

Lompoc Successor Agency

TO THE DISSOLVED LOMPOC REDEVELOPMENT AGENCY

Successor Agency Agenda Item

Meeting Date: January 20, 2015

TO: Patrick Wiemiller, Executive Director

FROM: Linda R. Wertman, Redevelopment Program Coordinator
l_wertman@ci.lompoc.ca.us

SUBJECT: Approve and Authorize Submittal of the Revised Long-Range Property Management Plan and Draft Oversight Board Resolution No. OB 21(15) to the Successor Agency's Oversight Board

Recommendation:

Staff recommends the Successor Agency approve and authorize submittal of the Revised Long-Range Property Management Plan (LRPMP) (Attachment 1) and draft Resolution No. OB 21(15) adopting the LRPMP per Health and Safety Code (HSC) Section 34191.5 (Attachment 2) to the Successor Agency's Oversight Board for approval.

Background/Discussion:

Pursuant to HSC section 34191.5, within six months after receiving a Finding of Completion from the Department of Finance (DOF), the Successor Agency is required to submit for approval to the Oversight Board and DOF, a LRPMP that addresses the disposition and use of the real properties of the former Lompoc Redevelopment Agency. The Successor Agency received a Finding of Completion from the DOF dated June 7, 2013. The State passed Assembly Bill 1963 extending the deadline for approval of the LRPMP to January 1, 2016, and suspended the forced property sale provisions of HSC subsections 34177(e) and 34181(a).

The LRPMP shall include the following:

1. An inventory of all properties in the Community Redevelopment Property Trust Fund, which was established to serve as the repository of the former Lompoc Redevelopment Agency's (Agency) real properties. The inventory shall consist of all of the following information:
 - a) The date of the acquisition of the property, the value of the property at that time, and an estimate of the current value of the property.

- b) The purpose for which the property was acquired.
 - c) Parcel data, including address, lot size, and current zoning, inclusion in the former Agency redevelopment plan or specific, community, or general plan.
 - d) An estimate of the current value of the parcel including, if available, any appraisal information.
 - e) An 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) The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.
 - g) A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.
 - h) A brief history of previous development proposals and activity, including the rental or lease of property.
2. Address the use or disposition of all of the properties in the Community Redevelopment Property Trust Fund. Permissible uses include the retention of the property for governmental use pursuant to HSC subsection 34181(a), the retention of the property for future development, the sale of the property, or the use of the property to fulfill 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, 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 initial LRPMP was approved by the Successor Agency's Oversight Board on September 16, 2013, and submitted to the DOF for review and approval on September 26, 2013. Successor Agency staff received an email from the DOF on February 19, 2014, that the current use of the Successor Agency lots for public parking did not comply with the DOF's interpretation of the definition of governmental use as

referenced in HSC subsection 34181(a). DOF suggested the Agency amend the plan and consider an alternative permissible use such as the sale of property, or to retain the property for future development.

In order to achieve the transfer of the parking lots to the City of Lompoc, the Successor Agency has chosen to amend the plan and utilize the alternative permissible use of retaining the properties for future development. These properties were initially purchased and assembled for the purpose of providing parking for a hotel development proposed for the Ocean Avenue site, so this use is consistent with the original purpose of the assembly of these parcels.

On July 8, 2014, agency staff requested direction from the DOF on the process the Agency would need to follow in order to release the Agency's \$700,000 loan and lien on the Lompoc Theater. The DOF executive staff concluded that the LRPMP should include any properties the Agency has financial interest in (Deeds of Trust that secure loans). The Agency currently has two loans secured by real property, the \$700,000 Lompoc Theater loan and the \$150,000 combined commercial rehabilitation and commercial façade loans to Sanchez Properties, LLC, which is currently making monthly payments as part of a workout ordered by the Bankruptcy Court. The Sanchez loan funds reduce the amount of Community Redevelopment Property Tax Trust Fund (RPTTF) required by the Agency for enforceable obligations/administrative cost.

The DOF also concluded they did not believe they could approve the release of the lien on the theater and still be in compliance with HSC subsection 34177(f), which states the Successor Agency has to enforce all former Redevelopment Agency (RDA) rights for the benefit of the taxing entities. The DOF added that they believed the only way the Successor Agency could terminate the lien on the Theater would be if the Oversight Board made a finding that doing so would be in the best interest of the taxing entities and would reduce liabilities/increase net revenues (HSC subsection 34181(e)).

Agency staff compiled the necessary information to build a compelling case that, in fact, the release of the lien would be in the best interests of the taxing entities. Staff worked directly with the appraisal team at Reeder Gilman & Associates and Fred Schott, a structural engineer familiar with the structural integrity and condition of the building. The result of the analysis of the fair market value of the building, in light of its poor condition and the extensive work required to repair it, was an appraisal concluding the fair market value of the property is negative -- \$-100,000 (Attachment 3). Agency staff also prepared a history of the project and compiled documentation, including the appraisal, for a consultant hired by the City to use in discussions with the DOF in order to present the City's position and persuade the DOF to allow the release of the Lompoc Theater loan and lien on the theater and parking lot property, for a nominal consideration (\$1). The consultant's discussion with the DOF indicated that for the DOF to approve the release there must be a nominal consideration made in exchange for the SA Deed of Trust. With that direction, the DOF indicated they could approve the LRPMP.

Fiscal Impact:

There is no direct fiscal impact to the Successor Agency by approving and authorizing the submission of the LRPMP to the Oversight Board of the Successor Agency. There is a fiscal impact, likely moderate, for the cost of staff time to prepare and develop the LRPMP.

If the DOF or the Oversight Board denies the transfer of the parking lots to the City for economic development purposes as requested, then the economic impact would likely be shouldered by the City of Lompoc, Old Town businesses, commuters, and Lompoc residents that may not see the economic revitalization that a new development could bring to the Old Town area. However, the DOF has indicated in their initial review of the LRPMP in 2013 their acceptance of transferring the parking lots to the City for economic development purposes after denying the request to transfer the parking lots to the City for governmental use. Discussions between the City consultant and DOF also indicate support for the transfer of the parking lot properties to the City with the intent for future development and negotiation of compensation agreements with the taxing entities.

If the DOF or the Oversight Board denies the release of the lien, in exchange for a nominal consideration (\$1), on the Lompoc Theater property, then the fiscal impact to the Successor Agency would likely be minimal as the property would be sold by the County of Santa Barbara for delinquent taxes. If the Successor Agency were to foreclose on the deed of trust, rather than release it, then the Successor Agency would be faced with having to either (a) find a buyer for the property in its current dilapidated condition, or (b) incur costs to stabilize and/or demolish the building prior to selling the property. Neither alternative is likely to result in revenues that would benefit the taxing entities. It is unlikely the Successor Agency would be able to find a buyer for the property in its current condition. Further, the Successor Agency's only source of funding to repair or to demolish the building is RPTTF and it is highly doubtful DOF would allow the Successor Agency to have the necessary funds. The only route likely to produce revenues for the taxing entities at any point would be to release the lien for a nominal sum, allow LHCDL to transfer the property to a third party that proposes to restore the theater, and await a higher assessed valuation after restoration of the building that may result in increased property tax revenues.

Conclusion:

The Oversight Board approval of the LRPMP, documented by Resolution, is required before the LRPMP is submitted to the DOF, which is the final approving agency. The Oversight Board is scheduled to consider the approval of the LRPMP on Friday, January 23, 2015, at 10:00 a.m. in Council Chambers.

The LRPMP describes the 13 parcels that comprise the Old Town Commercial parking lots. The Successor Agency is requesting that the properties currently held in the RPTTF be transferred to the City of Lompoc for future development.

When considering the transfer of the properties to the City of Lompoc, it is important to note that if future development is proposed, the LRPMP needs to state the Agency's intention to reach a compensation agreement with the taxing entities. An executed compensation agreement does not need to be in place before the LRPMP is submitted to DOF. If no agreement is reached between the City and the taxing entities, the transfer value will be the fair market value as of the 2011 property lien date per HSC subsection 34180(f). Upon notification of the DOF's approval of the LRPMP, the Successor Agency could begin the process of releasing the lien on the Lompoc Theater.

Respectfully submitted,

Linda R. Wertman
Redevelopment Program Coordinator

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Teresa Gallavan, Economic Development Director/Assistant City Administrator

APPROVED FOR SUBMITTAL TO THE SUCCESSOR AGENCY:

Patrick Wiemiller, Executive Director

- Attachments: 1) [Long-Range Property Management Plan](#)
2) [Draft Resolution No. OB 21\(15\)](#)
3) [2014 Property Appraisal for Lompoc Theater](#)