

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
OVERSIGHT BOARD AGENDA
Thursday, June 6, 2013 – 3:00 p.m. to 5 p.m.
Marine Center Building, Waterfront Classroom
125 Harbor Way, Santa Barbara CA 93109**

MEMBERS:

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| <u> X </u> Brian Fahnestock, Chair , California
Community Colleges | <u> X </u> Renee Bahl , Santa Barbara County
Flood Control and Water
Conservation District |
| <u> A </u> Carolle Van Sande, Vice Chair ,
Member of Public | <u> X </u> Meg Jetté , Santa Barbara County
Education Office |
| <u> X </u> Chandra Wallar , County of Santa
Barbara | <u> X </u> Liz Limón , Former Agency
Employee Representative, City of
Santa Barbara |
| <u> X </u> Jim Armstrong , City of Santa
Barbara | |
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STAFF:

- X **Mark Manion**, Oversight Board Counsel
- X **Stephen Wiley**, City Attorney, City of Santa Barbara
- X **Sarah Knecht**, Assistant City Attorney, City of Santa Barbara
- X **Brian J. Bosse**, Waterfront Business Manager, City of Santa Barbara
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ORDER OF BUSINESS

- I. CALL TO ORDER** 3:04 p.m.
- II. CHANGES TO THE AGENDA** Move item VI. D - LRPMP RR Depot SBCM to B.
- III. PUBLIC COMMENT** None
- IV. APPROVAL OF MINUTES**
- A.** May 9, 2013 Oversight Board Meeting
- Note: When OB gives someone a specific task, include in minutes.
- Motion to Approve: Armstrong, Jetté seconds, 6 – 0, Van Sande absent
- V. CONSENT AGENDA** None
- VI. ITEMS SCHEDULED FOR ACTION/DISCUSSION**
- A.** Update on Legislation (Mark Manion).
- Manion had no update on legislation.
- Manion participated in webinar hosted by the County of Los Angeles. LA County is creating a pooling arrangement to help facilitate refinancing of eligible bond issuances. He believes the City's RDA's 2003 issuance may be eligible for refinancing and pooling with LA County would help save costs. RDA staff should

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be in contact with the OB to determine if they want to participate in pool. Manion will email LA county information to board members.

- B. That the Oversight Board Adopt A Resolution Of The Oversight Board Of The Successor Agency To The Redevelopment Agency Of The City Of Santa Barbara Approving the Long Range Property Management Plan for the Bath Street Properties.

Bosse showed revised maps for Bath Street properties with creek and street setbacks. 635 Bath St has 90 square feet of developable land and 633 Bath St has 12 square feet of developable land.

Waller stated that it's important to be consistent in her decisions throughout all the OBs she participates in. The Goleta OB required the city of Goleta to purchase an unconstructed park property as there was no enforceable obligation. In order to be consistent; she thinks the OB needs to ask the successor agency to purchase the property. She's interested in a good faith appraisal of the property value and to allow the city of SB to purchase it.

Knecht stated that since the properties are listed on the Implementation Plan, OB could make the determination that it be retained by the city for future development as listed in the Redevelopment Plan. Casey added that this project was identified in the 2003 bond as specifically being purchased to construct a park as part of the Mission creek flood control project.

Knecht stated that the park development (Item #12 on ROPS 13-14A) did get rejected in the last ROPS, ROPS IV. However, it had been approved on all prior ROPS. It is discussed in the bond document and listed on the 2010-2014 Implementation Plan. She thinks that unallocated bond proceeds could be used to pay for equipment if it is re-approved on next ROPS. Bosse added that part of the reasoning in the DOF rejection was a contract with Granite Construction. Granite Construction worked on a bridge replacement in the area. The contract was separate from the park development but the State grouped it together. Caitlin Phung, DOF, said the State made a mistake. He believes it can get approved in future ROPS.

Armstrong stated the OB previously approved the development of a park and believes the OB should be consistent with that decision and not ask tax payers to pay for the parcels twice.

Armstrong motions to transfer Bath Street properties to the city for the future development as a park. Limon seconds.

Motion passes 6-0

- C. That the Oversight Board Adopt A Resolution Of The Oversight Board Of The Successor Agency To The Redevelopment Agency Of The City Of Santa Barbara

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Approving the Long Range Property Management Plan for the Landlord's Reversionary Interest in the Paseo Nuevo (PN) Leasehold.

Casey stated there are 2 options being presented to the OB. One is to transfer the property as a governmental purpose; the other is to sell the property.

Wiley explained the city has a 75 year landlord's reversionary interest lease which started 01/01/1990. The complication arises as parts of the mall properties are not included in the lease and owned by other entities. The RDA spent about \$18 million acquiring the land for the mall (60% of the land was acquired by the RDA, while 40%, parking lot #1, was transferred from the city to the RDA). However, the mall and parking structure were built with private money. The OB could sell the lease but it would be selling a future interest to someone who would not get it until the year 2065, yet they would have an immediate monetary liability (PBIAs assessment of ~\$60,000/year). The idea when the lease was formed was that it would be renegotiated and continued.

Waller asked if the taxing entities could enter into a joint ownership agreement where they own a percentage of PN.

Manion reviewed options. The OB can either find it to be a governmental use, an enforceable obligation, in an approved redevelopment plan or sell it. If the OB decides to sell, then under the redevelopment law, the quickest way to sell for the highest value is at public auction where the taxing entities would be competing with the public to buy the property.

Wiley explained the downfalls of selling the property. By enforcing lease covenants, the landlord has more control over the property, its maintenance, and what stores to allow in the mall. Also, near the end of the lease time, mall owners will likely ask the city to extend their leases, and the city will have the ability to set restriction. The city also has interest in controlling the public parking lot. The land is owned by the city, the 3D parcels owned by one entity and the parking lot owned by another. The reciprocal easement agreement holds it together now. If the OB decides to sell the lease, it would become complicated; Buyers would not understand what they were purchasing, and would not be willing to pay a reasonable amount for it. Casey added that another problem is the annual PBIAs. Not only are you making a speculative buy, you're going to have this cash outflow every year.

Fahnestock does not understand why the property has little value and asked if it was possible to surplus the property. Manion stated the OB cannot surplus the property as it must follow the CRL.

Knecht added redevelopment law has specific provisions about how a RDA disposes of property and these are still in effect as the successor agency stepped into the RDA's shoes. There is nothing in AB 1484 that says how to go about selling property, or what procedure to follow once the OB had its finding of completion; it just says you can sell it. Fahnestock asked if the LRPMP had to be submitted in one piece.

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Knecht confirmed the LRPMP did have to be submitted in one piece. The state did not say if they would consider approving it in parts. We have until October 26, 2013 to submit the LRPMP.

Fahnestock and Waller suggested waiting to see what other OBs with similar situations (Pasadena) will do. Also, without expending a great deal of cost, the board could choose to hire Kaiser Marston (real estate economists) or someone of the like who might be able to give us some guidance. She anticipates PN to be a long and complicated discussion and suggested submitting pieces already decided to the State. She's looking to city for guidance on this property. Waller asked staff to keep the OB updated regarding developments occurring in Pasadena or other OBs with similar situations.

Waller motioned to forward what has already been approved on the LRPMP, which includes all the parcels except Paseo Nuevo. Jetté seconds.

Motion passes 6 to 0

- D. That the Oversight Board Adopt A Resolution Of The Oversight Board Of The Successor Agency To The Redevelopment Agency Of The City Of Santa Barbara Approving the Long Range Property Management Plan for the Santa Barbara Children's Museum property.

Public comment

- 1) Beth Collins-Burgard supports SBCM: Site of the SBCM is composed of 4 parcels appraised at \$2 – 3 million. One parcel was transferred for free (403 sq. ft.) the others were purchased with rail bond funds. Before the Finding of Completion Letter, the only way to transfer property was the governmental purpose exception. Now, under the LRPMP there are four options to transfer property: governmental purpose, retention of property for future development, sale of property, and use of property to fulfill enforceable obligation. There are two options to argue: governmental purpose or transfer to the City for future development. To be considered a governmental purpose it must be constructed for governmental purpose. The parcels have RR tacks and a constructed building. LRPMP directs if a property was identified in an approved redevelopment plan it can be transferred to the city. A 2010 resolution, an approved redevelopment plan, mentions the SBCM as a future redevelopment project. The rail bond funds are conditioned if the property is sold. 62% of funds could go back to State, 38% going back to the taxing entities, locally we do not benefit. The alternative is having a nonprofit pour \$20 million into a .5 acre property downtown which would provide economic stimulation to the city and benefits students and families.

We have a shovel ready project that's ready to be built now and it will improve the whole area immediately in a way that if anyone else bought now they would have to go through years of entitlement process that the SBCM has already gone through. OB could condition transfer to the City as long as

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the City enters into a lease with the SBCM for \$1/year for 50 years then OB will transfer it to the City for future development as a children's museum.

- 2) Morrie Jurkowitz supports SBCM. The project will be a wonderful addition to the city that is essentially entirely privately funded. It provides educational resources for young people in a time when publicly these are scarce.
- 3) Sergio Villa supports SBCM. SBCM started as a grass roots initiative and has inspired collaborations and partnerships with other nonprofits to enrich programs. The OB could sell the property and get a small portion back but the financial impact will be so much greater if that private dollar stays here. The nonprofits that welcomed this project are waiting for SBCM to open the doors so they can collaborate with us.
- 4) Nancy Sheldon supports SBCM. VP of SBCM and co-chair of capital campaign to raise \$21 million to build the museum. The entire campaign and project budget was based upon promise the city made in the 2008 MOU to lease the SBCM the property for \$1/year for 50 years. In good faith we've spent over \$1.5 million of private funds to go through the entitlement process and to get approval from the PC. It is key to our donors that the city is our partner in this project in donating this \$2 million site. If we have to purchase the property at the market value we will have to scale back the building and exhibits significantly. This will most certainly compromise our abilities to raise funds.
- 5) Kate Sheldon supports SBCM. She's 8 years old and will always remember the fun times she's had at CMs. A lot of kids in SB don't get to have that chance to go to CMs. She can't wait for one to open here. She hopes the OB sees how important this CM is for all the kids in SB.

End public comment

Bahl asked counsel where the money would go if the property were sold. Manion explained that there are 2 separate provisions. One, a resolution implementing certain guidelines for the clean air transportation improvement act and another resolution adopted by the CA transportation commission that talks about repayment proportionate to the participation of the state and other agencies and that's the 62%/38% state/taxing entities. If SBCM parcel were sold, he recommends getting authoritative approval from the state to find out exactly what those resolutions mean before those monies are distributed to taxing entities. There are 3 potential options: 1) sell it and all money goes to state, 2) sell it and 62% goes to State, 38% to taxing entities, 3) sell it and 100% goes to taxing agencies. Fahnestock is concerned over the OB determining to sell the SBCM property, and then finding out from the State that the State gets all the money. It would be difficult for the OB to then determine the property to be future development

Waller stated that until there is clarification from the state about where the proceeds from the sale of the property would go, it is impossible to make a decision. This is a very valuable piece of property. She didn't find any of the two

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reasons for transferring the property compelling. According to written state language on what a government purpose is, she does not believe the SBCM qualifies. Having RR tracks and a constructed building on the parcels does not mean the parcel was constructed for governmental purpose. Whether or not it's part of the redevelopment project, she needs time to review the information in more detail.

Casey answered Jetté's question regarding who is interested in the property. The adjacent hotel to the property does not have immediate onsite parking and may be interested in it for a parking lot.

Jetté feels the MOU was a commitment and the SBCM should proceed. It's good for schools and the city and whole community. She would hate to see the 62% go back to the state, if that's true, and for the property to become a parking lot small amount of money the taxing entities would get.

Knecht stated that the RDA 5-Year Implementation Plan specifically lists what projects they were contemplating and how much tax implement they would need for those projects. City Council and RDA board adopted that plan. 2010 – 2014 was the last plan adopted and it specifically refers to the SBCM as being one of those projects that the RDA intended to carry out in 5 years. She believes the SBCM meets the requirement of being listed in the redevelopment plan. If the OB decides to sell the property, she would take the position that 62% of the proceeds would go to the State.

Manion voiced concern over the authority of the OB conditioning transfer of property to city. The legislation does not provide this type of authority. If the LRPMP directs the use or liquidation of the property for a project identified in an approved redevelopment plan the property shall transfer to the city. It doesn't say and the OB can condition it, if you want to condition it and the successor agency accepts those conditions its fine but there's no authority for that.

Armstrong motions to transfer the property to the city for development with the provision that it has to be leased to the SBCM for \$1/year for 50 years. Jetté seconds.

Motion Passes 5 to 1

Waller opposes, she believes the OB has a fiduciary responsibility and does not want to rush to decision on information seen for the first time today.

VII. ADJOURNMENT 4:45 p.m.

A. Future Meeting(s): TBD

Bond proceeds
ROPS