



OFFICE OF THE EXECUTIVE DIRECTOR

65 Civic Avenue

Pittsburg, California 94565-3814

DATE: September 25, 2014

TO: Chair and Agency Members

FROM: Joe Sbranti, Executive Director

RE: Adoption of an Oversight Board Resolution Approving the Successor Agency for the Redevelopment Agency of the City of Pittsburg's Revised Long Range Property Management Plan

EXECUTIVE SUMMARY

The Successor Agency for the Redevelopment Agency of the City of Pittsburg (Successor Agency) has prepared a revision of its long range property management plan (Revised LRPMP), as requested by the California State Department of Finance (DOF), for the disposition of Successor Agency properties (Properties).

FISCAL IMPACT

There is no fiscal impact from the adoption of the Revised LRPMP. Staff anticipates costs such as closing costs, real estate professional's commission, and any other costs associated with the eventual disposition of the Properties.

RECOMMENDATION

Oversight Board to the Successor Agency (Oversight Board) adopt the Resolution and approve the Revised LRPMP. Upon receiving Oversight Board approval, staff will then submit the Revised LRPMP to the DOF.

BACKGROUND

On June 29, 2011, the Governor signed into law ABx1 26 (AB 26), also referred to as the "Dissolution Act" which automatically suspended redevelopment activities and on December 29, 2011, the California State Supreme Court upheld the provisions of AB 26, thereby dissolving all redevelopment agencies on February 1, 2012.

On May 24, 2012, staff conducted a presentation to the Oversight Board whereby the Properties were reviewed.

On June 27, 2012, the Governor signed into law budget trailer bill AB 1484. Section 34191.1 of AB 1484 requires a successor agency to receive a finding of completion (Finding) by the DOF pursuant to 34179.7 before a successor agency submits its long range property management plan for consideration. Section 34179.7 requires a successor agency to make full payment of the amount owed as reported by the county auditor-controller and when the demanded amount is satisfied, the DOF will issue a Finding.

Section 34191.5 requires a successor agency to prepare a long range property management plan that addresses the disposition and use of the real properties of the former redevelopment agency. The long range property management plan shall be submitted to the Oversight Board and DOF for approval no later than six months after the Finding has been issued to the successor agency by the DOF.

Section 34191.3 states that if the DOF has not approved the long range property management plan by January 1, 2015, subdivision (e) of Section 34177 and subdivision (a) of Section 34181 shall be operative with respect to the successor agency. These sections govern the process by which property may be disposed. This date was later extended to January 1, 2016, pursuant to AB 1963.

On October 15, 2012, the Successor Agency adopted Resolution 12-007, approving the Successor Agency's original long range property management plan (Original LRPMP) and November 8, 2012, the Oversight Board adopted Resolution 12-013OSB, approving the Original LRPMP. Resolution 12-013OSB was submitted to the DOF on November 15, 2012.

On December 20, 2012, the Successor Agency and the City of Pittsburg received a court judgment in its favor versus the Auditor Controller of Contra Costa County, the DOF, and the State Board of Equalization, satisfying the requirement of payment in Section 34179.7.

On August 26, 2013, the Successor Agency received its Finding; thereby satisfying the requirements of Section 34191.1.

The DOF rejected the Original LRPMP in a letter dated May 14, 2014 (DOF Letter). The rejection was based on three statements:

- "Finance denied property transfers made in July 2012 to the City of Pittsburg, as identified in the Other Funds and Accounts Due Diligence Review totaling \$11,477,746, in a letter dated August 2, 2013. These properties should be included in the LRPMP pursuant to HSC Section 34191.5."
- "According to the Contra Costa Assessor's Office, property located at 2020 Railroad Avenue, identified by Assessor Parcel Number (APN) 086-100-032, is owned by the Successor Agency. However, this property was omitted from the Original LRPMP. This property should be included in the Original LRPMP pursuant to HSC section 34191.5."

- “The Agency did not address the advancement to the Agency’s planning objectives, nor did the plan address previous development proposals and activity of the properties identified on the plan.”

SUBCOMMITTEE FINDINGS

Not Applicable

STAFF ANALYSIS

The Successor Agency responded to the rejection letter on June 23, 2014 and asked the DOF for reconsideration of its decision to reject the Original LRPMP. In the letter, the Successor Agency’s responses were:

- The Oversight Board approved Resolution 12-009 OSB on June 28, 2012 and submitted the resolution to the DOF on July 5, 2012. Pursuant to Resolution 12-009 OSB, the Successor Agency transferred various governmental use properties to the City of Pittsburg as permitted under California Health and Safety Code Section 34181(a) of AB 26. The DOF did not request a review of the Oversight Board action, and therefore, Resolution 12-009 OSB is deemed approved under Health and Safety Code Section 34179(h). DOF claims in the DOF Letter that it denied these transfers in its letter of August 2, 2013. However, in the same August 2, 2013 letter, DOF admits that it did not review this Oversight Board Resolution. Therefore, since the Successor Agency fully complied with AB 26 and AB 1484 (Dissolution Law), the transfer of the governmental use properties have already been deemed approved under the Dissolution Law. Therefore, there is no reason for the Successor Agency to have included governmental use properties in its Original LRPMP. Furthermore, DOF has not cited any legal basis for its request for a second review of these governmental use properties.
- The property located at 2020 Railroad Avenue was deeded to the State of California pursuant to grant deed (a copy of which was submitted to the DOF in the June 23, 2014 response letter), which was recorded in the Official Records of Contra Costa County as Document No. 2008-0267654-00 on December 12, 2008. The State constructed the Richard E. Arneson Justice Center on the property, which has now been occupied by Contra Costa Superior Court, a satellite courthouse of Contra Costa County, since November 15, 2010, long before the passage of the Dissolution Law.
- The Original LRPMP includes a spreadsheet that provides the information required by statute to be included in the long range property management plan. After several e-mail exchanges between DOF and staff, an excel version of the spreadsheet was sent to the DOF on August 1, 2013. The DOF had a considerable amount of time to request further information from the Successor

Agency if the DOF believed that the information provided was insufficient. However, since all of the properties identified in the Original LRPMP are listed for sale, it is unclear why additional information would be relevant. The Successor Agency did not request that any of these properties be transferred to the City for further development. Since these properties are listed for sale, the future use of the properties will be determined by the future purchasers, not by the Successor Agency.

The DOF reconsidered and responded on July 18, 2014. The DOF is maintaining its stance on the first and third reasons for rejection. After reviewing a copy of a grant deed which shows the courthouse property transfer to the State, the DOF agreed with the Successor Agency in that the property no longer belonged to the Successor Agency.

While the Successor Agency waited for its Finding from the DOF, staff prepared the Original LRPMP, presented it to the Successor Agency and Oversight Board for consideration and approval and submitted to the DOF in an effort to expedite the submittal and review process. Due to the Successor Agency's large debt service obligation and reduced redevelopment property tax trust fund (RPTTF) caused by declining property values, the Successor Agency was and still continues to be unable to pay the pass through entities and any other obligation that remained. The Successor Agency plans to use the sales proceeds from the disposition of the Properties to pay its financial obligation.

As a result of the DOF's decision to reject the Original LRPMP, the pass-through entities will still not be able to receive any funds due to them. Interest continues to accrue on these pass-through payments until all past due payments have been paid.

In addition, there are several Successor Agency owned properties that are currently subject to advanced blighting issues and are delinquent on property taxes. The County has indicated that these tax defaulted properties are now subject to foreclosure due to non-payment of property taxes for the past two years. If the County were to foreclose on these properties, the taxing entities, the Successor Agency, and the State would lose potential revenues.

In order to comply with DOF's request, the Successor Agency revised the Original LRPMP. The first phase of the Revised LRPMP is to place on the market the properties that have the highest potential for immediate disposition for the following reasons:

- Not encumbered by a lease or loan.
- No known contamination.
- Location
- Size

To minimize a "fire sale" phenomenon, which decreases property values of the surrounding neighborhood, disposition of properties may be completed in phases. By disposing of properties in phases, the Successor Agency may take advantage of private

investments occurring in the surrounding neighborhood, thereby increasing property values.

The Revised LRPMP, upon approval by the Successor Agency and the Oversight Board will be submitted to the DOF.

Attachments: Resolution
 Revised Long Range Property Management Plan
 Checklist

Joe Sbranti, Executive Director

Report Prepared By:

Maria M. Aliotti, Development Manager