



## REDEVELOPMENT AGENCY STAFF REPORT

Meeting Date: March 15, 2010

**Pleasant Hill  
Redevelopment Agency**

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**TO: HONORABLE CHAIR DURANT AND AGENCY MEMBERS**

**SUBJECT: APPROVING AND AUTHORIZING LOAN AGREEMENT WITH MARCOVICI MANAGEMENT GROUP LLC AND RVIP CA/WA/OR PORTFOLIO LLC FOR JACK'S RESTAURANT FAÇADE IMPROVEMENTS**

### **SYNOPSIS**

Staff recommends approval of a \$460,000.00 loan to Marcovici Management Group LLC for exterior improvements to the Jack's Restaurant building in the Downtown. Of this amount, \$360,000.00, plus 1% interest compounded annually, would be repayable over ten years, from the sixth through the fifteenth year of occupancy. The remaining \$100,000.00 of the loan plus 1% interest would be forgiven after the fifth year of occupancy. Details of the proposed improvements are shown on the attached plans. The proposed Façade Loan Agreement is attached to the proposed Resolution for Agency consideration.

### **DISCUSSION**

#### **Background**

Jack's Restaurant is slated to move into the tenant space in the Downtown vacated in June 2009 by Left Bank Restaurant. Jack's is to be a Casual Fine Dining Restaurant, serving breakfast, lunch and dinner every day of the week. As with Left Bank, a full bar will also be maintained. While the proprietors are making a substantial financial investment in remodeling the former restaurant to serve their purposes, they had not intended to provide any extensive improvements to the façade or outdoor seating areas.

The Agency has been concerned for some time about the appearance and functionality of the main Downtown plaza adjacent to the Jack's building. SZFM Design Studio has been considering various concepts for improving the plaza and surrounding buildings. In late 2008 the Agency approved a loan to ShaadZee Bakery Bistro for façade and outdoor seating area improvements. The anticipated change in tenancy from Left Bank to Jack's presented another opportunity for the Agency to work with all concerned parties to make significant improvements in this critical area of the Downtown.

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**Analysis**

Project Design

A seven page set of plans of the proposed improvements is attached to this staff report. An "artist's illustration" of the façade improvements is shown on Pages 1 and 3. The improvements will include a new garden room, a new entry canopy and an enhanced patio area. The locations of these improvements are shown on Page 2, indicated by the letters A, B and C. Elevation and section drawings of the structures are shown on Page 4, while a floor plan of the garden room is shown on Page 5. A plan view of the entry canopy is shown on Page 6 and details of the garden room area are shown on Page 7.

Considered together, the improvements are intended to integrate better with the existing public plaza area, creating an enhanced welcoming presence to the restaurant. The proposed improvements complement the existing architecture of the building, and will help to revitalize the area and establish the restaurant as an anchor at this highly visible location.

City Approvals

The Architectural Review Commission approved the proposed work, with conditions, at their December 17, 2009 meeting.

Financial Considerations

The cost of the proposed improvements, including construction, is not to exceed \$460,000.00. Consultant costs for project design and construction supervision are not to exceed an additional \$84,200.00, to be funded by a separate Agency action. The Redevelopment Agency would fund the construction work with a Façade Improvement Loan to the Marcovici Management Group LLC. The Downtown property owner, RVIP CA/WA/OR PORTFOLIO LLC ("RVIP") is named in the loan because they are responsible for maintaining the improvements.

The Façade Loan Agreement, attached hereto, states in Section 1, on Page 2, that the loan is for \$460,000.00, bearing interest at 1% per annum, compounded annually, of which \$360,000.00 plus interest is non-forgivable. As stated in Paragraph D on Page 3, the loan must be paid monthly, starting in the sixth year of the initial ten year term of the lease. If the Tenant exercises and is granted its option to renew the lease for an additional five years, the monthly payments continue for those five years, for a total of 120 monthly payments. If the Tenant does not exercise its option to extend, the remainder of the loan amount is to be paid in a balloon payment prior to the expiration of the initial ten year term of the lease.

As described in Paragraph E on Page 3, if the restaurant is operated for five years, the \$100,000.00 plus interest portion of the loan is forgiven.

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Section 8 on Page 7 acknowledges the requirement to adhere to State and Agency Prevailing Wage Requirements. Section 10 on Page 7 contains the definition of "Casual Fine Dining Restaurant."

This investment in the Downtown will enhance the attractiveness of the Downtown and community, which in turn is expected to result in more business activity and generation of increased sales tax revenues to the City.

**FISCAL IMPACT**

Total cost of the proposed construction work is not to exceed \$460,000.00. The cost of consultant design services and construction administration is not to exceed \$84,200.00. A Professional Services Agreement for the design services is the subject of a separate staff report and Agency action. Design services costs for Downtown projects were included in the Agency's 2008 – 2010 Budget. Construction costs for Downtown improvements, in the amount of \$500,000.00, were included in the mid-term budget adjustment when funds were loaned from the Schoolyard General Fund to the Commons General Fund to cover these costs and another unbudgeted expense, a litigation settlement payment in connection with the SyWest litigation. The transfer of funds from the Schoolyard to the Commons was approved by the Agency Board in November, 2008.

**PUBLIC CONTACT**

Public contact was made through posting of the Agency agenda on the City's official notice bulletin board, posting of the agenda on the City's web page, and availability of the agenda and staff report in the City Clerk's office, at the County Central Library, and at the Pleasant Hill Police Department.

**ALTERNATIVES TO RECOMMENDED ACTION**

Alternatives to the staff recommendation include not approving the attached resolution approving and authorizing the façade improvement loan, or modifying the terms of the loan and/or the proposed project.

**RECOMMENDED AGENCY ACTION**

Approve the attached resolution approving and authorizing execution of the Façade Loan Agreement.

Prepared by: Robert M. Stewart, Redevelopment Administrator

Reviewed by: June Catalano, Executive Director

Attachments: Project Improvement Plans  
Resolution, with Exhibit A Loan Agreement