



City of Chula Vista

Staff Report

File#: 14-0260, **Item#:** 5.

Item 5A was adopted with the Consent Calendar; Item 5B was removed from the Consent Calendar.

A. RESOLUTION NO. 2014-003 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA (1) APPROVING THE REVISED LONG-RANGE PROPERTY MANAGEMENT PLAN (REVISED LRPMP) REQUIRED UNDER HEALTH AND SAFETY CODE SECTION 34191.5 EXCEPT THAT PORTION OF THE PLAN THAT ADDRESSES PARKING LOT PARCELS; (2) AUTHORIZING THE CITY MANAGER IN HIS CAPACITY AS EXECUTIVE DIRECTOR OF THE SUCCESSOR AGENCY TO WITHHOLD SUBMISSION OF THE REVISED LRPMP TO THE OVERSIGHT BOARD AND THE STATE DEPARTMENT OF FINANCE SHOULD THE SUCCESSOR AGENCY ELECT TO INITIATE LITIGATION AGAINST THE DEPARTMENT OF FINANCE REGARDING DENIAL OF THE ORIGINAL LRPMP; AND (3) RESERVATION OF RIGHTS

B. RESOLUTION NO. 2014-004 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA (1) APPROVING THAT PORTION OF THE REVISED LONG-RANGE PROPERTY MANAGEMENT PLAN (REVISED LRPMP) REQUIRED UNDER HEALTH AND SAFETY CODE SECTION 34191.5 THAT ADDRESSES PARKING LOT PARCELS; (2) AUTHORIZING THE CITY MANAGER IN HIS CAPACITY AS EXECUTIVE DIRECTOR OF THE SUCCESSOR AGENCY TO WITHHOLD SUBMISSION OF THE REVISED LRPMP TO THE OVERSIGHT BOARD AND THE DEPARTMENT OF FINANCE SHOULD THE SUCCESSOR AGENCY ELECT TO INITIATE LITIGATION AGAINST THE STATE DEPARTMENT OF FINANCE REGARDING DENIAL OF THE ORIGINAL LRPMP; AND (3) RESERVATION OF RIGHTS

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

Health and Safety Code section 34191.5 requires Successor Agencies to prepare a Long-Range Property Management Plan (LRPMP) within six months of receiving the Finding of Completion from the Department of Finance (DOF). The Successor Agency received its Finding of Completion on May 7, 2013. The Successor Agency submitted the LRPMP to the Department of Finance that addressed the disposition and use of the real properties of the former redevelopment agency on August 15, 2013. Subsequently, on March 19, 2014, the Successor Agency received a letter from DOF rejecting

File#: 14-0260, Item#: 5.

the originally submitted plan. The revised plan accepts the comments and recommendations made by DOF and recommends that 16 of the 23 parcels owned by the former Redevelopment Agency be sold and that the 7 remaining open space and park parcels be maintained for government use as more fully described below. Submission of the revised long Range Property Management Plan to the DOF is contingent upon any decision by the Successor Agency to authorize initiation of litigation against the Department of Finance because of its denial of the original LRPMP. If the Successor Agency authorizes litigation, then the City Manager, in his capacity as Executive Director of the Successor Agency, may withhold submission of the LRPMP, as may be required or approved by the City Attorney (as counsel for the Successor Agency), to the Oversight Board and DOF,

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the proposed action consists of a governmental administrative activity that will not result in direct or indirect physical changes in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

Assembly Bills 1X 26 and 1484 ("Dissolution Act") includes many requirements for the dissolution of redevelopment agency activities, including the disposition of real property, other than housing assets. The Dissolution Act generally requires the Successor Agency to dispose of assets and property of the former redevelopment agency for either 1) limited public uses or 2) disposition into the private market. Disposition is to occur expeditiously and with a view toward maximizing value, with the disposition proceeds distributed to the affected taxing entities.

Disposition Process

The Dissolution Act allows certain flexibility and local benefits in connection with property disposition for a Successor Agency that has received a Department of Finance ("DOF") Finding of Completion. The Successor Agency received its Finding of Completion May 7, 2013 after having completed the following:

1. Submitted Recognized Obligation Payment Schedules to DOF per the statutory deadlines and received determinations for each one
2. Paid the amount required through the July 2012 True-Up Process
3. Submitted the Low Moderate Income Housing Fund Due Diligence Review ("LMIHF DDR") on October 12, 2012 and received final determination from DOF on November 7, 2012 requesting a balance of \$1,030,224. This amount was remitted November 14, 2012 which concluded the

LMIHF DDR process with DOF.

4. Submitted the Other Funds and Accounts Due Diligence Review (“OFA DDR”) and was ultimately notified on May 2, 2013 that the initial request from DOF of \$20,179,716 was withdrawn (and resulted in no funds being due) after Successor Agency staff provided additional information and documentation and attended a Meet and Confer with DOF staff. With the DOF’s final determination as to no amounts being due, the OFA DDR process with DOF was completed.

This work, which included two audits, continuous review and requests for supporting documentation by DOF, two Meet and Confer conferences in Sacramento, one Meet and Confer telephone conference and countless hours of work by Successor Agency staff was completed in a timely manner and resulted in the issuance of the Finding of Completion.

Long Range Property Management Plan

After approval of the LRPMP, the Successor Agency must transfer all real property, interests in real property, and physical assets (other than those that may be the subject of an existing enforceable obligation or property deemed to be housing assets or assets constructed and used for governmental purpose) to the Community Redevelopment Property Trust Fund (“Trust Fund”). The Trust Fund is to be administered by the Successor Agency according to the LRPMP and serves as the repository for all properties and property interests covered by the LRPMP.

The LRPMP is required to do all of the following:

1. Include an inventory of all properties in the Community Redevelopment Property Trust Fund, which was established to serve as the repository of the former redevelopment agency’s real properties. The inventory shall consist of all the following information:
 - a. Date of the acquisition of the property and the value of the property at that time and an estimate of the current value of the property
 - b. Purpose for which the property was acquired
 - c. Parcel data, including address, lot size and current zoning in the former agency redevelopment plan or specific, community or general plan
 - d. Estimate of the current value of the parcel including, if available, any appraisal information Estimate of any lease, rental or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds
 - e. Estimate of any lease, rental or any other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds
 - f. History of any environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts
 - g. Description of the property’s potential for transit-oriented development and the advancement of the planning objectives of the successor agency
 - h. Brief history of previous development proposals and activity, including rental or lease of property

File#: 14-0260, Item#: 5.

2. Address the use or disposition of all of the properties in the Community Redevelopment Property Trust Fund. Permissible uses include: 1) the retention of the property for governmental use pursuant to subdivision (a) of Section 34181; 2) the retention of the property for future development; 3) the sale of the property; or 4) the use of the property to fulfill an enforceable obligation. The plan shall separately identify and list properties in the trust dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation. With respect to the use or disposition of all other properties, all of the following shall apply:
- a. If the plan directs the use or liquidation of the property for a project identified in an approved redevelopment plan, the property shall transfer to the city, county, or city and county.
 - b. If the plan directs the liquidation of the property or the use of revenues generated from the property, such as lease or parking revenues, for any purpose other than to fulfill an enforceable obligation or other than that specified in the bullet directly above, the proceeds from the sale shall be distributed as property tax to the taxing entities.
 - c. Property shall not be transferred to a successor agency, city, county, or city and county, unless the LRPMP has been approved by the Oversight Board and DOF.

The Successor Agency prepared and submitted a Long-Range Property Management Plan (“LRPMP”) to DOF on August 15, 2013. However, on March 19, 2014 the DOF sent a letter (Attachment A) denying the approval of the LRPMP and recommended various changes to the plan concerning the disposition and use of real property assets of the former redevelopment agency. A LRPMP Property Inventory Data Worksheet with maps has been prepared and will be submitted to the DOF as the LRPMP. A summary of the 23 parcels owned by the former redevelopment agency is included below and depicted in Attachment B.

Property Type	# of Parcels	Proposed Use/Disposition	# of Parcels
Vacant/Development	3	Sale of Property	16
Park/Open Space	7	Governmental Use	7
Parking Lot	13		
TOTAL	23	TOTAL	23

Parks and Open Space (Government Use Sites)

Open Space Preserve Parcels (4 parcel)

The four vacant parcels are all designated as Open Space Preserve. Three (3) of the parcels are located within the Bayfront Master Plan area are recommended to be transferred to State of California and administered under the Trust for Public Lands by the Port of San Diego (Exhibit “A”).

File#: 14-0260, Item#: 5.

The one (1) remaining parcel is located in Otay Valley Regional Park, and we would recommend the Successor Agency maintain ownership of this site as this site is contaminated and the liability should not be transferred to the City (Exhibit “B”).

Park-Memorial Park (1 parcel)

The one parcel is designated as park land and is part of Memorial Park and contains the City’s Historical Museum. This parcel is located at 360 Third Avenue. It is recommended that this be transferred to the City to be maintained as a park (Exhibit “C”).

Park-Bay Boulevard Park (2 parcels)

These two parcels that are designated as park land are part of Bay Boulevard Park. These are located at 999 F Street. It is recommended that these be transferred to the City to be maintained as a park (Exhibit “D”).

Sale of Property (Vacant lots)

Vacant-Development Parcels (3 parcels)

One parcel located on the corner of Third Avenue and E Street is identified as 201 Third Avenue and is zoned to allow a mixed use development on the site. The Successor Agency has received an unsolicited offer to purchase. Staff is recommending that this parcel be sold (Exhibit “E”).

Two other parcels located in the Bayfront Master Plan area west of Interstate 5 and adjacent to the Discovery Center Parking lot are zoned to allow up to 120,000 square feet of commercial/office development on the site. The Successor Agency has received an offer to purchase these two parcels, based on an appraisal prepared in April 2013 by an MAI appraiser. Staff is recommending that these two parcels be sold (Exhibit “F”).

Sale of Property (Parking lots- 13 parcels)

The majority of parcels owned by the former redevelopment agency are utilized as public parking lots, and some of those parcels are adjacent to City-owned parcels that together comprise one public parking lot. For example, lot 8 (North of F Street on Church Avenue) is comprised of 4 parcels. Two parcels are owned by the former redevelopment agency and two parcels are owned by the City.

Parking District Acquisition (5 parcels):

Staff would recommend the City consider acquiring, through the parking district fund, the following parcels located in lots #3 and #8 (Exhibit “G”). These parcels are integrated into the overall parking lot and to sell these parcels to a private entity would impact the usability of these parking lots. The lots have a combined estimated value of approximately \$250,000 dollars. However, no appraisals have been prepared for these parcels which will need to be done if the City desires to acquire these

File#: 14-0260, Item#: 5.

sites.

Parking lot #8

Property 13 -281 Church Avenue 568-162-08-00

Property 14 -287 Church Avenue 568-162-09-00

Parking lot #3

Property 15 -281-283 Landis Avenue 568-152-02-00

Property 16 -285-287 Landis Avenue 568-152-03-00

Property 17 -311 F Street 568-152-29-00

Parking Lots to sell (8 parcels)

The remaining parcels make up parking lots #6, #7 and #11 and they represent approximately 127 parking spaces or approximately 10% of the 1200 total available spots in the District (Exhibit "H"). Staff is not recommending the City consider purchasing these lots primarily due to the availability of funds necessary to acquire these sites. In addition, these sites may be attractive acquisitions by the adjoining property owners to provide parking for the tenants and customers.

Department of Finance Position on Public Parking Lots

At the July 16, 2013 Successor Agency meeting staff informed the Agency that the State of California modified its definition of governmental use to exclude public parking lots not associated with a public building (e.g. City Hall, Police State, and Library) from AB 1x 26 to AB 1484. Other Successor Agencies had requested that public parking lots be redefined as governmental use, and the State continues to maintain its position requiring Successor Agencies to sell public parking lots unless it can be proven that these assets were purchased with restricted funds. Our review of the purchase history for those parcels indicated that restricted funds were not used. However, because of the public purpose of these parking lots staff presented our position to the DOF that these parcels should be transferred to the City to be maintained as public parking.

On March 19, 2014 the DOF sent a letter denying the Successor Agencies request, upholding their position that these lots do not qualify as a governmental use. The Dissolution Act does not provide for a meet and confer process to address this issue so either the Successor Agency accepts the decision of DOF or is left to sue the State of California in an attempt to maintain these parking lots. Staff recommends complying with the findings of DOF and resubmitting the attached LRPMP to the

File#: 14-0260, Item#: 5.

State for approval.

Submission of the revised long Range Property Management Plan to the DOF is contingent upon any decision by the Successor Agency to authorize initiation of litigation against the Department of Finance because of its denial of the original LRPMP. If the Successor Agency authorizes litigation, then the City Manager, in his capacity as Executive Director of the Successor Agency, may withhold submission of the revised LRPMP, as may be required or approved by the City Attorney (as counsel for the Successor Agency), to the Oversight Board and DOF.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and has found that Councilperson Mary Salas has property holdings within 500 feet of the boundaries of the parking lots which are the subject of this action. Councilperson Salas does not have property holdings within 500 feet of the remaining property that are the subject of this action. Staff is not independently aware, nor has staff been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact to General Fund.

ONGOING FISCAL IMPACT

There is no on-going fiscal impact as a result of this action since the city currently maintains the parks and any recommendation to purchase any of the parking lot parcels would be considered under a separate action after DOF approval of the LRPMP.