



DATE: September 26, 2023

TO: Mayor and City Council
Hayward Redevelopment Successor Agency Board of Directors

FROM: City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Enter into an Agreement Amending the Ground Lease Between the Hayward Redevelopment Successor Agency and 1069 B Street LLC California Limited Liability Company, as Successor in Interest to Cinema Place Hayward, LLC

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing the City Manager to execute an agreement to amend the ground lease between 1069 B Street LLC and the Hayward Redevelopment Successor Agency.

SUMMARY

In 2005, the Redevelopment Agency (RDA) entered into a ground lease with the Cinema Place developer, which expires in 2056. In 2007, the RDA entered into a Parking Lot Maintenance Agreement with the Cinema Place developer for Municipal Lot 3 (the City oversees the maintenance, including utilities, cleaning contracts, and facility updates). The lease and parking agreements were subsequently transferred to the Successor Agency and the current tenant: 1069 B Street, LLC. This staff report outlines a proposed amendment to the current ground lease to help mitigate some of the financial impacts of the COVID-19 pandemic.

BACKGROUND AND DISCUSSION

Beginning with the onset of the COVID-19 pandemic in March 2020, the closing of non-essential commercial stores and indoor dining began in Alameda County. This closure also applied to movie theaters. In March 2021, theaters began in some locations to open in a very limited way. Since that time, the restrictions have been all but eliminated, but the impacts are still being felt by the industry. As of March 2023, Century Theaters which operates the Cinema Place movie theater, reported approximately a 60% reduction in customer attendance from pre-pandemic levels. These factors have made it very challenging for the theater to continue to operate in a fashion similar to the way it did in the pre-pandemic

economy. Because of this, Century Theaters, the theater's operator, informed 1069 B Street LLC that, at the end of its lease on October 31, 2023, did not plan to renew its lease of the site and would cease operations at Cinema Place.

Since March of 2023, City staff have worked with representatives from 1069 B Street LLC and Century Theaters in an effort to avoid a closure of the theater at Cinema Place as this is an important business in the downtown corridor. Over recent months, 1069 B St LLC has been offering a reduced rent to Century Theater for three years to entice them to stay.

Century has tentatively agreed to the reduced terms and plans to remain in operation for at least three additional years.

The City also has an interest in keeping the theater in operation and 1069 B Street LLC and City staff have engaged in discussions to offer reductions in the annual amounts due to the Successor Agency. The parties have agreed to subsidize these payments in lieu with an amount estimated in value of \$352,197.

These terms include:

- Abatement of rent and parking maintenance fees paid to Successor Agency for three years (Oct 1, 2023 to Sept 2026)
- Rent forgiven annually only if Century Theater remains fully operational
- 1069 B Street must provide bi-annual updates on Century Theater's general performance and health, including sales data reporting.

STRATEGIC ROADMAP

This agenda item applies to Grow the Economy Strategic priority: 2b Engage owners and encourage activation of vacant sites. The proposed use will continue to keep a key site along the B Street corridor activated.

ECONOMIC IMPACT

This project supports the Economic Development Division team's efforts to maintain and grow the economy and prevent a vacant downtown anchor site by ensuring active use. A direct quantification of the economic impacts is not estimable.

FISCAL IMPACT

The funding to make the Successor Agency whole, as required by the Alameda County Redevelopment Agency Oversight Board, is estimated at \$352,197 over three years and will be allocated from the General Fund.

NEXT STEPS

Upon authorization by the City Council, staff will prepare agreements to execute with the business owner for the proposed ground lease amendment.

Prepared by: Dustin Claussen, Assistant City Manager

Recommended by: Paul Nguyen, Chief Economic Development Officer
Dustin Claussen, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager