



February 13, 2014

TO: Honorable Mayor and City Council

FROM: Marilyn J. Staats, Acting City Manager

SUBJECT: WEEKLY REPORT: February 7-13, 2014

➤ **CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENTS**

- I am pleased to report that CIM Group, a partnership of investors with \$13.1 billion of assets under management and \$7.6 billion of equity under management across seven institutional funds, acquired Montclair Plaza from CWCapital Asset Management on February 10, 2014. CIM Group is headquartered in Los Angeles in the TV Guide Building, located near CIM Group's Hollywood and Highland Center. Page 6 features a copy of the press release announcing the acquisition of Montclair Plaza and other properties.

General Growth Properties (GGP), former owner of Montclair Plaza, moved into bankruptcy in April 2009 and deeded "special consideration" properties back to lenders—Montclair Plaza was one of the "special consideration" properties.

In early 2011, CWCapital acquired Montclair Plaza through special servicing after GGP emerged from bankruptcy in November 2010. Special servicing companies such as CWCapital have specialized procedures in place to process loans requiring unusual attention—i.e., loans in or about to go into default. Properties acquired through this process move into Real Estate Mortgage Investment Conduits (REMICs)—entities designed to work out troubled loans and incentivized with tax-favored status.

Tax rules that apply to REMICs place restrictions on both the activities and assets of a REMIC—any violations of these restrictions place in risk the REMIC's tax-favored status. A REMIC is not generally taxed on its income, although net income from a foreclosure property (other than rents from real property, including rents derived from shopping center tenants) is taxed at the highest corporate tax rate.

Essentially, the tax rules for properties held by a REMIC are intended to prevent a REMIC from engaging in activities that are the equivalent of operating a business.

Foreclosure properties, such as Montclair Plaza, can only be held by the REMIC until the end of the third taxable year following the taxable year in which the trust acquired the property. Extensions can be granted by the Internal Revenue Service, but only if it is necessary for the orderly liquidation of the REMIC's interest in the foreclosure property.

Based on REMIC issues, it is apparent why CWCapital and its independent contractor, first Cushman & Wakefield, followed by Spinoso Real Estate Group, made the decision to divest itself of the property. CWCapital issued proposals for sale of Montclair Plaza and a number of its other assets.

CIM Group has active projects throughout California, including Los Angeles, West Hollywood, Manhattan Beach, Huntington Beach, Pasadena, Santa Monica, Santa Ana, Anaheim, Oakland, San Francisco, San Jose, San Diego, San Pedro, and Sacramento.

Outside of California, CIM Group has active projects in Washington D.C.; Dallas, Austin, and Houston, Texas; Las Vegas, Nevada; Miami, Florida; Chicago, Illinois; Charlotte, North Carolina; Boulder, Colorado; New York City, New York; Toronto, Canada; and Monterrey, Mexico.

CIM Group assets are distributed throughout a number of real estate portfolios and have included a number of significant properties including 15 hotel complexes; 63 retail centers; 5 commercial parking structures; 61 condominium, apartment, and mixed-used projects; and 41 office complexes. Other assets include Cantor Commercial Real Estate, Skypower LTD., Antelope Valley Water Bank, and Trump SOHO.

A small sample of significant assets controlled and managed by CIM Group include the following:

1. **Dolby Theatre, Hollywood, California.** The Dolby Theatre, formerly known as the Kodak Theatre and Hollywood and Highland Center Theatre, is a live-performance auditorium in the Hollywood and Highland shopping mall and entertainment complex located at Hollywood Boulevard and North Highland Avenue in the Hollywood district of Los Angeles. Since its opening on November 9, 2001, the theater has hosted the Academy Awards ceremonies, and is the first permanent home for these annual awards ceremonies.
2. **432 Park Avenue, New York City, New York.** CIM Group is developing a "super tall" residential project in New York City at 432 Park Avenue in midtown Manhattan. With a height of 1,398 feet and

125 condominium apartments, the structure will become the 3rd tallest tower in the United States, with One World Trade Center being taller, as judged by the height of its pinnacle; although 432 Park Avenue is taller if One World Trade Center is measured by roof height. Construction began in 2012 and will finish in 2015. The project required the demolition of the 495-room Drake Hotel built in 1926. The site became one of New York's most valuable development sites due to its location in the heart of the city.

The tower will have eighty-four 93-foot-square stories, each with six 100-square-foot windows per face. The tower's condominium units will range from a 351-square-foot studio to a 6-bedroom, 7-bath penthouse with a library, already under agreement for \$95 million. The building's amenities will include 12-foot-high ceilings, golf training facilities, and private dining and screening rooms. When completed, 432 Park Avenue is expected to become the second-tallest building in New York City and the tallest residential building in the Western Hemisphere.

3. **Third Street Promenade, Santa Monica, California.** The Third Street Promenade is an upscale shopping, dining and entertainment complex in the downtown area of Santa Monica. It is considered the premier shopping and dining district on the west side and draws large crowds from all over the Greater Los Angeles Area.

Third Street Promenade has been a center of business in Santa Monica since the town's inception in the late 19th century. The Promenade's roots date back to the 1960s when three blocks of Third Street were converted into a pedestrian mall. Although successful, by the late 1970s, the Santa Monica Mall (as it was then called), required modernization and a redesign. A new enclosed shopping center, Santa Monica Place, designed by famed architect Frank Gehry, was added at the Promenade's southern end. In the 1980's, a citywide bond measure was issued and architectural firm ROMA Design Group was hired to redesign Santa Monica Mall. The renamed Third Street Promenade opened on September 16, 1989, and has since become the nationally recognized success it is today.

Larger tenants include Anthropologie, H&M, Barnes & Noble, Urban Outfitters, a three-story Gap, Forever 21, Abercrombie and Fitch, Sephora, Armani Exchange, LUSH Cosmetics, Guess, Apple, Quiksilver, American Eagle Outfitters, and Old Navy. Third Street Promenade boasts several theatres, including Mann, AMC, and Loews Theatres. Third Street Promenade also hosts the largest and oldest certified organic farmers' market each Wednesday and Saturday.

4. **Hollywood & Highland Center, Hollywood, California.** The Hollywood & Highland Center is a shopping mall and entertainment complex located at Hollywood Boulevard and Highland Avenue in the Hollywood district in Los Angeles, sitting just across from El Capitan Theatre. The 387,000-square-foot center also includes TCL Chinese Theatre (formerly Grauman's Chinese Theatre and Mann's Chinese Theatre) and the Dolby Theatre. The historic site was once home to the famed Hollywood Hotel. Located in the heart of Hollywood, along the Hollywood Walk of Fame, it is among the most visited tourist destinations in Los Angeles.

The centerpiece of the complex is a massive three-story courtyard inspired by the Babylon scene from the D.W. Griffith film, *Intolerance*. The developer of the shopping center built part of the archway and 2 pillars with elephant sculptures on the capitals, just as seen in the film, to the same full scale, giving visitors an idea of how large the original film set must have been.

Tenants include 75 shops, 2 nightclubs and restaurants, a movie theater, The Highlands nightclub, Level 3 nightclub, and Lucky Strike Lanes bowling alley. The portion of the center facing Hollywood Boulevard houses retail tenants such as GAP, American Eagle, Sephora, and Express.

Hollywood & Highland also houses 65,000 square feet of gathering spaces including the Grand Ballroom used for The Oscars Governors' Ball. Celebrity chef Wolfgang Puck operates his regional headquarters out of the complex. The center also includes television broadcast facilities that in 2004 included the studios for the daily talk show *On Air With Ryan Seacrest*. The 637-room Loews Hollywood Hotel is also part of the site.

The center played a significant role in attracting development to other parts of Hollywood Boulevard. The TV Guide Hollywood Center (also owned by CIM Group) across the street from Hollywood & Highland has attracted new tenants such as American Apparel, Baja Fresh, Hooters, and Coffee Bean & Tea Leaf. Other notable retail stores include clothier H&M and the Spanish retail chain Zara.

The sidewalk in front of Hollywood and Highland is considered a coveted location for recent additions to the Hollywood Walk of Fame.

As a relative value investor, CIM Group typically targets thriving urban areas where market values have dropped below intrinsic values, generating high returns with low relative risk; and underserved/transitional urban districts that have dedicated resources to become vibrant urban communities.

The company conducts extensive research before investing, with the objective of developing and fostering deep community relationships. CIM Group examines the characteristics of a market to determine whether the target investment area justifies the efforts CIM Group undertakes. CIM Group's investment strategies typically attract national tenants and local consumers to retail, office, and entertainment venues after CIM Group enters the local market.

It is apparent the North Montclair Downtown Specific Plan (NMDSP) was integral to the company's decision to acquire Montclair Plaza. CIM Group was attracted to the mixed-use, urban, pedestrian corridor, and transit-oriented aspects of the NMDSP. Proximity of the Montclair Transcenter was also significant to the company's investment decision.

The City looks forward to collaborating with CIM Group on any future plans to renovate Montclair Plaza, which may incorporate entertainment uses, additional restaurants, and additional retail.

CIM GROUP ACQUIRES SEVEN-ASSET PORTFOLIO INCLUDING TWO CALIFORNIA PLAZA & MONTCLAIR PLAZA

Portfolio Includes Office, Retail & Hotel Properties in California & Maryland

LOS ANGELES – February 12, 2014 – CIM Group announced today that it has acquired a seven-asset portfolio that includes: Two California Plaza, a 52-story, Class A office building in Downtown Los Angeles; Montclair Plaza, a two-story enclosed regional shopping mall in Montclair, California; Stadium Towers Plaza, a 12-story, Class A office tower in Orange County, California; Montvale Center, an approximately 125,000-square-foot office building in Gaithersburg, Maryland; Comfort Suites-San Diego/Mission Valley, a 126-room hotel located in San Diego, California; DoubleTree by Hilton Hotel-Bakersfield, a 262-room hotel located in Bakersfield, California; and a non-performing loan secured by 270 Technology Park, an approximately 440,000-square-foot office campus in Frederick, Maryland.

Two California Plaza, the marquee asset in this seven-asset portfolio acquisition, is located in the downtown submarket of Bunker Hill with approximately 1.28 million net rentable square feet of office space and 44,000 square feet of retail space. This building, which recently received LEED Platinum certification, is part of a two-tower office complex that shares a retail and restaurant pavilion including a 1.5-acre water court and performance plaza. Two California Plaza is also near popular destinations such as the Music Center with the Walt Disney Concert Hall, the Cathedral of Our Lady of the Angels, the Museum of Contemporary Art, and Los Angeles Central Library, and in close proximity to significant developments that are transforming Downtown Los Angeles including new cultural, residential, entertainment and transportation infrastructure projects.

Another significant asset in the acquisition, Montclair Plaza, is set on approximately 72 acres, and is an established retail center offering an array of national retailers and restaurants in addition to key anchors including Macy's, Nordstrom, Sears, JC Penney, and Target. CIM acquired 868,000 square feet of the 1.3 million-square-foot mall. Montclair Plaza is in the heart of downtown Montclair, which is being transformed under the city's specific plan that includes new residences and pedestrian corridors to create an urban, walkable district.

CIM acquired this seven-asset portfolio as part of the sale of a larger portfolio of real estate-owned and non-performing loan assets spread across the United States from special servicer CWC Capital Asset Management, LLC. CIM's portfolio consists of income-generating properties mainly in communities in which CIM has been active for several years and that fit within its longstanding investment discipline of qualifying communities in established and emerging urban areas with solid infrastructure and transportation networks as well as significant private and public real estate and

➤ **COMMUNITY DEVELOPMENT DEPARTMENT**

- The City received good news late last week that a 9th U.S. Circuit Court of Appeals panel soundly rejected an effort by the owners of Déjà Vu Showgirls, formerly located at the corner of Central Avenue and Mission Boulevard, to renege on the 2002 settlement agreement with the County of San Bernardino that resulted in the closure of the club in November 2012. The court rejected all of the plaintiff's arguments and found that the County was not required to identify an alternate location for an adult-oriented business, and that the settlement agreement with the County did not infringe upon the club owners' First Amendment rights.

Fourth District Supervisor Gary Ovitt, whose district includes Montclair and the unincorporated County area in which the club formerly operated, commented, "My constituents have waited patiently for many years to see this blemish on their community removed once and for all. I will continue to listen to and work with our residents and the City of Montclair to see this site used for something that will benefit the neighborhood."

In early 2012, the club owners' legal counsel sought support from City staff to convert the two-story building, upon its closure, to a nightclub/sports bar/comedy club. Staff went on record as not being supportive of the proposed uses because they would not contribute positively to the character of the Mission Boulevard corridor, on which the City had spent \$11 million on infrastructure and aesthetic improvements over the previous decade. The owners subsequently filed a Conditional Use Permit (CUP) application with the County to allow said land uses. The County Planning Commission approved the CUP application but imposed conditions with which the owners did not agree. For several months in early 2013, the owners met on multiple occasions with the County about modifying the conditions but were unable to arrive at agreement. Discussions ceased in May 2013, and the owners subsequently filed the challenge to the settlement agreement.

Given the appeals court panel's decision, it is not known at this time whether the owners intend to resume negotiations with the County on the CUP conditions or whether they have alternate plans for the property.

➤ **FIRE DEPARTMENT**

- Yesterday, on-duty engine companies from Montclair and Upland Fire Departments took part in a California State Fire Marshal-sanctioned Auto Extrication Drill at Montclair's City Yard. Two additional training days will be held for the remaining crews.

Firefighters were trained on the most up-to-date extrication techniques while incorporating a multi-casualty incident on the I-10 Freeway.

Fourteen cars were provided by Hyundai, Kia, and local tow companies Pacific and Dietz. Seven EMT students volunteered to be the victims in a large traffic accident. The City Yard's large equipment movers made it possible to create unique training scenarios by placing the automobiles in situations usually found in high-speed major accidents.

Our appreciation goes out to Montclair City Yard staff and Upland Fire Department for joining us in this extremely important training opportunity.

➤ **HUMAN SERVICES DEPARTMENT**

- On February 7, as part of National Wear Red Day, the Montclair Walkers donned red shirts and posed in the shape of a heart during their morning walk at Montclair Plaza. Pomona Valley Hospital Medical Center and Montclair Plaza partnered to celebrate National Heart Month and National Wear Red Day, an initiative of the American Heart Association to raise awareness of heart disease in women, and were thrilled to have the Walkers model their red shirts for the day.



- The Montclair Community Action Committee will be honoring deceased Montclair veterans by taking submissions for its Veterans Memorial Wall. The new plaques will be dedicated on Memorial Day 2014. The Veterans Memorial Wall, located in the Civic Center's Memorial Garden, pays tribute to deceased Montclair veterans from all branches of service and is an ongoing dedication to those who served our country during any war or peacetime.

Bronze plaques on the wall cost \$300 per veteran. Veterans must have been a resident of Montclair. All applications and payments are due by February 22, 2014. Applications are available at the Recreation Center, the Senior Center, and www.cityofmontclair.org.

For additional information, please call 909-625-9451.

➤ ***POLICE DEPARTMENT***

- Last week, Girl Scouts of Greater Los Angeles Troop #1984 visited the Police Department and were greeted by Chief Mike deMoet. The fourth grade Junior Girl Scouts are working on a journey called "Get Moving," which allows them the opportunity to earn five badges. Badges are earned to help instill leadership skills and teach civic responsibility. Their time at the Police Department included a tour and a presentation about detective work and the opportunity to participate in a detective-type activity—fingerprinting—allowed all the girls to earn their detective badge. Detective Gloria Perez and CSU Officer Eric Ruziecki took time from their busy schedules to make sure the girls had fun (as you can see by the photos below, they did), while learning about law enforcement in the process. Gloria and Eric spoke to them about the process involved in becoming a police officer and eventually a detective. They also explained the duties of a detective and then talked about the various ways in which crimes are investigated. Gloria said the visit was the highlight of her week, and she was made an honorary member of Troop #1984.

In the photo below on the left, they learned about fingerprinting. They also had fun trying on a police vest and hat and finding out how heavy the police vests are!

The troop is selling Girl Scout cookies and funds raised from their cookie sales, which helps them earn another badge, are going towards their camping trip during the summer. Contact Human Services Director Marcia Richter to purchase cookies at \$4 a box.



➤ **PUBLIC WORKS DEPARTMENT**

- This past weekend, the City's landscape contractor, Mariposa Landscaping, reported that a backflow device was missing from the northeast corner of Phillips Boulevard and Ramona Avenue. It appears to be yet another case of theft for its weight in brass. Metal theft continues to be a problem throughout the region, and in our small city as well.

On a happier note, the City Yard welcomed back Maintenance Worker Ruben Gutierrez who had been off work for 133 days due to a mild stroke. With Ruben back in the Irrigation Division of the Parks Crew, he and Maintenance Worker Brandon Lane will replace the backflow device and place a security cage over the device to deter would-be thieves from acting up again.

Welcome back, Ruben!

➤ **SUCCESSOR REDEVELOPMENT AGENCY/MONTCLAIR HOUSING CORPORATION**

- The number of Chinese tourists visiting the U.S. each year will more than triple by 2020, as 5.7 million mainland visitors are expected to reach American shores that year, a new report predicts. California is the most popular destination. That's well ahead of the 1.5 million mainland Chinese who visited the U.S. in 2012. Overall, 200 million mainland Chinese will travel abroad in 2020, double the number who ventured overseas last year, according to an analysis released Monday by Aaron Fischer, the Hong Kong head of consumer and gaming research at CLSA Asia-Pacific Markets.

Spending by the Chinese worldwide will grow even faster—to triple 2012 levels, as household incomes rise and relaxed visa restrictions make foreign travel easier.

California was the top U.S. destination for mainland Chinese visitors in 2012, CLSA found, with 46 percent of those coming to America visiting the state. New York was second, at 31 percent. California's large population of ethnic Chinese and Chinese university students is pulling more visitors to the state, the report said, noting that USC and UCLA are among the most "internationalized" colleges in the country. China is already the biggest source of overseas visitors to Los Angeles. The city saw a record 42.2 million travelers last year, with 6.2 million from abroad. The number of Chinese visitors was up 21 percent from 2012, the Los Angeles Tourism & Convention Board said earlier this month. Already, flights between L.A. and mainland China are 84 percent full, on average, the CLSA study found.

Chinese tourists are the second biggest-spending foreign visitors to the U.S. --just behind Indians and ahead of Australians, Brazilians and Japanese--with an average budget of \$4,400 per visit, not including airfare, CLSA said. Chinese prefer to visit L.A. and New York over London or Paris, even though flights to those cities are shorter and cheaper. Surprisingly, the study found that Chinese visitors stay on average 42 nights in the U.S., compared with 17 to 19 nights for overseas visitors as a whole. Nearly 36 percent of Chinese are either in the country on business or for conventions.

While the projected influx of mainland tourists bodes well for many businesses, from hotels to Vegas casinos and even cosmetic brands, the report cautioned that many U.S. hotels are not equipped to deal with rising numbers of Chinese visitors. In particular, the study said, U.S. hotels need more Mandarin speakers and restaurants serving Chinese food. The CLSA report surveyed 1,006 middle-class Chinese in 41 cities, including 504 experienced travelers and 502 potential travelers. The U.S. was ranked as the most desired destination "if money was no object."

MJS:spa

"Until one has loved an animal, a part of one's soul
remains unawakened." ~ Anatole France

FEBRUARY 2014

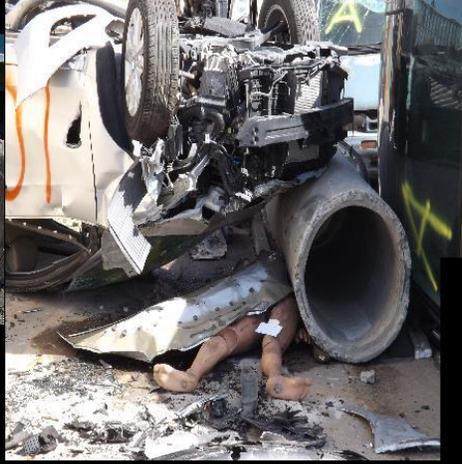


14	Valentine's Day	
17	Presidents Day – City Hall Closed	
18	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
18	City Council Meeting Council Chambers	7:00 p.m.
20	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
20	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
20	Assemblymember Freddie Rodriguez – Public Forum, Council Chambers	5:00 p.m. - 8:00 p.m.
22	Coffee with Assemblymember Freddie Rodriguez Police Department Emergency Operations Center	10:00 a.m. - 1:00 p.m.
24	Planning Commission Meeting Council Chambers	7:00 p.m.
25	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
25	Strategic Planning Session - Rescheduled	
26	Oversight Board – Special Meeting Council Chambers	6:00 p.m.

MARCH 2014



3	City Council Workshop Council Chambers	5:45 p.m.
3	City Council Meeting Council Chambers	7:00 p.m.
4	Strategic Planning Session Senior Center	4:00 p.m.
5	Community Action Committee Meeting Council Chambers	7:00 p.m.
8-12	Congressional City Conference Washington D.C.	
9	Daylight Saving Time Begins	2:00 a.m.
10	Planning Commission Meeting Council Chambers	7:00 p.m.
11	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
12	Oversight Board Meeting Council Chambers	6:00 p.m.
17	St. Patrick's Day	
17	Code Enforcement Committee Meeting City Hall Conference Room	6:00 p.m.
17	City Council Meeting Council Chambers	7:00 p.m.
20	Spring Begins	
20	Safety Committee Meeting City Hall Conference Room	9:00 a.m.
20	Public Works Committee Meeting City Hall Conference Room	2:00 p.m.
24	Planning Commission Meeting Council Chambers	7:00 p.m.
25	City Manager's Staff Meeting City Hall Conference Room	9:00 a.m.
27-28	City-County Conference Lake Arrowhead Resort	11:00 a.m.



AUTO EXTRICATION TRAINING

FEBRUARY 12, 2014

