



CITY OF GLENDALE, CALIFORNIA  
REPORT TO THE:

Joint  City Council  Housing Authority  Special Meeting  Oversight Board

June 18, 2019

**AGENDA ITEM**

Report: Request to Enter into an Exclusive Negotiating Agreement (ENA) with Avalon Investment Company for the Preservation and Development of City Owned Property Located at the Former Rockhaven Sanitarium—2713 Honolulu Avenue (APNs: 5610-024-900 thru 910)

- 1) Motion to Authorize the City Manager to Enter into an Exclusive Negotiating Agreement with Avalon Investment Company for a Six-Month Term with an Option to Extend Term for an Additional 6 Months.

**COUNCIL ACTION**

Public Hearing  Ordinance  Consent Calendar  Action Item  Report Only

Approved for June 18, 2019 calendar

**ADMINISTRATIVE ACTION**

Submitted by:  
Philip S. Lanzafame, Community Development Director

Signature

Prepared by:  
Darlene Sanchez, Assistant Director of Community Development

Jennifer Hiramoto, Deputy Director of Economic Development

For Jennifer Hiramoto

Approved by:  
Yasmin K. Beers, City Manager

By

Reviewed by:  
Michael J. Garcia, City Attorney

Roubik Golanian, Assistant City Manager

Onnig Bulanikian, Director of Community Services and Park

Mark Berry, Principal Development Officer

By

## **RECOMMENDATION**

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Staff recommends that the City Council authorize the City Manager to Enter into an Exclusive Negotiating Agreement with Avalon Investment Company.

## **BACKGROUND/ANALYSIS**

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The City of Glendale ("City") acquired the Rockhaven Site ("Site") in April 2008. The Site had been offered for sale on the open market by Ararat Home of Los Angeles, Incorporated. The Site consists of approximately 3.4 acres and was acquired for \$8.25 million, approximately \$55 per square foot. The City of Glendale acquired the property primarily to protect the historic nature of the Site. While there was some discussion at the time of acquisition about the ultimate use of the property, including a potential site for a new Library facility or developing the Site as recreation space, the City Council had not yet determined Rockhaven's long-term programming or development.

In an effort to achieve the highest and best of use of the property, in April 2014, the City Council authorized the issuance of a Request for Qualifications ("RFQ"). The RFQ intended to identify a qualified developer(s) who would have been able to introduce a suitable type of limited, but focused, new development of the Rockhaven Site while also preserving the historic structures and providing the Site and open space (or portions of it) to the community for public use. An ad-hoc community advisory committee was formed consisting of members of the Glendale Historical Society, the Crescenta Valley Historical Society, Friends of Rockhaven and a few at-large community members from the immediate area.

Ten RFQ submittals were received, consisting of one institutional use and nine housing uses. The ad-hoc community advisory committee was unable to come to consensus on any specific use or developer and the selection process was discontinued in September 2014.

After two years of inactivity, on February 23, 2016, the City Council decided to pursue a Request for Proposals ("RFP"), only this time narrowing the focus to three development options: 1) Medical/Mental Health Facility, 2) Boutique Lifestyle Commercial Center, and 3) Park/Other Development.

Six proposals were submitted. On November 15, 2016, the City Council approved an ENA with Gangi Development. Gangi's original proposal was to develop Rockhaven as a boutique lifestyle commercial center and park that called for the rehabilitation of all the historic buildings, walls and gates, except for Building L.

The ENA between the City and Gangi was fully executed on January 31, 2017 and expired on July 31, 2017. On September 21, 2017, the City Council extended the ENA for a term that expired on July 31, 2018. In January 2019, after nearly two years of negotiating, the City Council terminated conversations with Gangi due to an inability to agree upon key deal points related to providing a development guarantee, lease terms, and ability to perform.

In its present state, Rockhaven remains an important asset to the City and the community. However, the longer the property sits uninhabited and extensive maintenance is delayed, the more costly it will be to preserve. Annual maintenance costs are \$50,000.

Since the ENA expired between the City and Gangi Development, the City has received unsolicited offers and interest from several developers. Some of those offers were those that had presented proposals as part of the 2016 RFP. Among those up for consideration was Avalon Investment Company (Avalon), one of six proposers that submitted proposals in the 2016 RFP.

Discussions were re-initiated with Avalon to confirm whether they were still interested in developing the site, and to seek clarification on specific aspects of their vision and other potential development terms for Rockhaven. These points included:

- Description of Development Proposal;
- Ground Lease Terms;
- Acknowledgement of Prevailing Wage Conditions;
- Detail of Historic Preservation Intention;
- Commitment to ADA upgrades;
- Assurance of a Guarantee;
- Proposed Hotel Operators;
- Project Phasing Details;
- Relevant Development Experience; and,
- Hotel Feasibility Study;

Avalon responded with a letter addressing these matters, and confirmed that it is still interested in the Site. Avalon also articulated that given that three years has passed since it last submitted its initial proposal, market conditions have changed and therefore some aspects to the original proposal will have to be studied.

At the conclusion of a June 4, 2019 closed session, the City Council directed staff to add the consideration an ENA with Avalon to a future agenda.

### **PROPOSAL OVERVIEW**

Avalon is proposing the creation of a boutique hotel and community garden called "The Retreat at Rockhaven". The retreat will include a 30-room suite boutique hotel. All Rockhaven buildings, gates and walls will be preserved, with the exception of Building L, which is identified as having low historic and/or architectural integrity. However, the project proposes to build a new building in that location in the same style as the original Rockhouse. It proposes using existing buildings with limited new construction. Other components of the updated proposal include:

- The restoration of all historic landscaping including new ADA upgrades which will be entirely publicly, accessible, not only for hotel guests.
- A new indoor neighborhood restaurant and an on-site organic vegetables garden.
- The dedication of a community space designed for exhibitions of Rockhaven artifacts, neighbor group meetings, and local business pop-ups.
- Hotel amenities including a swimming pool and adjacent fitness and yoga space.

- The project will be completed in a single phase.
- Avalon would restore the historic landscapes and structures to the requirements of the Secretary of the Interior's Standards for Historic Preservation.

#### **DEVELOPMENT TEAM**

The development team as presented in the 2016 proposal has been re-assembled. The development team includes the following:

- **Architect Brenda Levin, Levin & Associates:** Brenda Levin, an architect whose background includes historic preservation, adaptive reuse and urban design, received the American Institute of Architect's Gold Medal – its highest honor. Notable redevelopments include the Griffith Observatory, the Bradbury Building in Downtown LA, Grand Central Market, the Boone Galley, at the Huntington Garden, and Los Angeles City Hall.
- **Landscape Architect Mia Lehrer, Studio-MLA:** This landscape architect, who was selected by President Obama to serve on the Commission of Fine Arts for her work in urban landscape, has been involved with many iconic cultural gardens in the greater Los Angeles River, from the LA River revitalization plan to the LA County Natural History Museum.
- **Hotel Operator, ARRIVE Hotels and Restaurant:** This is a Pasadena-based hospitality group with projects that include ARRIVE Palm Springs, a 32-room boutique hotel that honors mid-century modern legacy, ARRIVE East Austin, a 83-room hotel, ARRIVE Wilmington in North Carolina, a 35-room hotel, and ARRIVE Phoenix, a 79-room hotel.
- **Contractor Del Amo Construction:** Del Amo is a well-regarded general contractor in the historic preservation space, having completed projects such as the Pasadena Conservancy of Music, the Jonathan Beach Club, and Caltech's Dabney Hall.
- **Developer Avalon Investment Company:** This Los Feliz-based real estate development and management firm was established in 1971. Recently, Avalon completed a five-building adaptive reuse project in Glendale's Grand Central Creative District, including the preservation of the Irving Air Chute building, Glendale Registry #115. The team is currently underway on the adaptive re-use of a creative redevelopment of a 4.4 acre site also in Glendale along San Fernando Road.

#### **RETURN ON INVESTMENT**

In Avalon's 2016 proposal, it contemplated a purchase price of \$4,250,000. This revenue projection only took into account the sale of the property and did not account for other future economic impacts such as transient occupancy tax, property tax, sales tax or new businesses created.

Because market conditions can change and the property is only being considered for lease and not for purchase, Avalon was asked to revisit items in their original proposal that would impact their financial analysis, including whether they could entertain a ground lease, address the issue of prevailing wage, and complete a new hotel study to determine current rates and viability. As such, Avalon addressed these issues as follows:

- **Ground Lease:** Avalon stated that the prior proposal was based on 2016 conditions and contemplated a purchase. Avalon further wrote that it is willing to negotiate a ground lease with terms acceptable to finance such a project.
- **Prevailing Wage:** Avalon stated its understanding that negotiating a ground lease may include provisions regarding prevailing wage.
- **Feasibility:** As part of an updated proposal, Avalon will work with hotel operator, ARRIVE, to develop a site-specific feasibility study during a due diligence period to determine demand drivers, costs for construction and overall program.
- **Community Access:** In the 2016 RFP, maintaining community access was an important requirement to the City. This has not changed. Avalon once again emphasized the community access to Rockhaven and that its grounds will remain open to all. Guests of the hotels will have secured access to their rooms during their stay, but all other areas and open space will be available for visitors to explore and discover. In its letter, Avalon also addressed its efforts to work with the community, including the Montrose Shopping Park Association and Friends of Rockhaven.

**NEXT STEPS**

In summary, given that Avalon was the top rated proposal from 2016, and that it is willing to modify its proposal based on the updated conditions and preferences of the Glendale City Council, it is recommended that the City Council authorize the City Manager to enter into a six-month Exclusive Negotiating Agreement with Avalon. Proposed terms for the ENA would include:

- An appraisal of the Site. Both Avalon and the City will also complete their own, independent appraisals;
- Community outreach;
- Viability/feasibility study for a 30-key boutique hotel in the Montrose area;
- Property condition assessments, revised site plan, topography, 3D Renderings; and,
- Commencement of discussion on a potential lease agreement.

**FISCAL IMPACT**

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There is no fiscal impact associated with the award of an ENA, however, it is anticipated that the City may commission an appraisal of the site.

**CAMPAIGN DISCLOSURE**

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In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report:

Ownership Interest in more than 10% in Avalon Investment:

Full Name	Title	Business Address	City	State	Zip
Weston Cookler	Managing Partner	5017 Ambrose Ave	Los Angeles	CA	90027

Ownership Interest in more than 10% in Levin + Associates:

Full Name	Title	Business Address	City	State	Zip
Brenda Levin	President	700 S Flower St. #700	Los Angeles	CA	90017

Ownership Interest in more than 10% in Arrive Enterprises LLC:

Full Name	Title	Business Address	City	State	Zip
Ezra Callahan	Co. Founder	715 N Figueroa St	Los Angeles	CA	90042

Ownership Interest in more than 10% in MLA:

Full Name	Title	Business Address	City	State	Zip
Mia Lehrer	President	251 S Mission Rd	Los Angeles	CA	90033

## ALTERNATIVES

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The following alternatives are presented for Council consideration:

**Alternative 1:** The City Council may authorize the City Manager to enter into an Exclusive Negotiating Agreement with Avalon Investment Company;

**Alternative 2:** The City Council may not take an action;

**Alternative 3:** The City Council may consider any other alternative not proposed by staff.

MOTION

Moved by Council Member \_\_\_\_\_, seconded by Council Member \_\_\_\_\_, that the City Council hereby authorizes the City Manager to enter into an Exclusive Negotiating Agreement ("ENA") with Avalon Investment Company for the exclusive negotiation of a potential ground lease of certain City-owned property located at 2713 Honolulu Avenue (APNs: 5610-0240-900 thru 910), commonly referred to as "Rockhaven," for the preservation and development of Rockhaven, all as further outlined in the staff report from the Director of Community Development dated June 18, 2019, and subject any Council comments or conditions thereon. The ENA shall be for a six-month term, with the option for the City to extend for another six months. The ENA shall be approved as to form by the City Attorney.

Vote as follows:

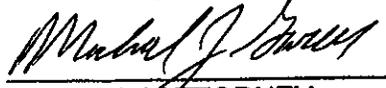
Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM



CITY ATTORNEY

DATE 6/13/19

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