

## Response to Comments RE: Americana at Brand Financial Analysis

### What is the City's return on investment from the Americana at Brand?

#### The simple answer is, in a post-Redevelopment era:

- The City now receives approximately \$3.5M annually in net income from the Americana at Brand. To reach this figure, it is assumed that in addition to the \$3.5 million derived from the Americana at Brand through property tax, sales tax, and the value of maintenance of public open space and the fountain (which Caruso Affiliated maintains at no cost to the City), Glendale receives an amount equal to the debt service, derived from property tax through the ROPS process, which goes to pay off the Glendale Redevelopment Agency's remaining debt. This concept is best illustrated as follows:

Americana Sales Tax, Property Tax, Other Value + (Debt Service - ROPS Payment) = Net Revenue

or

$$\$3,500,000 + (\$3,500,000 - \$3,500,000) = \$3,500,000$$

- That equates to a 4% annual return on Glendale's initial investment of \$88.4M.
- Glendale has received approximately \$50M in revenue/value of maintenance since the Americana at Brand opened in May 2008.
- At that rate, the return on investment is approximately 22 years or 2030 by which time Glendale will have received approximately \$88M.

Prior to dissolution and the current ROPS process, the Glendale Redevelopment Agency received the lion's-share of the property tax increment generated from the entire Central Glendale Redevelopment Project Area (in which the Americana at Brand is located) and used the funding to pay debt service on the bonds. These funds were budgeted for appropriation and payment through the Glendale Redevelopment Agency's annual budget and noted in the Agency's Annual Report.

#### If Redevelopment had not been eliminated in 2012, staff projects:

- Glendale would be receiving \$8.25M annually from the Americana at Brand through property tax, sales tax, parking revenue and the value of maintenance of the City's open space property - Caruso maintains the City's property, including the fountain, at no cost to the City.
- That equates to a 9.3% annual return on Glendale's initial investment.
- Glendale would have received an estimated \$81.25M to date from the Americana at Brand since opening in May 2008.
- At that rate, the full return on investment would have been achieved in approximately 12 years or 2020 by which time Glendale would have expected to receive \$89.5M.

#### Important Notes to Consider:

- The Americana at Brand was never undertaken as a traditional real estate investment with an expected market return as it is being characterized and evaluated by some – the project was contemplated in the 1996 Greater Downtown Strategic Plan and was intended to address specific objectives (primarily to eliminate blighting conditions in the downtown), none of which were a "market return on investment."
- One of the underlying purposes of a redevelopment agency was to provide economic incentives to developers to undertake a project that otherwise would not be undertaken by private industry alone. Typically, redevelopment projects, such as the Americana at Brand, placed design requirements on an area that was intended to create improvements for public benefit, rather than solely based upon the most profitable use of the land from a developer's point of view. Specific to the Americana at Brand project, in order to accomplish the project design, the design criteria was not necessarily economically driven, but rather considered other intrinsic values to

the community. Specifically, the primary project goals envisioned at the time were not primarily intended to generate general sources of revenue back to the City of Glendale's coffers. Instead, the overarching goals were intended to:

- Create a high-quality, comprehensive integrated commercial, retail, entertainment, and housing development that is a distinctive southern anchor for the greater downtown with a regional draw.
  - Create a special identity and central gathering place for all of Glendale.
  - Create a major open space element in the downtown area integrated into the Town Center project.
  - Eliminate existing blight and develop currently publicly owned property to generate sales tax, property tax, and other revenue for the City.
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- Further, it is important to clarify that the City did not invest in the property, the Glendale Redevelopment Agency did; however, the project does provide financial benefit to the City in terms of property tax, sales tax and other considerations.
  - It is also important to note the City did not sell bonds to fund the investment, the Redevelopment Agency did and it is the obligation of the Agency, not the City, to repay the debt including accrued interest. It may appear to be form over substance since the City Council also sat as the Glendale Redevelopment Agency and thus the Agency is a component unit of the City (being of the same leadership) for financial reporting purposes; however, these distinctions are important when trying to explain the inter-relationship between the City and the Redevelopment Agency in this project. The Glendale Redevelopment Agency was a separate and independent legal entity from the City of Glendale and as such, they each had their own individual benefits and responsibilities with respect to the project, redevelopment activities and general administration of the City of Glendale.
  - Subsequent to finalizing the agreements for the development and operation of the Americana in 2004, the State of California significantly changed the rules in a way no one could have foreseen. Neither this City Council nor past Councils could have predicted these drastic changes and the local impact on redevelopment projects and City revenues.
  - Glendale never anticipated receiving Participation revenue from the Americana at Brand project; however, it was included in the Americana agreement in case assumptions made about the project were incorrect causing Caruso to receive a "windfall." In fact, the assumptions to date were accurate and the elimination of redevelopment forced the Participation right to be sold.
  - The property tax paid by taxpayers and used by the Redevelopment Agency to fund the Americana did not increase or decrease as a result of the project. Taxpayers paid the same amount of property tax regardless of whether or not the agreement to develop and operate the Americana ever existed. The tax increment (property tax) used by the Redevelopment Agency under then-Community Redevelopment Law was earmarked by law for the primary purpose of eliminating blighting conditions and could not be used for other purposes.
  - Under prior Community Redevelopment Law, the former Glendale Redevelopment Agency was not entitled to receive any property tax funds for investment in the project area and for affordable housing unless it had qualified debt which included the repayment of bonds.
  - There is no precise way to quantify the spin-off or indirect economic benefits from the Americana at Brand. That being said, since 2004 the downtown has experienced significant investment in all sectors and has fulfilled redevelopment's primary purpose to stimulate private investment promoting new development, job creation, economic activity, regional/national/international exposure and additional revenue including Transient Occupancy (Hotel) Tax. The effect of these spin-off benefits are anecdotal but are believed to be great.