Creating a Brighter Future

Property Disposition Management Strategies & Policy Issues

Workshop Objectives

AB 1484 offers an opportunity! At this workshop, we will discuss:

- Making the best of AB 1484 – by creating community benefit
- How to create long range property management plans in an orderly way (without chaos!)
- San Leandro's success in creating true value for all stakeholders
- What each of the agencies in this workshop are doing to get started on their property management plans

Legal and Legislative Update

Jack Nagle, Goldfarb & Lipman
**Legislation Affecting Post-Redevelopment Property Disposition**

**ABx1 26**
- June 2011
- Dissolves each redevelopment agency (RDA) and sets rules for unwinding of RDA assets/affairs

**AB 1484**
- June 2012
- Provides “clean-up” and revises various ABx1 26 RDA unwind procedures

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**ABx1 26 Key Provisions Affecting RDA Properties**

Each RDA dissolved as of February 1, 2012

Successor Agency and Oversight Board established to unwind each dissolved RDA

Most RDA assets transferred to Successor Agency for disposition/liquidation

“Housing Assets” of RDA transferred to separate Housing Successor for continued affordable housing activities

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**ABx1 26 Key Provisions (continued)**

Successor Agency to fulfill “enforceable obligations” of RDA

General objectives of RDA unwind process:
- Expeditiously pay enforceable obligations to free-up former redevelopment “tax increment” for distribution to taxing entities
- Expeditiously liquidate RDA assets to provide proceeds for distribution to taxing entities
ABx1 26 Key Provisions (continued)

- Specific objectives/procedures under ABx1 26 for Successor Agency regarding real property received from dissolved RDA:
  - Dispose “expeditiously and in a manner aimed at maximizing value”
  - Under “direction” of Oversight Board

ABx1 26 Key Provisions (concluded)

- Exceptions to general requirement for RDA real property liquidation:
  - Property that is a “housing asset” is transferred to Housing Successor – not Successor Agency – for affordable housing activity
  - Certain “governmental purpose” property may be retained for that purpose with specified compensation
  - Property subject to an enforceable obligation to be used in fulfillment of that obligation

AB 1484 Key Provisions Affecting RDA Properties

- Definition/standard for “housing asset” real property

- Successor Agency payment obligations for benefit of taxing entities:
  - RDA share of 2011-12 pass-through payments
  - July 12, 2012 “residual balance” payment of December 2011 tax increment
  - Unobligated balances from RDA housing fund and other funds
AB 1484 Key Provisions (continued)

Department of Finance (DOF) issues a “Finding of Completion” when payment obligations are met.

Benefits from Finding of Completion:

• Possible re-validation of currently invalid Host Community/RDA loan agreements
• Possible ability to spend un-expended pre-2011 bond proceeds
• Possible flexibility for disposition/use of real property transferred from RDA

AB 1484 Key Provisions (concluded)

Within six (6) months of receiving a Finding of Completion, Successor Agency prepares/submits a “long-range property management plan” (Plan).

Upon Plan approval by Oversight Board and DOF, former RDA real property transferred to a Community Redevelopment Property Trust Fund of Successor Agency for use in accordance with Plan.

Property designated for an approved redevelopment plan use can be transferred from Successor Agency to City (or County) for that purpose.

What We’re Hearing From Cities

Property disposition currently falls within three categories:
• Already done
• Almost done; caught under AB 1484
• Have not done anything yet

Most legal questions are property specific.

Issues for properties conveyed to cities and counties that may be subject to return (“claw-back”) to Successor Agency.
Optimizing Community Benefit Case Study: San Leandro Village Marketplace

Lianne Marshall & Jeff Kay, City of San Leandro

Background

- San Leandro RDA purchased a key downtown opportunity site in 2009
- Executed an Exclusive Negotiating Agreement with Innisfree Ventures in 2009
- Development plans were nearly complete when the RDA was dissolved on 2/1/12
  - Developer had Letters of Intent from tenants
- No enforceable obligation tied to the property
**Building Support**

- City staff held one-on-one briefings with each member of the Oversight Board
- Provided written materials with a rendering of the proposed project
- Focused on the community benefits of the project:
  - Downtown revitalization
  - Sales tax
  - Property tax
  - Jobs
- Focusing solely on the sales price was not in the best interest of the taxing entities

**DDA Deal Points**

- Successor Agency to sell for $2.25m
  - Previous appraisal suggested a value of $3m
- Construction completed within 24 months
- Prevailing wages required on construction
- Developer provides $500k in off-site improvements
- Developer to pay an additional $250k if a full-service restaurant is not opened within 48 months
- Quality architecture, materials and landscaping, public art and public gathering spaces
- Developer agreed to support a future PBID

**Approval of the DDA**

- DDA approved by the Successor Agency (City Council) on May 21, 2012
- Approved by OB on May 23, 2012
- Notice of these actions provided to DOF and SCO on May 23, 2012
  - No objections received
- DDA approved prior to AB 1484
Village Marketplace

- 133 new jobs in the downtown
- Estimated $8.5 million in taxable sales
- Pivotal project with quality design, outdoor dining, and long-desired tenants
- Project will create $10 million in new assessed value

Lessons Learned

1. Develop community support
   – Particularly from taxing entities
2. Define community benefit broadly
   – Jobs, sales, tax, economic development
3. Ensure that future use is consistent with community goals
   – Control timing of development (avoid land banking)
   – Control land use and design
4. Consult with title companies early

Conceptual Drawing
Opportunity Knocks!

- AB 1484 requires a long range property management plan
- Properties fall within one of four uses:
  - Governmental purpose use
  - Enforceable obligation use
  - Liquidation/maximize value of proceeds use
  - Approved redevelopment plan use
- Create community benefit by focusing on properties that comply with an approved redevelopment plan use
- Start planning now: Your final DOF payment is due April 2013

Four Guidelines for Creating Your Long Range Property Management Plan

1. Be strategic with your properties
2. Create a public-private partnership with a real estate broker or developer
3. Focus the long-range property management plan on achieving community benefits and goals
4. Integrate the property management plan with other development tools and options
Guideline #1: Be Strategic With Your Properties

- Create different strategies for different properties
- Inventory all properties
- What do you want to happen for each property – and when?
- Include a land use guideline for each property
- No need for “fire sales” – slow down and control your destiny
- Don’t just sell property to the highest bidder

Guideline #2: Create Public-Private Partnerships

Need to rely on the private market *more than ever*

Work with a trusted real estate consultant to:

- Create a plan that merges market realities with your community’s interests
- Educate and align interests of stakeholders and policy makers
- Create short-term, mid-term, and long-term plan for a property
- Understand tradeoffs between market valuation, project viability, and goals of policy leaders and other stakeholders

Guideline #3: Focus on Community Benefits

Use your land use regulation tools wisely
- General Plan
- Zoning ordinance
- Specific plans

You may be under a mandate – but you still have power to create community benefit
Guideline #4: Integrate Property Management Plan with Other Tools

- Infrastructure Financing District
- Community Facilities District (Mello-Roos)
- Business Improvement District
- Housing Density Bonus Law
- Local Business Stimulus Plan
- Specific Plan with Environmental Impact Report
- Transit-oriented development

Get Organized!

- Starts with leadership – You!
- Lead a team to create the outcomes you want – Planning, Community Development, Economic Development, Housing, others
- Get good legal counsel
- Partner with real estate broker or developer

The Importance of Private-Public Partnerships

Presented by
Dominic Dutra, Dutra-Cerro-Graden
Long Range Property Management Plan

Upon completion, your Long Range Property Management Plan should:

- Obtain plan approval from DOF
- Realize community benefit objective
- Create a plan that merges market realities with your community’s interests

So What’s Changed?

**Funding**
- Funding that allowed RDAs to realize community benefit *despite* market realities is simply not there anymore

**Control**
- Must now deal with Oversight Board and Department of Finance interests

Land Use, Funding, and Community Benefit

Alternative Land Use Analysis – “what is possible” versus “what is desirable”

Defining “value” and funding required to realize community benefit

Preferred land use for realizing community benefit

Creation of Development and Disposition Agreement (“DDA”)
Create Engagement Plan

Advocate for “Plan” with key stakeholders

Successor Agency
Oversight Board and DOF
And...don’t forget Community Stakeholders!

Real Property Matrix

Submit for Plan Approval

Community-Based Case Studies

Non-Profit Organizations
K-12 School Districts, Colleges and other Academic Institutions
Faith-Based Organizations
Local Governments and Agencies
Creating a Brighter Future Workshop

Hayward Unified School District
Eden Area ROP

Sunnyvale – Class A Office Project

Building an action plan outline:
For your strategic long-range property management plan

Jan Perkins, Management Partners
Linda Barton, Management Partners
Action Plan Outline Objective

Provide a framework for creating a Long-Range Property Management Plan that:

- Garners the approval of both the Oversight Committee and Department of Finance
- Avoids the rigid nature of ABx1 26
- Takes advantage of the flexibility in AB 1484 to realize community benefit

10 Step Overview

1. Identify city team
2. Document proposed classifications for those properties to be inventoried based on AB 1484 use categories
3. Identify the community benefits to be realized for those properties that are classified as Approved Redevelopment Plan Use
4. Conduct basic inventory of the properties
5. Develop proposed land use plan and development program alternatives, and the associated residual land value(s) for the properties
6. Establish disposition and development objectives for the properties
7. Garner community and other stakeholder support for plan
8. Create a schedule
9. Follow four key management guidelines
10. Obtain approval and implement your plan

Thank You