



**SPECIAL
CITY COUNCIL
COMMUNITY DEVELOPMENT AGENCY
MINUTES**

Monday, August 13, 2007

2:00 p.m.

**701 Laurel Street, Menlo Park, CA 94025
Menlo Park City Council Chambers**

ROLL CALL - Fergusson, Cohen, Boyle, Cline, Robinson

Staff present - City Manager Rojas, City Attorney McClure, Assistant City Manager Seymour, City Clerk Vonderlinden. Other City staff was present in the audience.

A. PUBLIC COMMENT #1 (Limited to 30 minutes) - None

B. REGULAR BUSINESS

1. Consideration of a request to commit \$500,000 to support the restoration and preservation of the Park Theater property as a potentially historic building. (Staff Report #07-146)

Mr. Rojas presented the report explaining what is before Council which is the consideration of supporting the preservation of the Park Theater through a financial commitment. He highlighted the policy questions this request poses for Council discussion.

Mayor Fergusson thanked her fellow Council Members for agreeing to have this Special Meeting.

Mr. Andy Duncan addressed the Council and explained the status of what he called the effort to save the Park Theater. The architect also addressed the Council and explained the benefits of this project and details on the character of the building. He commented on the proposed use and the rehabilitation plan. Mr. Duncan said that he is earnest in trying to save the theater and he is not seeking personal gain. Mr. Duncan added that the building is structurally challenged at this time and the architect shared interior pictures showing the condition of the building. He mentioned the various items that are in critical condition and may deteriorate even more with the next rainy season. Mr. Duncan explained that on August 17, 2007 another portion of the deposit to purchase the building is due and he asked the City to assist with funds.

Public Comment

Susan Maldonado said she has lived in Menlo Park for 14 years and she values its history and art. She would support the City providing assistance.

Winter Dellenbach said that she is a Palo Alto resident, and she finds this to be a good plan. Her hope is that in the future the building can be converted into a theater but for the time being she supported the dance studio. She finds this building to be a jewel and she did not find what Mr. Duncan is asking unusual. She provided examples of other towns like Moraga and El Cerrito that have supported similar efforts.

Sue Kayton said that she supported the Menlo-Atherton Performing Arts Center as well as the Guild Theater. Ms. Kayton does not support this effort because this is a for-profit company. She said that if the City subsidizes one business it should subsidize others. She agreed with a private foundation moving these efforts forward instead of using tax payers' money.

Paul Bendix spoke about the Park Theater and how it sets a tone for the downtown. He referred to the City of San Rafael and what a difference it made to have a downtown theater in that city. He offered his support for this proposal.

Karen Holman spoke about the public benefit of this building and she echoed comments made by the previous speaker. She has trust in Mr. Duncan's interest in saving this theater. Ms. Holman is a Palo Alto resident.

Roslyn Raney said she supports the proposal with the proviso that it could eventually become a theater.

Lauren John said that she works in the Library and is a Menlo Park resident. Ms. John thanked the Council for its work on the El Camino Real Visioning Process. Her hope is that the Park Theater comes back and she supported Council action to that end.

Council Member Cline asked about the financial aspect of the deal and Mr. Duncan as well as the architect provided details. Council Member Boyle said he opposed this process or what he called lack thereof. He opined these are big policy issues that are being pursued and in his opinion the public is not aware of this action, including the owner being out of town. He believes this will set a precedent. Council Member Boyle said that there is uncertainty regarding whether we would get historic designation by the State or Federal Registry.

Mr. Duncan responded that there are two experts that believe this historic designation can be achieved. Council Member Boyle asked if there was someone lined up to buy the tax credits. Mr. Duncan said that had been an interested party. Council Member Boyle further asked what the limitations are of having an historic designation. The architect answered that no new restrictions will be added to the property. Council Member Robinson asked about the structural integrity of the building and the architect provided details. The Mayor asked Assistant City Manager Seymour about her research on the matter. Ms. Seymour said she has connected with 12 cities and some have used Redevelopment Agency Funds but not General Funds to pursue such efforts. The example of the Gatehouse was discussed.

Mr. Duncan provided details on how this property would be purchased and the finances around such purchase and the extensions. Mr. Duncan submitted a cost breakdown for the Park Theater Project. Such cost breakdown included the following numbers: purchase price \$2.2 million; renovation cost \$1.7 million; architect/engineering fees \$125,000; municipal fees \$80,000 and escrow/misc. fees at \$35,000. Consequently, the total project cost would be \$4.2 million. He further stated that based on the following items: bank loan of \$2.9 million; Mr. Duncan's investment of \$300,000; selling tax credits at \$350,000; this adding up to \$3.6 million with a total shortfall of \$670,000. Council asked questions about the numbers and Mr. Duncan provided details saying that nothing is guarantee in such business transactions such as this one but there were good faith efforts all around.

Mayor Fergusson said she would like to provide Mr. Duncan with the reassurance that the Council is supportive of his transaction. Council Member Cline would like to see the qualifiers listed out. He would have liked to have the owner of the property present to answer questions. He needs assurance in various areas and he would like to see if this will be a true partnership with the City. Council Member Cline would have liked to have more public involvement. Vice Mayor Cohen is concerned with the process and in his opinion a big part of the picture is missing which is the for-profit side of it. He cannot find details on these numbers and so he is not certain if a subsidy is adequate. He would have liked to know the numbers and this has never been brought forward. He does not know what the additional \$50,000 buys Mr. Duncan by the 17th of August. He appreciated the comparison with the Gatehouse but a key distinction is that it is now being used by a non-profit and this is a for-profit organization.

Council Member Boyle shared concerns about the process and he said that this came to light less than a week ago. He commented on the staff report and without details he said it is not easy to make the right decision. He would like an open, transparent process and he finds this action unimaginable because of the deadline that Mr. Duncan is under. He found that the revised costs were just revealed within the last week and for him that shows poor planning by the proponent. He believes that there are plenty of alternatives and the idea of jumping into a decision doesn't feel right to him. Council Member Boyle posed questions about what happens if the business is unsuccessful. Council Member Robinson said that there is some discomfort but he likes the idea of placing contingencies so that when some goals are achieved money is released.

Mr. Duncan responded that he has asked to get this deadline extended and the owner asked \$15,000 for a 30-day extension. Mr. Duncan said that he asked the Mayor to call this meeting because he wanted an open discussion and he found this meeting to be a good first step to seeing where the City is as far as supporting his efforts. Mr. Duncan added that he did not get formal bids until the end of July which is why the numbers came out so late.

Mayor Fergusson believes that historic preservation has value to residents. She sees this as an opportunity to leverage a small amount of public funds with the large amount of private funds and in return get a historic benefit. The City Attorney provided information on how this could be funded and the structure of a possible agreement. Vice Mayor Cohen said that he is in favor of preserving the Park Theater, however he has never said that he wants to put public funds into it. Based on what he knows he is clear that Mr. Duncan has had his share of challenges in the past. Vice Mayor Cohen said he supports the project in concept but is not willing to commit public funds. Council Member Boyle said that while he supports preservation at times he cannot support an *ad hoc* process. If Council is to act on this matter he wanted to see the broader policy issues discussed and the City's role in preservation and how such decisions are made. He would like clarity and there are items that in his opinion still need to be looked at. Council Member Boyle asked for a full analysis of what an historic designation would mean for the City.

Council Member Robinson said that he too would like to have a policy discussion but it may be unrealistic because as things come up there might be a need to act. Council Member Robinson found intriguing the idea of using redevelopment funds, however he agreed with Council Member Cline's comments. He said he can imagine under the right conditions putting in some public funds but the details would need to be worked out. The City Attorney provided details on the legal work required to review and address the possibility of using Redevelopment Funds for this purpose. He also commented that this might entail preparing a draft agreement if funds were going to be disbursed. Mayor Fergusson would like a staff report prepared and brought back outlining the issues. The Council discussed how to give more visibility to this issue so the public is informed. The City Attorney suggested that when the item comes back it be addressed as a regular business item. Mayor Fergusson asked about the timing of the staff report. City Manager Rojas said that he sees as a first next step to work with Mr. Duncan and get something in writing and then come up with a plan and look at the parameters of such plan. He added that due to the time constraints if the dance studio does not move forward Mr. Duncan and Mr. Rojas would possibly be looking at other options.

C. PUBLIC COMMENT #2 - None

D. ADJOURNMENT - The meeting adjourned at 4:05 p.m.

Respectfully submitted,



Silvia M. Vonderlinden, Certified Municipal Clerk

Approved at the Council Meeting of October 2, 2007

