waterproofing of the basement, raising the wheelchair lift, and replacement of the basement vinyl flooring and office flooring.

The proposed rehabilitation of the exterior of the theatre includes historic restoration of the University Avenue marquee and University Avenue vertical marquee and installation of a gate at the west alley and a gated enclosure at the east theatre exit to address issues with homeless sleeping on the property, which has become a safety issue for the employees and patrons.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is with a Non-Profit organization, and therefore exempt from Workforce Report analysis, additionally the firm has fewer the 15 employees, is exempt from the employment category goals.

This agreement is subject to the City’s Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and the Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

ENVIRONMENTAL REVIEW:

This activity is covered under the Environmental Impact Report for the North Park Redevelopment Project (SCH No. 93121105, dated April 1995, adopted on January 28, 1997, by Resolution No. R-288303) and Secondary Study for the North Park Theatre (February 25, 2002, Resolution No. R-296398, dated 4/23/02). The activity is adequately addressed in the environmental document and there is no change in circumstance, additional information, or project changes to warrant additional environmental review. Because the prior environmental documents adequately covered this action as part of the previously approved project, the activity is not a separate project for purposes of CEQA review per CEQA Guidelines Section §15060(c)(3) and 15378(c).

FISCAL CONSIDERATIONS:

It is proposed that Agency funding be paid from North Park Redevelopment Project Area 2003 Series A Taxable bond proceeds and from non-housing tax increment generated from the North Park Redevelopment Project Area. Conditions precedent to the loan closing include, but are not limited to: evidence of all permits and requirements of the Historical Resources Board have been received and approved by the Agency Executive Director or designee, the contracts with the various firms performing the improvements have been executed, and evidence of insurance has been provided. The loan would be forgiven proportionally over a seven year period that would start after the improvements are completed.

There is a risk that the Agency could lose some or all loan funds should Lyric Opera have a foreclosure or surrender a deed of title in lieu of foreclosure to a senior lender. Until completion of construction, Lyric Opera may not place any additional encumbrances on the property. After completion of the improvements, Lyric Opera may refinance existing loans into more favorable terms, which may include increasing the loan amounts, so they can retire more expensive debt to free up more capital to devote to theatre operations. Total senior debt including the outstanding principal on the Agency loan shall not exceed ninety-five percent (95%) of the appraised value of the theatre, of which the Owner shall be required to obtain Agency approval of such appraisal prior to refinancing.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

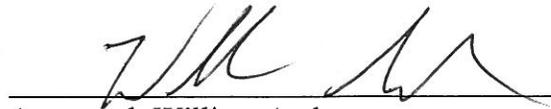
On June 18, 2009, the North Park Historical Society board of directors voted unanimously in support of the plan to reinstate the vertical North Park marquee sign. On July 14, 2009, the North Park Redevelopment Project Area Committee voted 8-2-2 recommending approval of the \$162,918 expenditure for the North Park Theatre Rehabilitation Project.

The Project fulfills the goals and objectives of the Redevelopment Plan by providing financing for the rehabilitation of a building in the Project Area. The continued viability of the theatre will be of significant benefit to local restaurants and other businesses in the Project Area.

Respectfully submitted,



Janice Weinrick
Deputy Executive Director
Redevelopment Agency



Approved: William Anderson
Assistant Executive Director
Redevelopment Agency

- Attachments: 1. Site Map
2. Rehabilitation Budget
3. Rehabilitation Loan Agreement