

Scotts Valley - 2000

Press-Banner 12-28-12

City turns new leaf on Town Center

By Joe Shreve
Press-Banner

A company owned by Safeway now holds exclusive rights to negotiate with Scotts Valley officials to develop the city's oft-delayed Town Center project.

A unanimous City Council vote Dec. 19 allows Pleasanton-based Property Development Centers LLC to explore a partnership to build the planned retail and community hub.

The developer — a wholly owned subsidiary of Safeway Inc. — has a 180-day window, with two possible 30-day extensions, to see if both parties can develop a working relationship.

"This is a viable step forward," said Scotts Valley Mayor Randy Johnson during the meeting. "We're going to work in good faith with these people."

According to City Councilman Dene Bustichi, the city first expressed interest in partnering with PDC in September, when he and Johnson met with representatives of the firm at a conference hosted by the International Council of Shopping Centers in San Diego.

"PDC seemed to show the most amount of interest," Bustichi said.

According to the language of the exclusive negotiation agreement, within the 180-day window, PDC will be required to complete four steps:

- Pay the city \$25,000 to cover negotiation fees and third-party expenses
- Prepare a project description, conceptual plans and a building schedule for the city's review
- Agree to purchase city property at fair-market value for the project
- Negotiate a development agreement

Bustichi said much of the appeal of working with PDC is that the company is known for its speed, its relative financial independence and its willingness to work with cities and communities to create unique and regionally tailored shopping areas, which are anchored by a Safeway store.

PDC has developed a string of such shopping centers throughout the western United States, including in Oakland, Sunnyvale and Aptos.

"These folks have created those spaces in other cities," Bustichi said. "They definitely have a track record of working with the city to create something unique."

With access to Safeway Inc.'s deep pockets, PDC can also bypass the typical need to seek bank loans before a project can begin, something Bustichi

said has been "a stumbling block in the past."

"Most developers are at the mercy of some lending institution," he said. "(PDC has) such a strong financial backing so far as being a sort of self-funding developer."

The agreement is not without controversy, however.

As part of PDC's plan, the Town Center would be built with the intent of moving the Scotts Valley Safeway from its location in the Scotts Village Shopping Center.

That store is owned by Safeway Inc., and the company holds a long-term lease on the land from Mill Valley-based The Pratt Co.

Kevin Pratt, a partner in The Pratt Co., said that although his company supports the Town Center, he is concerned that losing an anchor of Safeway's size could hurt other businesses in the Scotts Village Shopping Center.

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"If (the Town Center is) done in a way that pulls away a major anchor from the center of town," Pratt said, "what does that do to other businesses?"

As part of the agreement with the city and as a fulfillment of the long-term lease on the Scotts Village Shopping Center building, PDC will seek a replacement business for the space.

Pratt said that his concern is that no replacement business short of a grocery store would generate the amount of foot traffic needed to support the center's other tenants — and Scotts Valley already has three grocery stores.

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Partner, Pratt Co.

The Pratt Co. signed an exclusive negotiation agreement to develop the Town Center in May 2010, which expired in September 2011. That deal was negotiated by the city's redevelopment agency, which was shut down by the state government in 2011, along with all other redevelopment agencies in California.

Bustichi said the council felt that too little progress had been made by the expiration of the agreement with The Pratt Co., prompting the switch to PDC.

"They went through their time and weren't able to put together a project," Bustichi said. "We gave them their agreement, we gave them every extension that was allowed. ... At the end, we chose not to create a new one."

The Pratt Co. contends that the city said the reason for not entering into a new agreement was that, following the elimination of the redevelopment agencies, the city could not enter into such an agreement with anyone.

"When our last exclusive negotiation agreement expired, that was our reason for not attempting to enter into another one," Pratt said. "We had no reason to believe that they were headed in a different direction — naturally, it was a bit of a surprise."

On Dec. 19, The Pratt Co. sent the city an email through its attorney advising that entering into an exclusive

negotiation agreement constituted a violation of state law — something Pratt said was misinterpreted as a threat of litigation against the city.

"Our sending a letter was not a threat of lawsuit," he said. "We don't want to see the property tied up in litigation."

Pratt said the letter was meant simply as advice and that The Pratt Co., while disappointed, "remains very supportive of the Town Center, no matter who does it."

"We believe a town center is going to be a good thing for everyone," he said.

Bustichi was optimistic about the new agreement, calling it "probably the best opportunity we've had in some time to make this Town Center happen."

Before The Pratt Co., Stanbery Development had a similar exclusive agreement to work on the Town Center from 2007 to 2010.

Bustichi was confident that having Safeway as the Town Center's anchor would not diminish the city's plan to create a "lifestyle center" and public gathering place.

"This is still a town center, not a shopping center," Bustichi said. "We're not going to compromise what the public wants."

■ To comment, email reporter Joe Shreve at joe@pressbanner.com, call 438-2500 or post a comment at www.pressbanner.com.