



CITY OF PACIFIC GROVE AGENDA REPORT

300 Forest Avenue, Pacific Grove, CA 93950

To: Honorable Mayor and Members of the City Council

From: Ben Harvey, City Manager

Meeting Date: September 21, 2016

Subject: Domaine Hospitality Reimbursement Agreement Update

CEQA: This action does not constitute a “project” as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

RECOMMENDATION

Status update report; no action required.

DISCUSSION

The City and Domaine Hospitality (also referred to as “Domaine Pacific Grove, LLC”) entered into a reimbursement agreement on June 14th, 2016. The purpose of the reimbursement agreement was to establish a covenant wherein Domaine Hospitality reimbursed the City for incurred costs related to the entitlement process, development, and construction of a proposed hotel project at the American Tin Cannery site, known as “Project Bella”, at 125 Ocean View Boulevard in Pacific Grove.

To date, the City has received a \$50,000 payment from Domaine Hospitality. An additional payment of \$50,000 will be delivered to the City on September 30, 2016 (attached letter from Domaine Hospitality). Costs incurred by the City for the project not yet reimbursed by Domaine Hospitality are approximate \$45,000. Upon receipt of the payment scheduled for September 30, the City will have received total reimbursement for all project costs incurred to date.

Both the City and Domaine Hospitality have mutual interest in revising the June 14, 2016 reimbursement agreement to address potential issues and concerns, and to streamline the reimbursement process. Negotiations between the City and Domaine Hospitality are underway, but not yet resolved. It is anticipated resolution between the parties will be reached in the near future.

Since negotiations for a revised reimbursement agreement have been underway, all work for Project Bella that incurs costs reimbursable to the City by Domaine Hospitality has been temporarily suspended by mutual agreement. Aside from the mutual desire of both parties to negotiate a revised reimbursement agreement, cessation of work is also logical at this point due

to recent completion of project background studies, and the need for project plans and additional information from the applicant for project work to proceed. Once negotiations between the two parties are complete, and a revised reimbursement agreement has been reviewed and approved by the City Council, project work will recommence.

OPTIONS

Not applicable; no action required.

FISCAL IMPACT

Upon City receipt of the scheduled September 30, 2016 payment of \$50,000 from Domaine Hospitality, no remaining reimbursable Project Bella costs will exist.

ATTACHMENT

1. September 16, 2016 letter from Domaine Hospitality

RESPECTFULLY SUBMITTED:

Ben Harvey
City Manager



September 16, 2016

Mr. Ben Harvey
City Manager
City of Pacific Grove
300 Forest Ave.
Pacific Grove, CA 93950

Re: Project Bella Update and City Reimbursement

Dear Mr. Harvey,

Thank you for making yourself and members from the City team available to review the initial EIR and project management work undertaken to date for our proposed hotel project. In addition, earlier this summer the Planning Department staff and consultants carefully outlined additional information needed to complete the project application. Our team has been working on responding to the request for additional project information and conducting the updated, architectural design, engineering, programming and geotechnical work necessary for completing our application. The work is extensive for a project of this scale and takes time to complete. Specifically, all aspects of the hotel design and use must be thought through in order to achieve the LEED Platinum standard for which we committed to with this hotel. We anticipated completion of this work in the next few months. With this work effort to complete our application being priority, we agree with the decision to hold any further consultant work until we provide more detailed information for completing the application and commencing the environmental review.

In June we executed a reimbursement agreement with the City and made an initial deposit of \$50,000. The agreement envisioned quarterly deposits of \$50,000 for the EIR and project management work undertaken by City consultants although Domaine and the City agree that we need to amend the agreement to correct deposit dates to match the project review schedule. We are making our next quarterly payment on September 30, 2016. As we have discussed, these payments exceed the costs of all work undertaken by the City's consultants on our project to date.

We have discussed potential amendment to the existing reimbursement agreement to correct the schedule of quarterly deposit dates and consider increases to the future deposits. We also are in complete agreement to ensure the City is efficiently reimbursed and if the quarterly deposits are deficient we will augment payments on a mutually agreed upon schedule to keep up with the billings of the consultants. We look forward to making any such amendments to the reimbursement agreement when the project application is completed and work by the City's consultants re-commences as then we will be able to more accurately anticipate the schedule of consultant costs for review of our project.

Domaine Hospitality Partners, LLC

20101 SW Birch Street, Suite 150K | Newport Beach, California 92660



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Thank you again for City's responsiveness in considering our project application. We appreciate the commitment to a thorough project review and the City's capital efficient management of consultant costs and communication to ensure timely reimbursement. Once the environmental work begins and the Notice of Preparation is filed, we understand the City's consultant will announce a scoping session and outline a schedule for public input and review. We appreciate community anticipation of our project and are currently focused on completing our work on detailed elements of the project application.

If you have any questions, please do not hesitate to contact me or Jared Ficker from our project team.

Sincerely,

Ronald L. Meer
President & CEO
Domaine Pacific Grove, LLC