CITY OF GLENDALE
INTERDEPARTMENTAL COMMUNICATION

DATE: November 15, 2017

TO: Scott Ochoa, City Manager

FROM: Philip Lanzafame, Director of Community Development Department

SUBJECT: Americana Status Report 2017

EXECUTIVE SUMMARY

During a recent discussion, the City Council asked several questions about the Americana at Brand, the Agreements surrounding the project and its economic impact. Similar questions have been raised in the past wherein staff prepared a background memo generally outlining Project Objectives, Costs and Economic Benefit.

The circumstances related to the then-City Council's decision to approve the project have greatly changed due to the elimination of redevelopment, namely the economic benefit expected to be realized from property tax increment. As a result, staff has had to extrapolate certain data based on prior circumstances and existing available data. Project costs have not changed over time; however, on-going expected revenue has.

Using a similar format to past reports, this memo provides information on the following topics:

- **Public policy objectives for the project**: Redevelopment projects were specifically intended to achieve more than a financial return. In fact the very concept of redevelopment was specifically designed to encourage development where the private sector either could not or would not develop and improve an area on its own. This investment by the public sector would in turn be a catalyst for future private sector investment. The Agency identified five general objectives first among them to eliminate blighted properties. Other objectives included generation of new public revenue; diversifying the community's retail base and housing stock; creation of new public open space; and new jobs. All five objectives were successfully achieved.

- **Project Cost:** The Agency estimated the total cost of the project to be $77.1 million. This was based on appraisals and estimates prepared before project approval in 2003. At the conclusion of all project-based activities in 2011, the final cost was $88.4 million. This represented a 14.6% increase in costs due mainly to appreciation in land value, unforeseen site conditions (soil/water contamination and clean-up) and litigation expenses for challenges to the Agency's ability to acquire and environmental review; the Agency was successful on every challenge to its activity.

- **Value of the land conveyed to the developer**: The Agency used a residual land value formula to determine the value of the land conveyed to the developer. Simply stated, the formula looks at the value of the project in the completed condition minus the cost to develop to the specifications dictated by the redevelopment agency (including a negotiated developer return on investment) which identifies the amount available to pay for land. In many cases across California, land contributed by the agency was included in this formula to make projects viable and achieve the established public policy goals and objectives. In the case of the Americana at Brand and given the conditions, restrictions and obligations imposed by the Agency, there was no residual value assigned to the land.

- **Agency Participation:** Determining land value and Agency investment in a redevelopment project is done using several estimates and assumptions. To ensure a project does not receive a windfall if it out-performs those estimates and assumptions, the Agency will frequently include a Participation clause whereby if the project performs better than expected, the Agency shares in the excess profit. If the project performs worse than expected, the developer assumes the entire loss. In the case of the Americana at Brand, the project performed slightly less than expected (mostly in higher development costs than estimated) and participation was not triggered. With the elimination of redevelopment, the Agency was compelled to terminate that provision. At the time of termination, it was estimated that participation would never be triggered. Nonetheless, the Agency was able to negotiate a termination price of $100,000 that was distributed to all the taxing agencies.

- **Operation and Maintenance of the public open space (Green):** As negotiated in the original agreement, Caruso Affiliated was obligated to operate and maintain the public open space which they have. This cost has ranged from $350,000 to almost $700,000 over the years.

- **Advertising signage:** Provisions were built into the code (Advertising Signage Overlay Zone or ASOZ) for special signage to occur at the Americana at Brand and the Galleria.

- **Affordable Housing:** Neither the then-Redevelopment Law nor the Agency ever required the inclusion of affordable housing in the project; however, it was always known that a portion of the tax increment generated by the site would be reserved for affordable housing. Were it not for the elimination of redevelopment in 2012, it is estimated that the Americana at Brand would have generated $9 million dedicated to affordable housing, an amount sufficient to subsidize 90 affordable units; and

- **Economic Benefit:** The Agency anticipated some economic benefit from the project as noted in the project objectives. With the elimination of redevelopment, the amount realized was drastically reduced. But for the elimination of redevelopment, it is estimated the City would have realized approximately $62 million in direct revenue (sales and property tax increment, profit-sharing from the public garage) including $9 million dedicated to the production of affordable housing. Indirectly, the downtown has benefitted from the positive effects of the Americana at Brand promoting hundreds of millions of dollars in other, private investment most notably from General Growth Properties and their improvement of the Glendale Galleria.

BACKGROUND

A. Project Description and History

The Americana at Brand is a mixed-use project of approximately 430,000 SF retail space and 338 housing units located on 15 acres in downtown. The project site is bounded by Brand Boulevard on the east, Colorado Street on the south, Central Avenue on the west and generally portions of the Glendale Galleria II parking structure on the north.

The Redevelopment Agency approved the Stage II Preliminary Design for the Americana at Brand in April 2004 along with the project EIR. The project approvals also included the Disposition and

Development Agreement (DDA) between the Agency and Caruso Affiliated and a Development Agreement (DA) between the City and Caruso Affiliated. The City also approved a Zoning Text Amendment, a Zoning Map Amendment, and the Town Center Specific Plan.

The Stage III Final Design for the project was approved by the Agency on February 22, 2005. On June 20, 2006, and September 5, 2006, the Agency approved a series of design modifications to Stage III Final Design approval. On October 31, 2008, the City Council and Agency approved amendments to the DA and the DDA, and the Agency approved the Declaration of Reciprocal Covenants, Conditions, and Restrictions, and Easements for the Americana at Brand ("Declaration").

B. PUBLIC POLICY OBJECTIVES OF THE AMERICANA AT BRAND PROJECT

Unlike the private sector, where a primary objective is to maximize return on investment, redevelopment projects often had multiple public policy goals, many which inherently conflicted with the private sector goal of generating sufficient financial return to warrant risking private dollars. This "trade off" of public policy objectives over revenue recovery was a fundamental characteristic of many redevelopment projects.

The Americana at Brand was conceived as more than a mixed-use retail center with housing. The Agency envisioned an extraordinary project that not only generated tax revenues but was distinctive, vibrant, created a sense of place, and implemented particular urban design principles. With its completion, the Americana successfully achieved the desired public goals including:

- The elimination of blighted properties;
- Generation of new public revenue;
- Diversifying the community's retail base and housing stock;
- Creation of new public open space; and
- Creation of new jobs.

Exhibit 1 contains a list of the project's objectives as defined by the Agency and how those objectives have been met by the Americana.

C. ORIGINAL PROJECT COST ESTIMATE

When approved in April 2004, the public cost of the Americana was estimated to be $77.1 million comprised of the following:

1) Land Acquisition & Assembly	$62.6M	Land, tenant relocation, business goodwill, demolition, hazardous materials remediation, and other expenses.
2) Other Development Cost	$ 1.8M	Legal and financial consulting services and CEQA preparation.
3) Public Improvements	$12.7M	Excavation/shoring, traffic mitigation & signals, sidewalks, lighting, landscaping, irrigation, curbs, gutters, paving, and storm drains

The budget estimates were based on the project pro forma, fee interest and F&E appraisals, and professional estimates for consulting services, demolition, and tenant relocations.

The original project estimate valued the Agency's contribution at a set point in time, specifically December 9, 2003. The estimate provided a contingency allowance to account for project vagaries such as increasing property values, goodwill, and undetected soil contamination.

(1) Updated Project Cost Estimate

The last of public project expenses was concluded in late 2011. Total project costs were $88.4M, which represents a 14.6% increase over estimates.

(2) Cost Escalation- Land Acquisition & Assembly

Project acquisition costs totaled $70.6, which as noted included business relocation and goodwill, FF&E, appraisals, hazmat removal and demolition. There are many factors that contributed to the increase in acquisition costs:

- ***Increasing land values***: Commercial property values in the southern California witnessed a nearly unprecedented escalation in 2004 and 2005.
- ***Date of Appraisals:*** The fee estimates were based on appraisals completed in 2003 and did not anticipate the realized appreciation in property values that occurred 2004 - 2005.
- ***Date of Value:*** For the purposes of establishing value, the Court used July 16, 2004 as a date of value. Opposing counsel had the benefit of sales occurring in late 2004 and 2005 to press for a higher value. Though adjusted, they provide a rationale for higher values.
- ***Goodwill Claims***: Goodwill claims in general are difficult to estimate because the after condition is unknown and the business has not operates at their new site. Without this information, goodwill estimates are speculative. The goodwill claims were accounted for though a contingency allowance.
- ***Relocation claims***: Relocation costs are partially determined by the ultimate relocation site and necessary improvements. These estimates are subject to change because the actual cost often cannot be determined until the business relocation is completed. Relocation costs for some tenants proved to be higher than estimated due to these factors.
- ***Groundwater Contamination Investigation/Monitoring***: Additional costs were incurred investigating the Unocal gas station at 200 S. Central. The increased costs were primarily the result of installing groundwater monitoring wells.
- ***Soil contamination and demolition***: Costs exceeded budget due to the discovery of unexpected contamination and subterranean structures during excavation.

(3) Cost Escalation- Other Development Costs

"Other development costs" exceeded estimates due primarily to legal and consultant fees incurred defending the project EIR and entitlements, acquiring 126-40 South Central Avenue, and defending the Agency from an inflated loss of business goodwill claim.

Following their failed challenge, General Growth Properties appealed the Superior Court's ruling upholding the validity of the project EIR and entitlement. The Agency had to expend funds to defend the City from the lawsuit. In addition, preparation of additional technical studies for environmental analysis was necessary to address the legal challenges. The former owner at 126-40 South Central

Avenue also raised a costly and complex legal defense challenging the Agency's right to acquire the property. In the end, the Agency prevailed in the challenge but the cost to defend was incurred without the ability to recoup them from the plaintiff. In addition, Goodyear pressed a very large goodwill demand that was unsubstantiated given State law. The Agency had to expend additional funds to take the matter to trial, ultimately prevailing and securing a judgment that was $1.5M lower than the owner's demand.
"Other development costs" were approximately $5.1M. Of this amount, $2.6M was directly attributable to the defense of the project EIR and entitlements, and litigation expenses from acquiring 126-40 South Central Avenue and defending the Just Tires goodwill claim.

(4) Cost Escalation- Public Improvements

The costs of the public improvements were capped at $12.7M by the Disposition and Development Agreement. Those costs did not change.

D. Residual Land Value Calculation

When the Americana property was conveyed to Caruso Affiliated, per California Redevelopment Law, the Agency was required to value the land subject to the "*use and with the conditions, covenants, and development costs required by the sale or lease*". The Agency was required to determine the property's value based on the cost to build the project in the manner and quality obligated by the DDA, and in consideration of the negotiated project rate of return. This oftentimes is referred to as "Residual Land Value" and represents the value of the project in the completed condition minus the cost to build; this is the amount available to pay for land. If the number is negative, it indicates an additional amount needed to be subsidized in order to make the project economically viable. Based on the Americana's projected cost (as dictated by conditions established by the Agency) and the ensuing revenue stream, the land had no value. Caruso Affiliated could not afford to pay any amount for the land, build the project to the GRA design requirements, and earn the negotiated rate of return.

Lowering the rate of return to generate a residual land value (meaning some amount would have been available to pay for land) would have made the project investment less attractive from a market (and thus the developer) perspective. Simply stated, the lower rate of return would not have been commensurate with the level of investment risk associated with development of projects of this nature; private financing would not have been available for the project and it would not have been built.

One of the primary purposes of redevelopment was to provide incentives to developers to undertake projects that otherwise would not or could not have occurred by private industry alone. Typically redevelopment projects, such as the Americana, placed design requirements on an area that was intended to create improvements for public benefit, rather than solely based upon the most profitable use of the land from a developer's point of view. In this context, the 8.5 acres of land conveyed and 4 acres leased to Caruso Affiliated did not have any value given the project's design requirements, on-going quality and programming standards, the projected income, and the negotiated rate of return.

E. Revenue Participation Provision

The DDA contained a profit sharing mechanism (Participation Note) secured by the Ground Lease that provided the Agency an opportunity to participate in future Americana revenue. The primary purpose of the profit sharing arrangement was to provide a mechanism to allow the Agency to recover funds if the Americana was more successful than originally forecasted. For example, if the actual development costs were lower than forecast, or the project generated more income than expected, the GRA would have benefited by being able to participate in receiving a portion of the excess operating income.

The participation would have begun only if the Americana exceeded the agreed upon cumulative required rate of return on their investment. The threshold for Agency participation was 11.75% for retail, and 8.25% for the residential portion. If the Americana exceeded the thresholds, the Agency would have received 50% of the excess. Staff was able to track the performance of the project through annual net operating income reports. Based on the project's pro-forma, staff initially estimated that revenue participation would not be triggered; however, the arrangement was in place in case expectations were unforeseeably exceeded.

With the dissolution of redevelopment by the State, the Agency was obligated to wind-down its activities and terminate or renegotiate any agreements to reduce liabilities and increase new revenues to the taxing entities. Per this direction, in March 2015 the Successor Agency moved to terminate the Participation Note. A financial estimate of the value of the Agency's participation at the time it was to be terminated concluded that Agency participation would never be triggered. Nonetheless, there were some costs attributed to the Developer for administering the Participation Note (mainly an annual accounting of costs and revenues). As a result, the Agency approved a termination of the Participation Note for a value of $100,000.

F. AMERICANA GREEN

(1) Operational Considerations for the Open Space

The management, operation, rules of conduct, security and access rights for the Americana public open space are addressed in the Declaration of Covenants, Conditions and Restrictions ("Declaration") that was approved by the Agency in October 2006.

When approved in 2004, the Americana was a unique proposal that represented one of the few cases where a large public open space was a physically integrated part of a mixed-use project. There were few other examples of a public space so interwoven into a private development. Recognizing the open space and promenade were not only unique public amenities, but also integral parts of the Americana, the manner in which these spaces were operated was considered critically important to the overall project success.

In drafting the Declaration, a primary objective was to balance the use and control of the open space as an integrated part of the Americana's residential and retail uses with the public's general use. Given the large public and private investment, first priority was given to ensuring the open space supported the success of the Americana, and to place appropriate responsibility on Caruso Affiliated for its maintenance and operation. Consideration was given to ensure that the open space would be available to the general public while also balancing the expectation and experiences of project residents and visitors. As a result, uses otherwise appropriate for a less urban park were not considered appropriate for the Americana open space.

(2) Declaration

The Declaration imposed limitations on the open space beyond that of a typical public space, with the intention of balancing its role as supporting the American's commercial and residential activity with the public's use of the open space amenities. Major terms of the Declaration included the following:

- **Project Use Principle:** Underlying principal that governs the use, operation, and management of the open space. In the event a conflicts arises between the role of the open space in supporting the activities of the Americana versus general public uses, this principle gives weight to its role in supporting the success of the center. Uses are limited to those activities that are compatible with the use and operation of the commercial and residential components of the Americana.
- **Maintenance**: Americana is obligated to manage, operate, and maintain the open space in a manner of comparable quality as when it opened. This includes all surfaces, utilities, signage, water features, landscaping, trash and debris removal. The Declaration contains a detailed maintenance plan, traffic plan (for peak holiday periods), and service plan (for deliveries, trash collection,).
- **Commercial Use Easements**: Commercial uses and advertising are prohibited within the open space by the Declaration with the exception of designated Commercial Use Easement Areas ("Easement Areas"). More detail of the Easement Areas is provided later in the report.
- **Rules and Regulations**: Conduct; personal behavior; solicitation, commercial use, solicitation, performers, animals, noise, assemblies, occupancy, recreational activities, non-commercial speech.
- **Scheduling of Events**: A procedure for scheduling organized events in the open space area is provided by the Declaration.

(3) Size of the Green, Commercial Use Easement Areas, and Children's Play Area

The Agency initially retained a 2.14 acre parcel that extended from Central to Brand incorporating the Americana Way promenade and the Americana green. A portion of this parcel was dedicated to the remnants of Harvard Street. The size of the City owned parcel has since remained consistent at 74,734 SF.

Per the Declaration, commercial uses and advertising are prohibited within the public open space and promenade areas with the exception of designated Commercial Use Easement Areas ("Easement Areas"). In these areas, subject to the limitations of the Specific Plan, the Americana has exclusive right to lease kiosks, pavilions, carts, merchandise displays, and banners and signs.

The location of the Easement Areas was graphically portrayed in the Declaration. Their original location was based on the best approximation of the future location of the kiosks, pavilions, carts, pathways, and future programming of the open space before the project was built. In March 2008, the Agency approved an amendment to the Declaration to modify the Easement Areas. The total size of the Easement Areas did not change. The amendment reflected the "as-built" locations of the pavilions, consolidation of three areas, and the exchange of locations of the Christmas tree and stage area. The

March 2008 amendment also added a clause to the Declaration permitting administrative approval of minor amendments to the Declaration.

The location of the easement areas has been modified an additional three times since 2008; in August 2009, March 2013, and March 2016. The Americana requested minor modifications to the Easement Areas to eliminate or reduce certain areas that were superfluous to their commercial operation or to better fit their programming needs. In each instance the total size of the Easement Areas of 10,202 SF remained the same; no additional area was added and square footages have not been altered. Further, the amendments did not modify the types of commercial activities permitted in the Easement Areas or increase the original permitted number of carts, kiosks, and pavilions approved by the Specific Plan.

Early after opening, a children's play area was located at the southeast corner of the green. This was installed at the option of the Americana and was not a design feature approved by the Agency, nor was it a project requirement per the project agreements. The removal of the play area was at the discretion of the Americana, did not require City approval and was within the rights of the Americana per the Declaration.

G. Advertising Signage

In March 2010, the City Council adopted Ordinance 5688 which added Chapter 30.26 Advertising Signage Overlay Zone (ASOZ) to the GMC. Chapter 30.26 sets standards for establishing an ASOZ over a geographic area and regulations for signs allowed within an ASOZ. These regulations included:

(i) Only "ASOZ accessory signs" as defined by Chapter 30.26 would be permitted, and

(ii) "ASOZ accessory sign" can only advertise services and goods sold or produced on the premises or within the ASOZ.

Chapter 30.26 further required these signs be wall signs, and prohibited animated and LED signs. The City Council also approved an amendment to the Zoning Map that established an AZOS within the boundaries of the Glendale Galleria and Town Center Districts of the Downtown Specific Plan (DSP).

In July 2013 the City Council adopted Ordinance 5804 which amended 30.26 to add an "ASOZ non-accessory sign" that can advertise services and goods sold or produced on the premises or within the ASOZ or outside the ASOZ, and amended GMC 30.26 to permit animated signs.

GMC Section 30.26.100 required that an ASOZ amendment that increased or permitted new, additional or different signage shall be subject to the Council's approval of a development agreement governing the duration and regulation of the signs and providing public benefits (signage, revenue sharing or other public benefits). The development agreement is required to be approved prior to the issuing permits for ASOZ non-accessory signs or animated signs.

In 2013 the Americana was subject to the Participation Note and any sign revenues would have been included in the gross revenue calculation. This was deemed a valid agreement per GMC Section 30.26.100 and would have permitted the America to advertise ASOZ non-accessory signs; however, with the retirement of the Participation Note, the Americana no longer has a valid agreement as required by the GMC. The Americana is currently prohibited from installing ASOZ non-accessory or animated signs. All advertising must be for services and goods sold or produced on the premises or within the ASOZ.

H. Affordable Housing

The Americana project is located in the former Central Glendale Redevelopment project. Unlike the former San Fernando Corridor project area, the Central project did not have an inclusionary housing requirement - there wasn't a legal requirement to provide affordable housing in the project – and affordable housing was not a stated goal or objective of the project when the Agency sought development proposals in 2001. During the frequent public meetings that occurred during the 3-year approval process, affordable housing was not a major point of discussion. Rather, the housing discussions focused on the rental/ownership imbalance within the city, the appropriate total number of residential units (Caruso initially targeted up to 500 units), and the need for and appropriate number of ownership units within the project.

Despite not requiring an affordable housing element, the Americana was anticipated to assist indirectly with affordable housing efforts. Redevelopment Law required the 20% of all net project tax increment be devoted to preserving and increasing the supply of affordable housing. Because of this requirement, the Americana did generate a large revenue stream dedicated to affordable housing before redevelopment's elimination. For example, in 2011 (the Central Project's last year), the Americana generated $3.67M in property tax increment; an additional $941,936 was pledged solely for affordable housing projects.

I. Parking Structure Ground Lease Revenue

Per the terms of the Parking Structure Ground Lease, the Agency was entitled to a percentage rent equal to 50% of parking revenue net of collection cost. In 2011 the parking garage generated $435,051 of net revenue after expenses; the Agency received $217,525 in accordance with the Lease Agreement.

With redevelopment's dissolution the Successor Agency was obligated to terminate or renegotiate any agreements to reduce liabilities and increase new revenues to the taxing entities. Per this requirement, in March 2015 the Successor Agency approved the sale of the ground lease parcel to the Americana in the amount of $2.75M. As a result of the elimination of Redevelopment and the requirement to sell the lease, the community no longer receives parking revenue from the Americana garage as originally negotiated by the Redevelopment Agency in 2004. The City was entitled to approximately $450,000 of one-time funds as part of the dissolution formula for distributing assets.

J. Quantifying the Impact of the Americana at Brand

Quantifying the impact of the Americana at Brand is a complex analysis requiring more than just a simple "cost-benefit analysis" or "investment-in/revenue-out" approach because, as noted, redevelopment projects often had goals beyond a mere financial return. The success of achieving these public goals must be considered in any analysis. In its simplest terms, an analysis of the Americana should focus on three areas:

1) Public Policy Objectives- The success in achieving the public policy goals and objectives set for the project. This was discussed earlier in the report.

2) Direct Financial Impact- The amount of sales and property tax; value of developer incurred open space maintenance costs; ground lease payments; and potential revenue participation.

3) Indirect ("Spin-off") Impacts- Project inspired spin-off development and other private investment activity; non-financial benefits such as increased media exposure, reinforcing Glendale as regional destination, and improved marketing for the City.

(1) DIRECT FINANCIAL BENEFIT

Effect of Redevelopment Dissolution

When the project was approved in 2004, it was assumed the former Agency would receive 80% of net project property tax revenues (after statutory tax sharing payments) through the 2015 (Central Project expiration date) and at least 10-years beyond that to pay off project area indebtedness. As noted, staff prepared three prior Americana status reports that gave a snapshot at three different points:

- November 2008 after six months of operation;
- September 2010 after 2 ½ years of operation; and
- October 2, 2012 after 4 ½ years of operation and shortly after the elimination of redevelopment.

The Agency was dissolved in February 2012, and the Agency's responsibilities, assets and liabilities were transferred to the Successor Agency.

With the elimination of redevelopment, the manner in which tax increment is allocated has been radically changed. The Successor Agency now receives only the amount of tax increment necessary to meet its enforceable obligations. Tracking the actual Americana property tax amounts distributed to the GSA and City is difficult due to County accounting methods and manner in which property tax revenues are distributed. Eventually, when the entire Agency debt is retired, the property tax will be distributed to all the taxing entities. At that point, the City will receive 13.57% of Americana generated property tax, with LA County and Glendale Unified School District receiving 36.13% and 20.25% respectively.

Using a similar format as prior years, the following is a snapshot of the estimated revenues generated from the Americana at Brand adjusting for the formulas to distribute property tax increment prior to dissolution of redevelopment and after dissolution. When redevelopment was dissolved by the State legislature in 2012, set-aside funding for affordable housing was also eliminated completely.

Fiscal Benefit

As noted, staff cannot specifically identify the amount of Americana property that is distributed to the Successor Agency. For analysis purposes only, using an approximation based on the percentage of former project area assessed value attributable to the Americana, staff estimates the Americana would have generated an estimated $7.2M in annual direct financial benefit for the last reported period (Sales and Property Tax). An additional $1.2 million would have been generated in Affordable Housing funding.

This is based on the latest data in the following categories:

***Sales Tax*:** For the latest one-year period available (April 2016 to March 2017), the Americana generated $2.523M. The Americana has consistently outperformed the sales tax estimates since opening in 2008.

Property Tax: After Disney and the Galleria, the Americana is the third largest property tax payer in the City. Property tax data for each fiscal year is reported by the County of Los Angeles in late August. The Americana's assessed value for FY 16/17 is $590.7M, which generates approximately $5.907M in property tax.

As noted, the Successor Agency does not receive the full allocation of property tax increment. Because enforceable obligations remain (most notably bond repayments), the Successor Agency collects a significant portion of the property tax. Also, Americana property tax is part of the pool of revenue used to repay the Agency loan to the City. The exact allocation cannot be determined. However, in FY 16/17, the Americana assessed value (inclusive of the condos) represented approximately 11.8% of total assessed value in the former project areas. Applying that percentage to the County distribution and loan repayment ($23.315M) for the last two ROPS periods, staff approximates the Americana generated $2.75M in property tax. In addition, the City received $2.037M in residual distributions, of which $240,000 could be attributed to the Americana.

Eventually, when the Agency obligations are retired, all project property taxes will be apportioned to the taxing entities. The City will receive 13.57% of project property taxes. Using the FY 16/17 value, this would translate into $801,580 to the General Fund.

***Park Maintenance*:** Caruso Affiliated is required to maintain the public open space. As part of the revenue participation payment obligation (described below), the Americana used to provide an annual report which provided an accounting of ongoing project expenses. The report did not provide a line item for the open space maintenance. However, it did track expenses for landscaping for the retail component and maintenance of the lake/fountain which staff uses as a barometer park maintenance expenses.

For calendar year 2014, $263,620 was expended to maintain the fountain and $446,231 for landscape maintenance for a total of $709,851. Staff believes that this a conservative indicator for the public open space maintenance costs as other costs such as cleaning, utilities, and security (which may partially be attributable to the open space) are reported for the entire retail component.

Estimated Long-term Benefit:

Exhibit 2 is a table that represents a summary of all the reporting periods (2008, 2010, 2012, 2017) and the changes in revenue. In reviewing the data, 2010 would be the best year to look at expected revenues at the time of project approval; the 2008 report represents only six months of operation and marks the beginning of the Great Recession while 2012 and 2017 represent the outlook post-redevelopment dissolution. Assuming the 2010 figures, it is expected that the total direct annual revenue generated by the project (exclusive of the value assigned to park maintenance of $580,000) would have been $6.72 million which includes almost $1 million to fund affordable housing. Combined with estimated revenues in 2008 and 2009, the Americana would have been expected to generate approximately $62 million of direct financial benefit including $9 million for affordable housing by this time. This figure is a very conservative estimate as it does not account for any appreciation in land value (property tax) or increase in sales tax; the sales tax generated in 2017 is more than double the amount generated in 2010.

In actuality, once the Agency's obligations are paid the City can expect to generate approximately $3.5 million from Sales and Property Taxes or almost half of what would have been realized. There is no dedicated funding generated for affordable housing.

(2) Indirect Benefit

While measurable indicators are available for the direct project financial impacts, indirect project benefits are much more difficult to quantify. As one moves outside the project boundaries, other variables come into play that influence the net effect of the project. For example, it is challenging to control for broader economic trends influencing real estate development, vacancies, and performance of nearby retail district and businesses. Another factor is spin-off development can take years to take hold given the status of financing markets, the time to entitle and construct new development projects, or simply the lack of suitable sites to take advantage of spillover effects.

Because of the reasons noted above, staff has not attempted to quantify the Americana's indirect benefits to Glendale. However, enough anecdotal evidence is available to state the Americana has had an enormous indirect positive benefit to the city. The success of the Americana demonstrated to the retail community and housing developers that Glendale could support higher-end retailers and new housing. Partly as a result, downtown Glendale experienced a wave of development in the years after the Americana opened.

The most notable impact was the expansion and relocation of Nordstrom to the Americana. This expansion was coupled with a significant investment to redesign Caruso Avenue and attract two high quality restaurants to the corner of Brand and Colorado. Dick's Sporting Goods subsequently moved into the former Nordstrom space at the Galleria, and Gold's Gym has leased the remaining space and is close to securing building permits. In reaction to the Americana, the Galleria completed a major interior and exterior renovation that included the opening of Bloomingdales in the former Mervyn's space in October 2013. Along Colorado Street, the Hampton Inn opened in September 2016 replacing a vacant restaurant, and a new 50-unit condominium project is nearing completion replacing a vacant auto upholstery use. Along Brand Boulevard, major vacancies were filled including the opening of Marshall's in the former Borders book space, and the opening of LA Fitness in the vacant Mann fourplex within the Marketplace. Caruso Affiliated followed the Americana expansion project with another major investment completing the renovation and repurposing of the historic Masonic Temple, and developing the adjacent property on Colorado and Brand with a new retail building housing a variety of new restaurants. The Masonic Temple and adjacent lot had stood vacant for decades at a key gateway into downtown. In addition, eight mixed-use or residential projects located downtown have either been completed or are under construction since the opening of the Americana. These projects have added new retail space in some instances and have added to downtown's population base contributing to the creation of an 18-hour downtown. The developers of these projects have cited the Americana as a contributing factor for their interest in developing higher-end residential projects in Glendale's downtown.

Nine years after it's opening, the Americana continues to be a tremendous financial success and positively impact the city. The Americana achieved the public objectives set out when the Agency sought for proposals for the site sixteen years ago. The project exceeded all the city's financial projections and after withstanding the negative impacts of the 2008 Great Recession (when the American opened), the positive impact of the Americana on adjacent businesses and on attracting new development downtown is apparent.

FISCAL IMPACT

There is no direct fiscal impact associated with this report; it outlines many of the financial impacts of the Americana at Brand project.

EXHIBITS

Exhibit 1: List of Americana Project Objectives
Exhibit 2: Table of Estimated Revenues

Exhibit 1
AMERICANA AT BRAND OBJECTIVES

The following presents the project's objectives as defined by the Agency and how those objectives have been met by the Americana:

OBJECTIVE	HOW POLICY OBJECTIVE WAS ACHIEVED
• Support the objectives of the redevelopment plan to eliminate blight and revitalize the Central Glendale Redevelopment Project Area.	❖ The project demolished aged, blighted commercial building stock and replaced them with a contemporary mixed-use development thereby eliminating and preventing the re-introduction of blighting influences in the project area.
• Enhance and diversify the cultural fabric of the downtown area by providing space for community events. • Create a diversity of uses to activate and strengthen the urban vitality of downtown. • Create a pedestrian-oriented open air commercial and residential center with an emphasis on an open space network of landscaped streets, sidewalks, paseos, promenades, and public space that forms a central gathering place for the Glendale community.	❖ The public open space area provides a series of special and recurring events for the community including free concerts, "Yoga on the Green", kids club, and the upcoming holiday tree lighting ceremony. By providing a large, public area for these types of community events, the project has enhanced and diversified the cultural fabric of downtown. ❖ The project emphasizes open space in its design and function. The project is centered on nearly 3-acres of open lawn area, sidewalks, promenades, and seating areas that are publicly accessible and encourages pedestrian movement between the project, Brand Boulevard, and the Galleria.
• Provide an expanded economic base for the City that maximizes property and sales tax revenue while balancing urban design principals.	❖ By providing new retail and housing opportunities on formally blighted property, the project has increased the City's opportunity to generate additional property and sales tax. This objective was balanced by attention to design considerations limiting the density and height of the project and providing 3 acres of publicly accessible open space.

• Develop a regional open-air marketplace to attract retail and specialty uses that are not currently represented in the City. • Develop a regional open-air commercial center to attract consumers/visitors from outside Glendale.	❖ The project currently has over 75 retail, restaurant, and entertainment tenants. Only three businesses (Jamba Juice, Barnes and Noble, and Rite Aid) relocated from other Glendale locations. Thus, the tenant mix is comprised of retailers that were new to the City. ❖ The tenant mix represents a variety of nationally known and unique retailers including many first-to-the-region locations. The appeal of the retail, restaurant, and entertainment uses has attracted visitors and consumers from outside Glendale and assisted in achieving the goal of a regional open-air commercial center.

• Create a high-quality, comprehensive and functionally integrated open-air commercial, retail, entertainment, and housing development that is distinctive, creates a “sense of place,” and contributes to the creation of a downtown residential base. • Provide housing opportunities, per Agency’s policy, in an urban setting in close proximity to employment opportunities, public transportation, public facilities, and goods and services while maintaining balance with retail, entertainment, and open space uses. • Utilize architectural design, lighting, signage, and landscape materials to give the project a distinctive and pleasing appearance. • Focus development of retail and high-density residential uses on a site adjacent to compatible uses, thereby minimizing potential conflicts.	❖ The Americana at Brand went through an extensive three-year community design review process. The result is a unique, integrated open-air, mixed-use center that utilizes distinctive architectural design, high quality materials, atheistically pleasing signage and lighting, and extensive landscaping to create a “sense of place” and contributes to a strong identity and image of the downtown area. ❖ The Americana at Brand combines 338 residential units with retail, entertainment, and open space elements. With its downtown location, the project achieves the goal of providing housing in an urban setting in close proximity to employment, public transportation, and other goods and services. The southern downtown location, next to the Galleria and bordered by major traffic arterials, offered the best location in the City for high density development like the Americana at Brand thereby minimizing potential land use conflicts.
• Provide employment opportunities for City residents.	❖ The project generated 2,500 construction and 1,500 permanent jobs. Caruso Affiliated hired numerous operational positions (i.e. concierge) through a Verdugo Jobs Center sponsored jobs fair that attracted over 1,340 applicants.

Exhibit 2

TABLE OF ESTIMATED REVENUES

	Sales Tax	Property Tax	Affordable Housing	Participation	Sale Proceeds	Parking Garage Lease Payments	Park Maintenance	Total Benefit	Comment
2008	1.52	2.05	0.51	0.00		0.00	0.36	4.44	Prior to stabilization
2010	1.17	3.67	0.92	0.00		0.96	0.58	7.30	
2012	1.55	0.92	0.00	0.00		0.70	0.67	3.84	Property tax estimated to have been $4M Agency received $217,525 Parking Revenue in 2011
2017	2.52	0.24	0	0	0	0	0.7	3.46	Property tax estimated to have been $4.72M Affordable Housing estimated to have been $1.18M On-going property tax estimated to be $802,000 following repayment of City loan