



# SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

## SUCCESSOR AGENCY AGENDA REPORT

**AGENDA DATE:** November 6, 2012

**TO:** Successor Agency Members

**FROM:** Successor Agency Staff

**SUBJECT:** Proposed Amended And Restated Grant Agreement With Ensemble Theatre Company

### RECOMMENDATION:

That the Successor Agency approve, subject to approval as to form by the Successor Agency counsel, and recommend to the Oversight Board approval of the Ensemble Theatre's request for approval of an Amended and Restated Grant Agreement No. 540, originally approved by the Redevelopment Agency of the City of Santa Barbara on June 11, 2011.

### BACKGROUND:

In June 2011, the former Redevelopment Agency of the City of Santa Barbara ("RDA") entered into a Grant Agreement with the Ensemble Theatre wherein the RDA agreed to grant Ensemble up to \$1,000,000 to fund certain improvements to the Victoria Theater. The Grant Agreement requires that the theater be used for performing arts purposes and that it be made available for community and non-profit performing arts groups for at least six-years after completion of the theater restoration. As security for the performance covenants provided in the Agreement, RDA funds would not be used until after substantial completion of the restoration project and funding would be secured by a deed of trust recorded against the Ensemble leasehold.

### DISCUSSION:

After dissolution of the RDA in February 2012 and formation of the Oversight Board, the Oversight Board approved the Ensemble Grant on the first Recognized Obligation Payment Schedule as an enforceable obligation payable from the 2003 RDA bonds proceeds. Due to timing requirements in the Grant, the Grant has not been scheduled for payment.

As discussed in detail in the letter submitted by Ensemble to the Oversight Board (attached), Ensemble has recently been in negotiations with the three owners of the Victoria building whereby Ensemble could acquire long-term ownership of the Victoria Theater building through a 99-year lease with the remaining property owner after a buy-out of the other owners' interests. Change to the ownership structure would allow for

the redevelopment funds to be used to assist Ensemble with the theater purchase instead of the purchase of theater equipment at the conclusion of the restoration project.

Benefits to Ensemble from such an ownership structure would include access to the RDA grant funding sooner and the possibility that the new structure would not trigger a prevailing wage requirement. Successor Agency staff is still reviewing the prevailing wage issue and approval of the Amended and Restated Grant will be conditioned upon resolution of this issue to the satisfaction of Successor Agency counsel. Ensemble has proposed that the grant funding be reduced by \$50,000 from \$1,000,000 to \$950,000.

As part of the proposed Amended and Restated Grant Agreement, staff will require, among other standard grant terms and conditions, the following:

- The grant funds will be placed into an escrow account and will be available for distribution only when Ensemble closes escrow to acquire the 99-year lease interest in the Theatre building.
- That Ensemble Theatre Company will continue to work with City Staff in an effort to clarify any prevailing wage issues regarding the proposed Amended and Restated Grant.
- The Successor Agency will be granted a trust deed in Ensemble's ownership of the Victoria Theatre.
- Ensemble will provide proof of the appropriate insurance in accordance with City of Santa Barbara standards.
- The Victoria Theatre must serve as a community arts facility by regularly offering the Theatre to non-profit organizations at favorable rates which allow for the widest variety of non-profits to utilize the facility.
- That the Victoria Theatre be opened for business as a community theater by January 1, 2014.

Assembly Bill No. X1 26, as amended by Assembly Bill No. 1484, authorizes the Oversight Board to direct the Successor Agency to renegotiate agreements between the former Redevelopment Agency and a private party to "reduce liabilities and increase net revenues to the taxing entities" and, once renegotiated, present the proposed amendment to the Oversight Board for approval. The Oversight Board may approve such an agreement if it finds that the agreement would be in the best interests of the taxing entities.

At its September 20, 2012 meeting, the Oversight Board directed the Successor Agency to renegotiate the grant in a reduced amount of \$950,000.

If approved by the Successor Agency, the Oversight Board will consider approval of the Amended and Restated Grant Agreement at its meeting on November 8, 2012.

**ATTACHMENT:** Ensemble Theatre Company request letter to Oversight Board dated September 13, 2012.

**PREPARED BY / SUBMITTED BY:** Brian J. Bosse, Waterfront Business Manager

**APPROVED BY:** City Administrator's Office



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September 13, 2012

Chair Brian Fahnestock, and  
Members of the Oversight Board of Santa Barbara  
c/o Mark S. Manion Esq.  
Price, Postel & Parma, LLP  
200 East Carrillo Street  
Suite 400  
Santa Barbara CA 93101

Re: Proposed Modification of Ensemble Theatre Company Redevelopment  
Agency Grant Agreement

Dear Chair Fahnestock and Members of the Oversight Board:

I write on behalf of Ensemble Theatre Company, Inc., a California non-profit corporation (“Ensemble”), to request that the Oversight Board direct the Successor Agency to the Redevelopment Agency of the City of Santa Barbara to negotiate an amendment and restatement of the existing Grant Agreement between Ensemble and the Redevelopment Agency of the City of Santa Barbara, of which the Successor Agency is the successor.

The proposed amendment, which is made possible by recent agreements among Ensemble and all three Co-Owners of the Victoria Street property, will benefit the taxing agencies, increase the benefits to the City, greatly simplify the Grant Agreement, and accelerate completion of the grant disbursement.

Ensemble, CALM, Unity, RSVP Purchase and Sale Agreements

We are very pleased that Ensemble and all three owners of the Victoria Street property—Child Abuse Listening and Mediation, Inc. (“CALM”); Unity Shoppe, Inc. (“Unity”); and Retired Senior Programs, Inc. (“RSVP”)—have entered into mutually-beneficial purchase and sale agreements pertaining to the Victoria Street property. CALM will acquire the entire interest of Unity and RSVP in the Property, and Ensemble will purchase the Victoria Theater portion, replacing its 30-year lease with permanent ownership.

All four affected non-profits strongly support the agreements. The agreements will provide Unity and RSVP needed capital to consolidate and strengthen their operations, resolve problematic past governance issues that have arisen from shared ownership of the Victoria Street property, add to the property’s value for CALM, and allow Ensemble both to secure permanent ownership and add value to the Victoria Theater. Unity will lease back from CALM the same important basement space it now uses and that it has long used for its operations,



while simultaneously acquiring capital that is very important to Unity's completion of acquisition of its Sola Street (Magellen's) property.

The four organizations are working cooperatively to effectuate close of these important transactions as soon as possible—hopefully within 45 days. All four organizations are extremely pleased with the mutually-beneficial agreements and trust that the City and Oversight Board will appreciate the benefits that the anticipated transaction will have for the organizations themselves and the community.

#### Ensemble Grant Agreement

On May 11, 2012, by placing the Ensemble Grant Agreement on the approved Recognized Obligation Payment Schedule, the Oversight Board determined that the Ensemble Grant Agreement approved by the Redevelopment Agency in 2011 is an enforceable obligation. The Grant Agreement provides for a grant to Ensemble of not to exceed \$1,000,000 to assist Ensemble with lease improvements, in exchange for operational covenants that assure the City of qualifying benefits under applicable redevelopment law. In reliance on the Grant Agreement Ensemble has entered into a binding construction contract for the renovations of the Victoria Theater, and construction is well underway. The grant is extremely important to Ensemble.

Although the Grant Agreement currently would not allow application of grant funds for acquisition of the Victoria Theater, Ensemble's purchase of the property means that the grant funds can be applied to reimburse costs of purchase.

The fact that Ensemble will be purchasing the Victoria Theater allows great simplification of the Grant Agreement.

#### Proposed Amendment of Grant Agreement

The Oversight Board has certain authority to direct the Successor Agency to renegotiate Enforceable Obligations, such as the Grant Agreement, provided that there is benefit to the taxing agencies.

Now that purchase of the Victoria Theater is possible, Ensemble proposes amendments that will not only benefit the taxing agencies, but that will increase benefit to the City, to Ensemble, to the performing arts community, and to the downtown. Ensemble proposes that the already-enforceable Grant Agreement be amended and restated to provide:

1. The amount to be disbursed will be *reduced* from \$1,000,000 to \$950,000;
2. The Grant Agreement will require that the grant funds be disbursed only to reimburse Ensemble for a portion of the purchase price of the Victoria Theater;



3. The Grant Agreement will specify that the grant funds may only be used for purchase of the Victoria Theater and for no other purpose;
4. As the principal consideration to the City for the Grant Agreement, Ensemble will continue to covenant to fulfill the same Operating Covenants now contained in the Grant Agreement that ensure benefit to the City, to performing arts, and to the downtown business community; Ensemble's performance of those operating covenants will continue to be secured by a deed of trust encumbering Ensemble's interest in the property, as now provided by the Grant Agreement. No new interests in real property will be created.

### Benefits

The proposed Grant Agreement modifications have at least the following cardinal benefits:

- A. There will be an immediate \$50,000 benefit to the taxing agencies from reduction of the grant amount. Ensemble's agreement to reduce the grant amount from \$1,000,000 to \$950,000 means that an additional \$50,000 that would otherwise be disbursed pursuant to an existing enforceable obligation will, instead, allow the bond proceeds to be used for other purposes and perhaps reduce the over-all debt obligation of the former Redevelopment Agency;
- B. Application of grant funds to reimburse Ensemble for a portion of the cost of purchase of the Victoria Theater will greatly simplify the structure, implementation, and enforcement of the Grant Agreement;
- C. Application of grant funds to purchase will further increase the stability and financial security of Ensemble, which in turn promises longer-term benefits to the City and the performing arts community;
- D. Application of grant funds to purchase will benefit Ensemble by helping to ensure that it will be able to use and operate the Victoria Theater within its current capital and campaign budget; and
- E. Application of the grant funds to purchase will benefit CALM, Unity, and RSVP—the three co-owners of the property—by facilitating the purchase and sale transaction that all four organizations support.

### Procedural Steps

We have prepared a draft amended and restated Grant Agreement and reviewed it with the City Attorney, and key City leadership, as well as with Counsel for the Oversight Board.



DEREK A. WESTEN  
ATTORNEY AT LAW

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September 13, 2012

If the Oversight Board directs the Successor Agency to negotiate the suggested amendment and restatement to the Grant Agreement, we will work with the Successor Agency pursuant to Health and Safety Code Section 34181 to finalize the modifications and return to the Oversight Board for approval of a restated agreement.

Conclusion

Ensemble and all three co-owners of the Victoria Street property are pleased to be able to report this important, mutually-beneficial agreement among Ensemble, CALM, Unity, and RSVP.

Ensemble looks forward to working with the Oversight Board toward finalization of the proposed Grant Agreement modifications.

Sincerely,

Derek A. Westen  
Attorney at Law

cc. Sarah Knecht, Esq.  
Steve Wiley, Esq.  
James D. Armstrong, City Administrator  
Paul Casey, Assistant City Administrator  
Cecilia Rodriguez, Executive Director CALM  
Tom Reed, Executive Director Unity  
Frank Newton, Ph.D., Executive Director RSVP  
Jonathan Fox, Executive Artistic Director Ensemble  
Diana Jessup-Lee, Esq.