



Information Item

Date: November 2, 2009

To: Mayor and City Council
From: Andy Agle, Director of Housing and Economic Development
Subject: AMC/Metropolitan Pacific Cinema Proposal

Introduction

This Information Item provides additional information regarding AMC/Metropolitan Pacific's proposal that cinema development on the site of Parking Structure No. 3 will result in only a modest increase to the total number of cinema seats in the Bayside District, in accordance with the City's Request for Proposals.

Discussion

In its proposal for cinema development on the site of Parking Structure No. 3, AMC/Metropolitan Pacific represented that the proposed cinema facility would result in a modest increase in theater seats because AMC would close the Broadway 4 and remodel the AMC 7 to reduce the number of seats. At its September 8, 2009, meeting, Council asked for additional information regarding AMC's ability to accomplish the proposed action.

The attached letter from AMC and Metropolitan Pacific indicates that they are negotiating with the owner of the building that houses the AMC Broadway 4 for an agreement to terminate the current cinema lease and preclude the owner of the property from re-leasing the space to a cinema operator. Based upon staff's understanding of the Bayside District retail market, we believe the termination would be attractive to the landlord because other uses such as retail, typically pay higher lease rates than cinema operations.

If AMC's negotiations with the landlord are ultimately unsuccessful, AMC has committed to close the Broadway 4 for a minimum of one year and remove all fixtures, furniture and equipment. After being vacant for one year, a Conditional Use Permit from the City would be required to operate a cinema at the site.

In addition, AMC has committed to renovating the AMC Santa Monica 7 and removing a minimum of 475 seats prior to opening the new theater. In all, AMC commits to reducing a total of 1,599 seats from existing AMC facilities in downtown Santa Monica.

AMC's attached letter confirms that it will agree, as part of its eventual agreement with the City for construction of the proposed cinema on Fourth Street, to termination of cinema operations at the AMC Broadway 4 and reduction in the number of seats at the AMC Santa Monica 7, as discussed above.

Staff has reviewed the pertinent clauses from both leases, including operating covenants, to confirm that AMC has lease rights as stated. Pursuant to Council direction, staff will initiate exclusive negotiations with AMC/Metropolitan Pacific.

Prepared By:

Erika Cavicante, Senior Development Analyst

Attachment:

Letter from AMC/Metropolitan Pacific



AMERICAN MULTI-CINEMA, INC.
920 MAIN STREET
KANSAS CITY, MO 64105
T: 816 221 4000

October 13, 2009

Mr. Andy Agle, Director
Ms. Miriam Mack, Manager
City of Santa Monica
Housing and Economic Development Department
1901 Main Street, Suite E
Santa Monica, CA 90405

Via email:

Miriam.Mack@SMgov.net,

Andy.Agle@SMgov.net

Original via US Mail

Re: Metropolitan Pacific/AMC Proposal for Development Theatres in Santa Monica

Dear Mr. Agle and Ms. Mack:

This letter is in response to the Santa Monica City Council's ("Council") September 8, 2009 request that American Multi-Cinema, Inc. ("AMC") and Metropolitan Pacific Capital, Inc. clarify how AMC will implement its plan to reduce the number of seats in AMC's existing Santa Monica facilities and provide assurances that AMC can, in fact, remove the seats.

As discussed at the Council meeting, AMC has made a commitment to the City of Santa Monica ("City") that, upon the development of its proposed new multiplex theatre on Fourth Street, AMC will close, as a theatre, the AMC Broadway 4 theatre and reduce the number of seats in the AMC Santa Monica 7 by remodeling this facility.

AMC's lease for the Broadway 4 currently runs through October 31, 2014 and AMC has 3, 5-year options to extend the term of the lease through December 31, 2029. AMC is negotiating with the owner of the AMC Broadway 4 premises regarding an agreement for the termination of the lease which would preclude the future operation of a theatre at the site. While we are hopeful that a suitable agreement with the landlord will be negotiated, we are not relying on such an agreement to accomplish the closure of the AMC Broadway 4 facility.



AMC's lease for the AMC Broadway 4 premises does not contain any current or future operating covenants that require AMC to operate a theatre at the site. In the event that a mutually acceptable agreement with the landlord is not reached, AMC commits to closing the AMC Broadway 4 prior to the new theatre's opening and will leave the Broadway 4 closed, as a theatre, for a minimum period of one year as required by the City. In either case, AMC will remove all of its equipment and furnishings, including, but not limited to screens, seats, projectors, sound equipment and any other items related to the operation of a movie theater.

In regards to the reduction of seats at the AMC Santa Monica 7, AMC's plan is to remodel the facility at the site. The lease for the AMC Santa Monica 7 site allows AMC to remodel, change the use, and/or sublet the building. The initial term of the lease runs through December 31, 2024 with 3, 5-year options to extend the term through December 31, 2039. AMC is committed to the removal of a minimum of 475 seats at the AMC Santa Monica 7 facility on or before the date the proposed new multiplex opens. With the closure of the 1,124 seat AMC Broadway 4, and the removal of a minimum of 475 seats at the AMC Santa Monica 7, a total of 1,599 seats will be removed from existing AMC facilities in downtown Santa Monica.

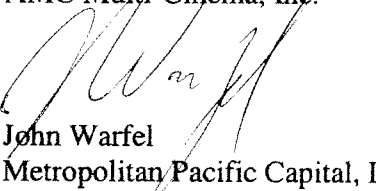
AMC expects that, as part of the negotiation of a Development Agreement with the City for the construction of the proposed new multiplex on Fourth Street, AMC will be required to guarantee that it will close, as a theatre, the Broadway 4 and reduce the number of seats at the AMC Santa Monica 7 as discussed above. This letter will confirm that AMC will make such a commitment provided that AMC is awarded the Development Agreement.

Please feel free to contact us if you have any questions regarding the above or need additional information.

Regards,



Tom Hudak
AMC Multi-Cinema, Inc.



John Warfel
Metropolitan Pacific Capital, LLC