



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: AC Hotel Project (120 West Colorado Street): Statutory Development Agreement between the City of Glendale and Vista Investments, LLC, a California Limited Liability Company

COUNCIL ACTION

Item Type: Public Hearing

Approved for April 20, 2021 **calendar**

ADMINISTRATIVE ACTION

Submitted by:

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Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

Approved by:

Roubik R. Golanian, P.E., City Manager

RECOMMENDATION

Staff recommends the City Council introduce the ordinance approving the Development Agreement between the City of Glendale and the Vista Investments, LLC, a California limited liability company.

BACKGROUND/ANALYSIS

PROJECT HISTORY & DESCRIPTION

On May 22, 2018, the City Council approved PDR 1721930 for a six-story hotel with 130 guest rooms with one level of subterranean parking ("Project"). In addition, the City Council approved PVAR 1721927 to allow 38% of the required parking spaces to be in a tandem and/or vertically stacked arrangement (exceeding the Code maximum of 25%). Both approvals were set to expire on May 22, 2020, two years from the approval date. Per GMC Section 30.41.015 a one-year time extension was granted extending the approvals to May 22, 2021.

EXISTING CONDITIONS

The subject site, located on the south side of West Colorado Street between Brand Boulevard and Central Avenue, is approximately 29,500 square feet and currently developed with a 52-room Vagabond Inn. The site is zoned Downtown Specific Plan (DSP), Colorado Transitional which permits a variety of uses, including general retail, restaurants, offices, hotels, multi-unit residential buildings, and mixed-use development, and forms the southern edge of the Downtown area.

PROPOSED PROJECT

The Project would demolish the existing Vagabond Inn and construct a six-story hotel with 130 guest rooms featuring a contemporary design aesthetic. The ground level of the Project includes a lobby (with an entrance from Colorado Street), lounge, breakfast room, and service areas. This level also includes a portion of the parking for the Project as well as a ramp leading to a subterranean parking level. The second floor contains meeting rooms, a fitness room, six guest rooms and an outdoor courtyard with seating areas and a reflecting pool. Floors 3 through 5 each contain 32 guest rooms. Floor 6 contains 28 guest rooms and a green roof. Site access is provided via a one-way driveway on Colorado Street with a one-way exit onto Elk Avenue.

At the time of approval, hotel uses were required to provide one parking space per guest room. For non-residential uses in the DSP, up to 25% of the required number of parking spaces may be tandem or vertically stacked. While providing the required 130 parking spaces, 38% of those spaces are in a tandem or vertically stacked configuration, and required the variance approval.

The DSP Colorado Transitional District allows by right a building up to 4 stories/65 feet in height and 2.50 floor area ratio (FAR), and 6 stories/95 feet using the DSP Height and Density Incentives Program. As a hotel the Project qualified for the incentives and is six stories and approximately 81 feet high, and has a 3.00 FAR.

DEVELOPMENT AGREEMENT

Development Agreements are regulated by State statute (Government Code Section 65864 through 65869.5). The proposed Development Agreement (DA) is a typical development agreement that “freezes” and vests the zoning and other requirements in order to provide certainty between the entitlement and building permit phase of a complex development project.

The Applicant is requesting a DA to preserve the entitlements for a six (6) year term, lock in the 2018 City Development Impact Fee structure (impact and linkage fees, exactions, or fair share charges imposed by the City on new development), and outline the FAR and height bonuses being required by the Developer under the Downtown Specific Plan’s Community Benefit Incentive Program (DSP Chapter 7.2.3). In exchange, the Applicant agrees to redevelop the site with a new, 130-room business class AC Hotel at an estimated cost in excess of \$20,000,000.

The DA will also provide acknowledgements, agreements and assurances on the part of the Developer and the City. The DA also incorporates the approved Stage II Design, and includes a covenant as it relates to the FAR and height bonuses required for the Community Benefit Incentive Program; the covenant secures the continued use as a hotel.

The DA is being requested by the applicant due to the economic fall-out resulting from the COVID-19 global pandemic and economic downturn that significantly impacted the hotel industry and construction pricing. The six (6) year term of the DA is intended to preserve the Project’s entitlements for a time period that will allow for the resolution of the pandemic and subsequent economic recovery that will be necessary to support building a new hotel; as well as provide additional time to resolve Project construction financing and subsequent preparation of construction documents, plan check and permitting.

On April 7, 2021, the Planning Commission reviewed the DA for consistency with the General Plan and the Downtown Specific Plan (“DSP”). The Planning Commission made a finding of consistency with the General Plan and DSP, and recommended that City Council approve the DA (Exhibit 2) with the following comments: (i) the City Council consider shortening the term of the DA; and (ii) the City Council consider revising the freeze on the applicable development impact fees. One Commissioner suggested the Council consider the Planning Commission’s discussion of the Project’s pipeline status regarding the 2019 DSP design standards update; however, that suggestion was not supported by any of the other Commissioners and was not part of the formal recommendation of the Commission.

ENVIRONMENTAL REVIEW

The project is exempt from CEQA review as a Class 32 “In-Fill Development Project” pursuant to Section 15332 of the State CEQA Guidelines because the Project is consistent with the General Plan designation of the site, the development is proposed within the city limits of the City of Glendale on a project site of less than five acres and surrounded by urban development; the project site has no value as habitat for endangered, rare or threatened species; as confirmed in technical studies, no significant effects relating to traffic, noise, air quality or water

quality will result and the site can be adequately served by all required utilities and public services.

FISCAL IMPACT

The Project, if constructed, will generate new property taxes, transient occupancy taxes and fees. However, there will be an undetermined cost associated with the increased public service delivery to the Project. The developer originally estimated a Project cost of \$22.0M. Based on the estimated construction costs, the Project would initially generate \$29,900 in annual property tax to the General Fund. Additionally, the Project would pay an in lieu Art Fee of approximately \$220,000, school fees in the amount of \$49,600, and approximately \$397,000 in building permit/plan check fees. The Project is anticipated to generate \$1.0M to \$1.1M in gross annual transient occupancy taxes upon Project stabilization.

Hotels are exempt from the Development Impact Fees for parks and libraries and the Affordable Housing Commercial Development Impact Fee. The DA locks in the Project's exemption for the payment of these fees and would exempt the Project from other development impact fees that may be adopted during the term of the DA. The permit fees and all other fees will be assessed at the rate in effect at the time they are required to be paid and are not fixed as a part of this DA.

ALTERNATIVES

The following alternatives are presented for Council consideration:

Alternative 1: The City Council may introduce the of Ordinance approving the Development Agreement. This Alternative would extend the Project's current entitlements for an additional six years and provide for locking in the current Development Impact Fee structure for the duration of the DA;

Alternative 2: The City Council may choose to not introduce the Ordinance. This Alternative would cause the Project to lose its entitlements on May 22, 2021. The applicant would have to re-entitle a new project taking it through the entire City entitlement process if they still had an interest in pursuing redevelopment of the Vagabond Hotel;

Alternative 3: The City Council may consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

In accordance with Council direction pursuant to the adopted City Campaign Finance Ordinance, the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, subcontractors and any person or entity with 10% interest or more in the company proposed for contract in this Agenda Item Report is attached as Exhibit 3.

EXHIBITS

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| Exhibit 1 | Development Agreement |
| Exhibit 2 | Planning Commission Recommendation |
| Exhibit 3 | Campaign Finance Disclosure |