



CITY OF SANTA BARBARA REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: March 15, 2011

TO: Chairperson and Boardmembers
FROM: Housing and Redevelopment Division, Community Development Department
SUBJECT: Subordination Of Agency Grant Agreements For The Granada Theater

RECOMMENDATION:

That the Redevelopment Agency Board approve the subordination of two Agency Grant Agreements and two deeds of trust for the Granada Theater to an Access Easement in favor of the two residential condominiums in the Granada Building at 1216 State Street and authorize the Executive Director and Deputy Director to execute a Subordination Agreement in a form approved by Agency Counsel.

DISCUSSION:

In 2006 and 2007 the Agency approved two grants to the non-profit owner of the Granada Theater, the Santa Barbara Center for the Performing Arts (SBCPA). The first grant was for \$4,500,000 and the second was for an additional \$500,000. Both were subject to Agency Grant Agreements secured by deeds of trust recorded against the property to ensure the SBCPA complies with the express terms of the grants.

The Granada Theater is part of the multi-story building at 1216 State Street. The office tower portion of the building is owned by a separate entity, "1216 State Street, LLC" which has subdivided its property and created two residential condominiums on two floors of the tower. The residents of the condominiums required a permanent right of access to the condominiums through the SBCPA property. SBCPA has recently granted such access by signing an "Access Easement Agreement."

Such Easement Agreement is to be recorded against the SBCPA property. Because the Agency Grant Agreements were recorded prior to the pending recording of the Easement Agreement, the Grant Agreements could potentially affect the access rights of the condominium owners. In the unlikely event that the Granada Theater defaulted on the terms of the Agency Grant Agreements, the Agency could pursue remedies against the SBCPA property without regard to the Easement Agreement. The owners of

the condominiums need assurance that this will not happen. They would obtain this assurance if the Agency agrees to subordinate its Agency Grant Agreements and deeds of trust to the Easement Agreement. Because such subordination poses no risk to the Agency, or its right to enforce the grants, and is essential for the condominiums, Agency Staff and Agency Counsel recommend that the Agency agree to the subordination.

PREPARED BY: Brian Bosse, Housing and Redevelopment Manager/SBF

SUBMITTED BY: Paul Casey, Assistant City Administrator/Community
Development Director

APPROVED BY: City Administrator's Office