OFFICE OF THE CITY MANAGER/EXECUTIVE DIRECTOR---
65 Civic Avenue
Pittsburg, CA 94565

DATE: 09/10/2008
TO: Chair and Agency Members
FROM: Marc S. Grisham, Executive Director
SUBJECT: Adoption of an Agency Resolution for Approval of the Terms for Loan Documents by and between the Redevelopment Agency of the City of Pittsburg and Pacific Plaza Imports, Inc. to Renovate the Property at 615-619 Railroad Avenue

MEETING DATE: 9/15/2008

EXECUTIVE SUMMARY

The Redevelopment Agency of the City of Pittsburg (the “Agency”) has been in discussions with Pacific Plaza Imports, Inc. (the “Developer”), the owner of the property located at 615-619 Railroad Avenue (the “Property”), for financing for the rehabilitation of the Property. The Developer purchased the Property to own and operate a Deli/Restaurant with Culinary Classes (collectively, the “Restaurant”). The 2,000 square feet of retail space at the Property is vacant and in need of rehabilitation. Agency staff has negotiated loan terms (the “Terms”), with the Developer to rehabilitate the retail space at the Property. The Agency is being requested to approve the business terms of the loan documents (the “Loan Documents”). The Property is located in the center of Old Town Pittsburg, where the Agency has made significant focused investments in the last two years. This loan and the rehabilitation of the Property would continue the Agency’s efforts with commercial revitalization of Old Town.

FISCAL IMPACT

Up to $963,500 from the 2006 Tax Allocation Taxable Bonds (consisting of $600,000 construction loan funds, a $224,000 façade improvement loan, and $139,500 for a loan for ADA improvements to the Property).

RECOMMENDATION

Staff recommends that the Agency Board adopt the resolution approving the Terms authorizing the Executive Director of the Agency to cause the preparation of Loan Documents consistent with the Terms.

BACKGROUND
On June 4, 2007, the Agency entered into a loan agreement with the Developer for a tenant improvement and façade improvement loan for the remainder 3,400 square feet vacant retail space located at 675 Railroad Avenue as part of the rehabilitation of 675-695 Railroad Avenue in order to attract a gourmet food and drink retailer. This location is currently open and known as the Palace of Fine Foods selling caviar, saffron, wines as well as other food items. The Developer is in compliance with the loan documents for that project, and that project has assisted in the elimination of blight and the revitalization of Old Town.

The 2,000 square feet building located at the Property is currently vacant was purchased by the Developer on June 4, 2008. There are no mortgages or other financing encumbering the Property.

Across the street from these locations the new Vidrio building (Phase I) is under construction along with new street, landscape and sidewalk improvements. The old and decrepit façade on these buildings are so different from the immediate surroundings that it looks out of character and dated. The interior improvements at the Property are also very dated, unattractive, and are in need of rehabilitation, and these buildings contribute to blight within the Project area.

**SUBCOMMITTEE FINDINGS**

Result of the September 8th, 2008 Subcommittee Meeting recommends that all components of the loan be secured by a deed of trust recorded in the 1st loan position against the Property and that the matter be brought before the full Agency Board for review and consideration.

**STAFF ANALYSIS**

The Loan Terms, including three components of the loan, are as follows

1. A Façade improvement component of the loan up to the amount of Two Hundred Twenty Four Thousand Dollars ($224,000), from the Agency, that is immediately forgivable after the Restaurant has obtained a Final Occupancy Permit. Prior to funding this portion of the loan, the owner must record a façade easement on the Property in favor of the Agency (this will be limited term easements for maintenance of the façade). The entitlement for the Façade improvements must be approved by November 2008. Installation of the Façade on buildings 615 and 619 Railroad Avenue to commence 45 days after acquiring the Façade entitlements along Railroad Avenue and 6th Street. Developer will insure completion of the façade.

2. An ADA improvement component up to the amount of One Hundred Thirty Nine Thousand Five Hundred ($139,500), from the Agency, that is forgivable after the Restaurant has been continuously open for five years from the date of occupancy permit being issued. A pro rata portion of this loan will be forgiven for each year the Restaurant is operated. The ADA component will be used to rehabilitate the existing building to meet current federal, state and local American Disability Act requirements.

3. A commercial building rehabilitation loan component totaling Six Hundred Thousand Dollars ($600,000), from the Agency. The term for the note for this component is for Ten years at a rate of Five Percent (5%) simple interest until repaid in full. This component can only be used for rehabilitation of existing building improvements at the Property. Unlike the
façade and ADA components, which shall be disbursed on a lump sum basis, the rehabilitation component shall not be advanced in its entirety but drawn upon, per Agency approved schedule of draws, set by percentage of construction completion that is normal in the construction industry.

4. Use of any and all Restaurant services, for Agency functions, not to exceed twenty (20) times per year, at the cost of the Developer of the Restaurant for the life of the Restaurant.

5. The Developer cannot own or operate any other deli/restaurant with culinary classes concept in any city within the State of California until all loans from the Agency have been paid off in full or upon majority approval from the Agency governing body.

6. All components of the loan shall be secured by a deed of trust recorded in the 1st loan position against the Property.

7. The Developer must submit detailed reports on the use of the Façade and ADA improvement components to the Agency for review. To the extent any funds to be used for façade or ADA improvements are not used in accordance with the Loan Documents, the amount of the rehabilitation loan shall be reduced by the same amount.

The Terms also provide for loan forgiveness for the façade component and ADA component as long as the Developer remains in business at the Premises and is not in default under the Loan Documents. The Terms provide for 1/5 of the façade component and ADA component to be forgiven on each anniversary date of the occupancy permit. All loans and interest, other than loan amounts already forgiven, become due and payable if the Developer defaults or transfers the business to another entity without Agency authorization.

No funds are to be dispersed until the Loan Documents are prepared, approved, signed and recorded (as applicable) as authorized by the Executive Director. The façade component and ADA component are to be disbursed in a lump sum upon recordation of the deed of trust securing the loans and the easement agreement.

Under the Terms, the Developer will operate the Restaurant. The Developer may also provide outdoor dining. The Developer plans to conduct culinary classes at the Property, which the Developer indicates draws clients from all across the Bay Area. The culinary classes would be operated by the Developer or a local school as part of their curricula. This feature of the business has the potential to draw new customers to Pittsburg, and the Oldtown area of Pittsburg, who may never have otherwise come to Pittsburg or Oldtown. These customers would be introduced to a revitalized Oldtown and they may also frequent other shops and restaurants, resulting in spin off business for existing and future retailers and restaurateurs in the Oldtown area.

If the Terms are approved at tonight’s meeting, the Developer will work with the Agency to create the necessary Loan Documents as identified by these Terms. The Loan Documents will be prepared in a manner consistent with the Terms and, to the extent practical, to protect the Agency’s investment, including but not limited to, approval of construction plans and other conditions. The Developer plans to complete the rehabilitation of the Premises and open to the public on or before March 1, 2009.

The proposed rehabilitation of the Property will help meet the following goals of the Redevelopment Plan for the Los Medanos Community Development Project Area:
- Encourage the location of more and different types of businesses in the planning area.
- Build a mixed-use downtown that will serve as both a visual landmark and a “place to go” for Pittsburg residents.
- Use redevelopment powers to encourage downtown development of offices, specialty stores and restaurants.
- Encourage the improvement and redevelopment of the older downtown area with new specialty shops, major stores and supporting commercial facilities.

In addition, the proposed help meet the following goals of the five-year Implementation Plan for 2005-2009 for the Los Medanos Project Area:

- Improve the quality and mix of uses in the downtown area and encourage business growth, development and investment.
- Promote and assist in the development of blighted, underutilized and/or vacant parcels.
- Attract highly needed services to the downtown area through the development of downtown projects.
- Promote the downtown area as the social, cultural and entertainment center of the community.

ATTACHMENTS: Redevelopment Agency Resolution
Deal Points
Redevelopment Staff Report

Report Prepared By: Courtland Holman, Project Manager