

RIVERSIDE: Lease arranged for Fox parking garage

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Riverside's showpiece Fox Performing Arts Center, a historic movie palace that underwent a \$32 million renovation, will be used as collateral to finance an adjacent parking garage, small theater and museum exhibit space.

The finance deal for the parking garage project, which the city is calling the Fox Entertainment Plaza, is a complex \$25 million, 21-year lease arrangement that officials said would save millions in interest costs.

Experts said this type of deal is not unusual and is unlikely to put the Fox theater at risk. In lease financing, the city leases property it owns to a nonprofit corporation in exchange for funding. The city, which must pay the money back over time, will retain control of the theater.

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City officials say the lease deal is unlikely to place the Fox at risk.

"For a lease type of financing, you have to have a leased asset (as collateral). That's just a requirement," said Jeff Small, managing partner at Capitol Public Finance Group, which specializes in municipal finance. "The city still owns the property."

The parking garage/theater/museum project is the latest step in Riverside's efforts to draw more people downtown. Officials expect it to tie in with the Fox theater, which opened in January, and also to replace parking lost to the Hyatt Place hotel under construction nearby.

The City Council on Tuesday approved the entertainment plaza finance plan with Municipal Finance Corporation, a nonprofit corporation controlled by City National Bank.

The deal has several parts, including about \$14.6 million in tax-exempt financing for most of the 400-space parking garage, an elevator lobby for better handicapped access

to the Fox theater, a 12,300-square-foot space for off-site exhibits of the Riverside Metropolitan Museum, and a 4,300-square-foot "black box" theater with an outdoor plaza. A black box theater is a versatile space without fixed seating.

The second part of the deal is nearly \$6.9 million funded by federal stimulus bonds, which also were used to finance the Hyatt hotel. That money will cover non-public parts of the project, including space for retail shops and restaurants, and 50 parking spots set aside for the Hyatt.

A third segment is a little less than \$3.5 million used to buy land for the private-use part of the project.

City Finance Director Brent Mason noted that the Fox theater will serve as collateral only until the parking complex is built. After that, the complex itself will become the collateral until the financing is paid off.

By using a lease arrangement instead of selling bonds, the city saved a potential \$14 million in interest costs over the life of the debt as well as about \$300,000 in bond issuance costs, Mason said.

The \$14 million savings was calculated based on the interest rate the city likely would have gotten the last time they checked the bond market -- more than 5 percent, Mason said, versus the 3.85 percent it is promised on the lease deal.

"It's a phenomenal rate from our perspective," he said.

The city's parking fund, fed by parking meters and charges at city-owned lots, will pay the \$1.7 million annual debt service.

City officials and downtown business owners consider the project a boon for the area. It's gotten bigger since the council approved the rough design in May, with space added to the off-site museum area and black box theater.

"It's going to fill three or four significant needs," including parking and entertainment space that's lacking now, said Janice Penner, executive director of the Riverside Downtown Partnership, a business group.

"The addition of the black box theater will also enable a lot of the smaller performance groups to finally have a functional space to perform in," she said.

The Metropolitan Museum's older building, awaiting expansion, is now limited in what exhibits it can stage. The city had to lease space for a traveling Star Trek exhibition that is in town through February.

Besides adding space for loading and staging, museum director Ennette Morton said, the larger exhibit space "will give us a broader range of things that we can bring in."

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