



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: WRAG 17-260, **Version:** 1

- a. Approve a Compensation Agreement regarding the proposed transfer of property at 300 Pacific Street, Monterey, CA from the City of Monterey Successor Agency to the City of Monterey; and
- b. Authorize the County Administrative Officer to sign the Compensation Agreement on behalf of the Monterey County Water Resources Agency.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Supervisors:

- a. Approve a Compensation Agreement regarding the proposed transfer of property at 300 Pacific Street, Monterey, CA from the Successor Agency of the City of Monterey Redevelopment Agency to the City of Monterey; and
- b. Authorize the County Administrative Officer to sign the Compensation Agreement on behalf of the Monterey County Water Resources Agency.

SUMMARY/DISCUSSION:

This agreement is submitted to the Monterey County Water Resources Agency Board of Supervisors pursuant to a request by the City of Monterey as their approval process. The City of Monterey is requesting that all affected taxing entities approve the agreement to fulfill State requirements for the transfer.

The Compensation Agreement (Agreement) will facilitate the transfer of the Hotel Pacific property at 300 Pacific Street, Monterey, from the Successor Agency to the City of Monterey. The Agreement acknowledges that the property will be transferred with no requirement for the distribution of funds by the City. The transfer is consistent with the Successor Agency's Long Range Property Management Plan and will generate no proceeds.

As a result of the federal funding that facilitated acquisition and development of this property, the property (or proceeds from its disposition) must be devoted to urban renewal purposes within the City of Monterey. Therefore, there will be no distribution as property tax to local taxing entities.

Background:

The Redevelopment Dissolution Act (AB 1x 26 and AB 1484) and ensuing court actions, eliminated all redevelopment agencies in the state on January 31, 2012 and established procedures for disposing agency assets. Disposition of redevelopment agency real property is one of the requirements. In many cases the Successor Agency is required to distribute resultant proceeds from the disposition of property as property tax to local taxing entities. In cases where the Successor Agency proposes to transfer property to the city that created the redevelopment agency to further redevelopment that is consistent with the city's redevelopment plan, the successor agency is required to negotiate and obtain a compensation agreement.

The compensation agreement acknowledges the transfer will generate no proceeds and there will be no distribution as property tax to local taxing entities. This is true because the conditions of the urban renewal grant through which the Hotel Pacific was developed requires that all proceeds from the disposition of the Property be used by the City as program income under 24 C.F.R. §579.901, §570.506. Therefore, all proceeds generated from the disposition of 300 Pacific Street are restricted for use under contracts and laws that pre-dated

the dissolution of redevelopment agencies in the State of California and cannot be distributed to other taxing entities.

The proceeds generated from the property limit their use to activities that meet one of U.S. Department of Housing and Urban Development (HUD) national objectives, which require not less than 70 percent of the funds to be used for activities that benefit low and moderate-income persons and are eligible Community Development Block Grant (CDBG) expenditures. Examples of activities that are supported by Hotel Pacific proceeds include: rental assistance programs, legal services for seniors, motel vouchers for emergency shelter, and housing rehabilitation grants and loans to low-income homeowners who would otherwise be unable to maintain their homes in a safe manner.

Property Summary:

The property at 300 Pacific Street was assembled by the City of Monterey Urban Renewal Agency using U.S. Department of Housing and Urban Development (HUD) Urban Renewal Funds and developed pursuant to a ground lease as a hotel. The lease terminates December 31, 2058. The hotel is the Hotel Pacific. It was completed in 1986. In accordance with HUD requirements all current and future proceeds generated from the property shall be treated as Community Development Block Grant (CDBG) program income and solely used to support CDBG eligible activities. Consistent with this requirement all rent revenue earned under the lease is applied to the City's CDBG programs. In Fiscal Year 2015-2016 the Hotel Pacific lease generated over \$300,000 in ground rent.

The December 22, 2015, Department of Finance approval of the Successor Agency's property disposition plan for 300 Pacific Street authorizes assignment of the ground lease and transfer of the property to the City. The disposition plan allows the City to use the funds according to the restrictions and continue to fulfill the contractual obligations of the City's former Redevelopment Agency related to the property. This transfer also conforms to Redevelopment Agency Dissolution Act statutes, Abx1 26 and AB1 1484. As a transfer of property to be retained for future development.

Under the approved long range property management plan, the assignment of the ground lease does not require execution of the compensation agreement. The assignment is authorized pursuant to Ground Lease Condition 1.C and it is already in process. Ground Lease Condition 1C states:

"Succession by City of Monterey. The Agency may assign all right, title and interest in this lease to the City of Monterey. In said event, or in the event the Agency is terminated by Action of law, the City shall automatically succeed to all right title and obligation under this lease, and this lease shall be deemed amended by substituting the word "City" wherever the word "Agency" appears." Transferring the fee title to the property to the City is the final disposition step and one of the last tasks of the Successor Agency.

OTHER AGENCY INVOLVEMENT:

The Board of Directors of the Monterey County Water Resources Agency recommended approval of the conveyance as recommended in this report. County Counsel concurs with the recommended action.

FINANCING:

There is no impact to the general fund. The property in question is publicly owned.

Prepared by: Nicholas E. Chiulos, Assistant County Administrative Officer

Approved by: _____
David E. Chardavoyne, General Manager, (831) 755-4860

Attachments:

1. Agreement
2. Board Order